

Keynote address to the Fourteenth Vietnam Economist Annual Meeting (VEAM 2023)
University of Economics, Danang, Vietnam, July 26-27, 2023

Implementing a Just Energy Transition

How to spend \$15.5 billion in the next 4 years?

Minh Ha Duong, CIRED/CNRS, Paris

JETP makes us revisit:

Malthus issue

The World Order

Foreign aid and trade

Justice in public policies

The debate on economic calculation

Argument

1. Vietnam is at the dawn of its energy transition.
2. International cooperation: support and trade both help.
3. Fundmatching support and trade is not justified.
4. Just transition requires measures for workers, localities.
5. Planning needs to be market-based and adaptative.

1. Vietnam's energy transition dawn



Professor Ignacy Sachs, a pioneer of
Ecodevelopment

Limits to growth debate replies

Ecodevelopment (Stockholm 1972)

Use local resources and planning to lift the poorest.

Sustainable development (Rio 1992)

Steer growth and technical progress to leave options open.

Energy transition (Paris 2015)

Change now.

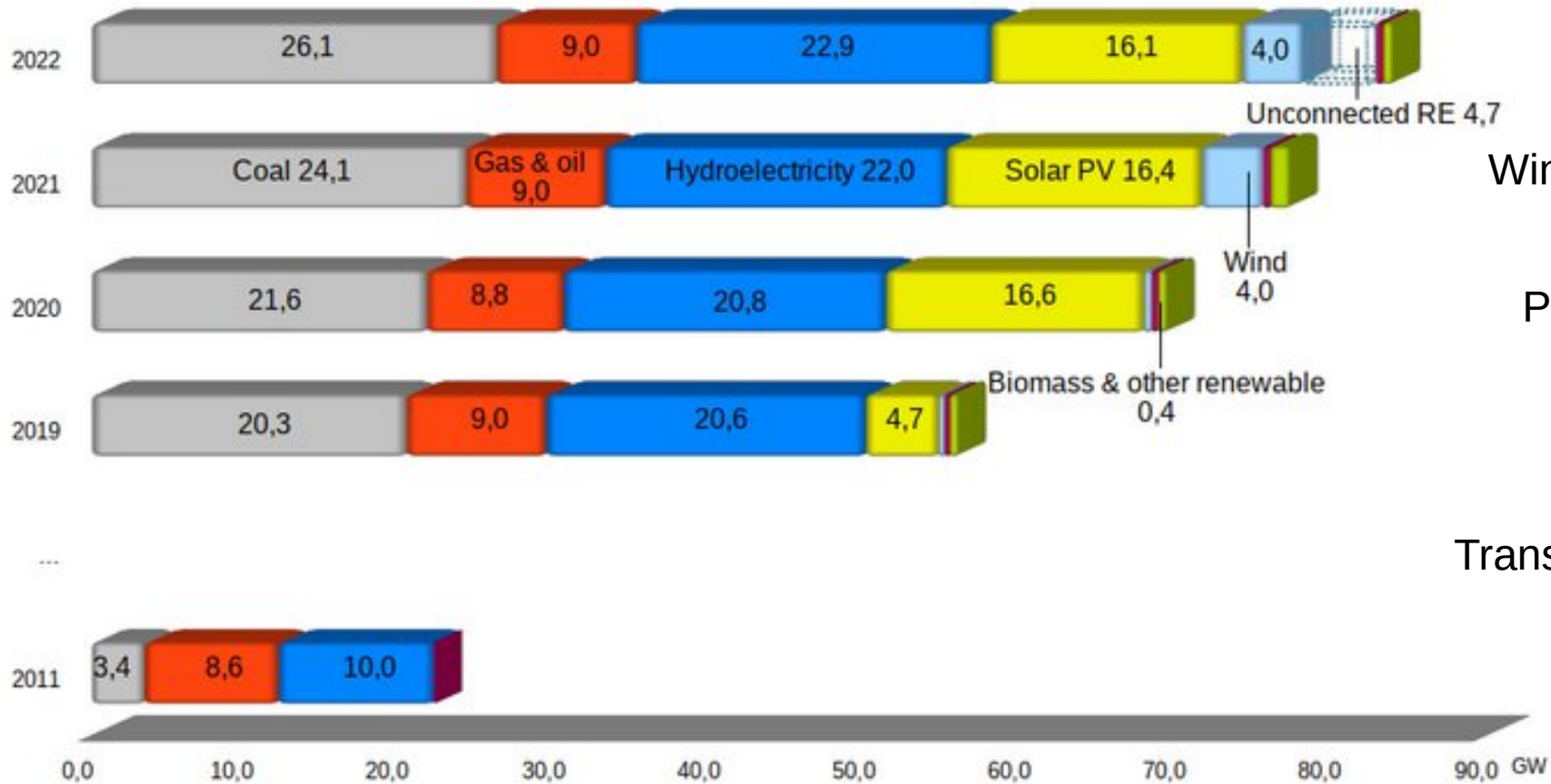
Canceled coal, built solar PV



A partially completed coal power center surrounded by new solar farms in Tuy Phong, Bình Thuận, Việt Nam. The red marker shows the empty Vĩnh Tân 3 project site. Source: Google Earth.

Ha-Duong, Minh. 2020. "Stranded assets risk derails Vietnam's plan for new coal power plants". IAAE Energy Forum 102, pp. 27–29

Sources of electricity in Vietnam



Wind too slow.

PV too fast.

Transition to coal.

2. Vietnam's open development way



Prime Minister Pham Minh Chinh and other leaders attended the COP26. Photo: VGP

Global arena: good for talking

Agreeing on common goal and transparency rules

- Worked for acid rains, ozone hole
- Carbon trading, CDM still problematic
- Call to reform global financial institutions

Coalitions are more operational

- ASEAN interministerial: towards a supergrid
- Vietnam Energy Partnership Group
- Just Energy Transition Partnership

Bilateral cooperation

is where the action is

- Capacity-building
- Technical assistance
- Official Development Assistance
- Other Official Flows



JETP: \$15.5 billion to accelerate

G7+ countries

mobilize over 3-5 years

- \$7.75 billion in public sector financing “at more attractive terms than private capital markets.”
- \$7.75+ billion from private financial institutions

Vietnam

adopts goals for 2030

- Limit coal power capacity to 30.2 GW.
- Power sector CO₂ emissions: peak at 170 Mt instead of 240 Mt in 2035.
- At least 47% of electricity from renewable sources.

3. \$ODA need not equal \$FDI

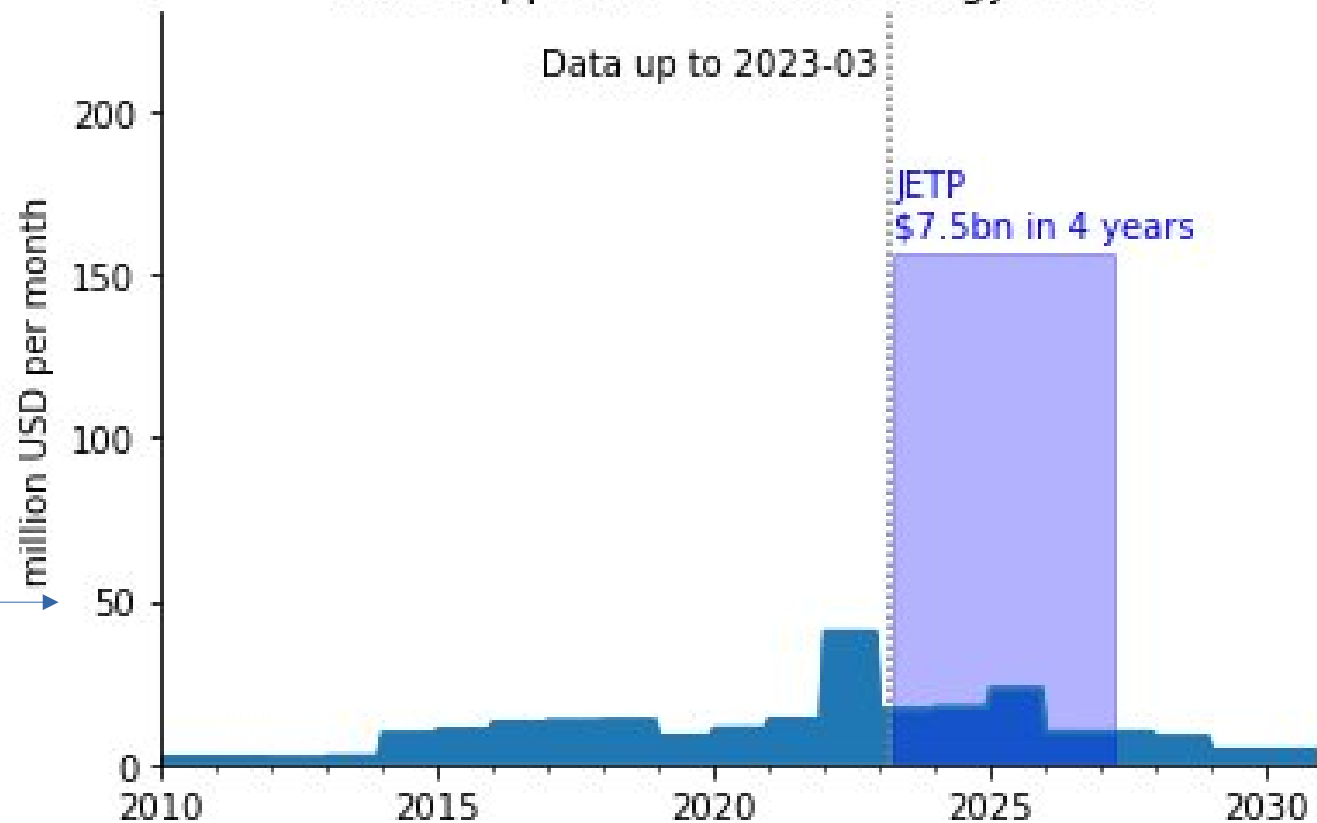


Maneki-Neko, an Asian symbol of good fortune.
Source: Wikimedia commons.

Official energy aid

VEPG support to Vietnam energy sector

Data up to 2023-03



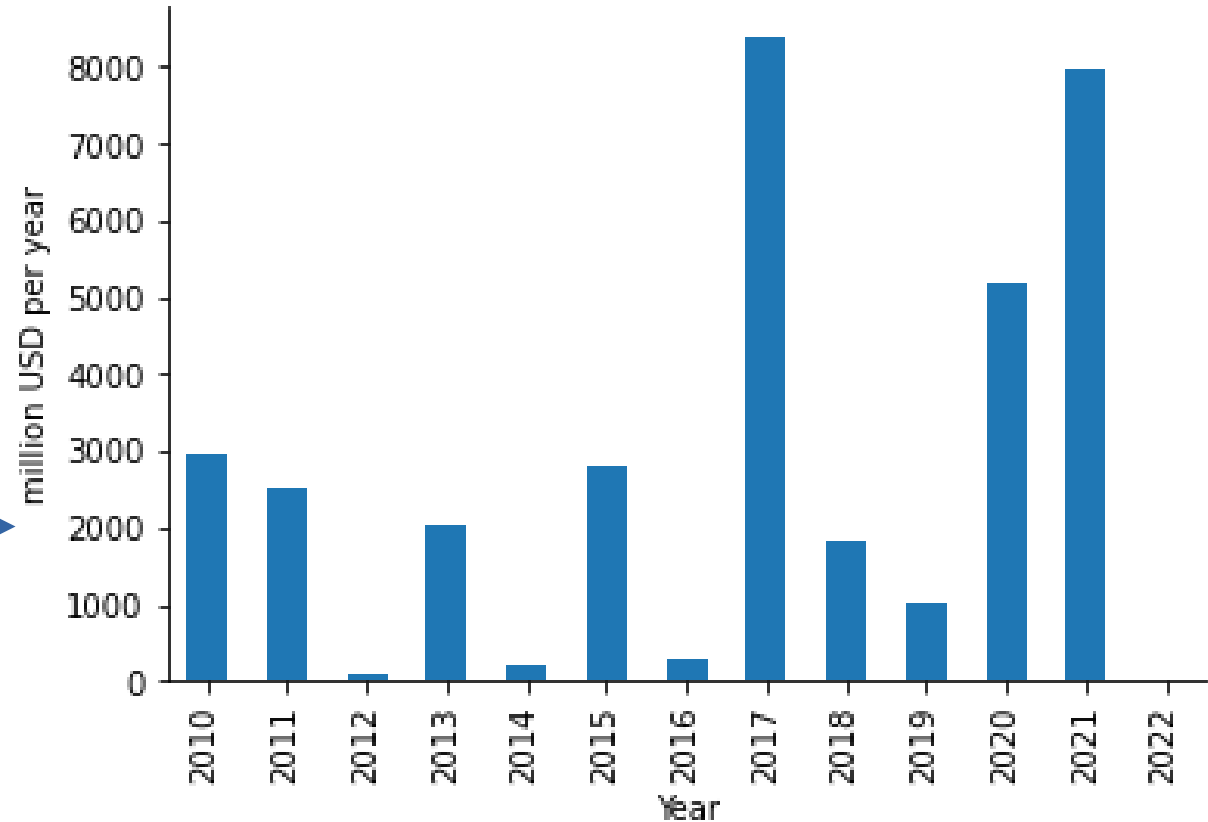
Less than

\$50 million/month

Foreign direct investment

can exceed
USD 2 billion / year

FDI in Vietnam electricity supply sector



Execution gets the political win

- Electricity markets
- Renewable energy auctions
- Electricity network financing
- Large offshore wind
- Distributed Solar PV to step into energy efficiency

Ha-Duong (2022) "A study on financial mechanisms to develop the power system in Vietnam" PetroVietnam Journal 10/2022, pp. 59–69. doi: 10.47800/PVJ.2022.10-08

4. A Just Transition

requires measures for workers and localities



Justice is an ambiguous word

- Workers and communities
- Environmental/climate/energy justice
- Change of socio-technical regime
- Governance strategy
- Perception and acceptability

South Africa early JETP report

- Electrical Situation: National Disaster
- Presidential Climate Commission: inclusive
- JETP plan: transparency concerns
- Participatory governance: demanding

Vietnam JETP specifics

- Mass organizations of the Fatherland Front ensure People's representation
- International climate justice is divisive
- Need to focus on the worker/locality perspective

5. Market-based adaptive plan



Oskar R. Lange



Friedrich Hayek

Two figures in the **debate on economic calculation** , 100 years ago

Electrical plan 8, simplified

Electricity production capacity (GW) in Vietnam	Past 2011	Latest 2020	Plan for 2030	Vision to 2050
Coal power plants	3.4	21.6	30.1	25.6 – 32.4
Gas power plants	7.4	7.4	37.2	40.3
Flexible sources using LNG/H2	-	-	0.3	30.9 – 46.2
Hydroelectricity, including small	10.0	20.8	29.3	36.0
Wind, incl. offshore for H2/NH3	-	0.5	26.9	385
Solar, including rooftop	-	16.6	20.6	180
Biomass + other renewables + cogen + interconnectors	0.05	0.9	10	21.5
Storage	-	-	2.7	37

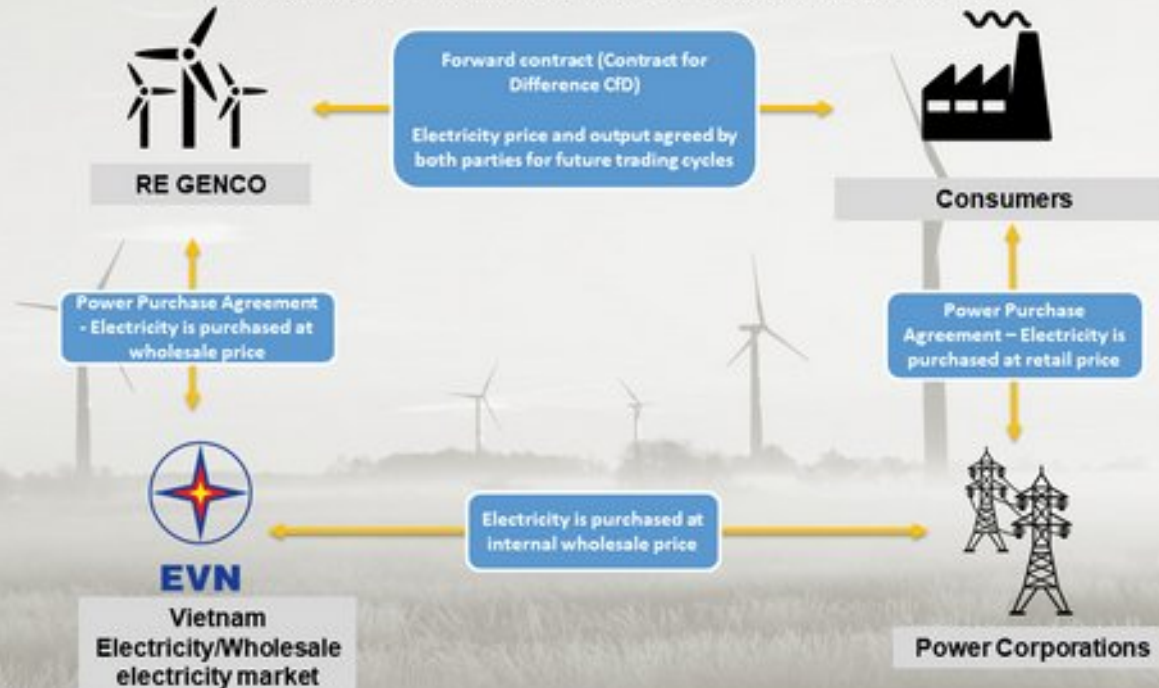
Electricity market example



EVN PECC3

Financial DPPA Model

(Following the Draft Decision on DPPA Pilot scheme of MOIT published on 9 May 2022)



Active governance with both

- *Construction plan* : List of power plants and power lines to be built
- *Roadmap* : Active governance of markets towards the planned goals, the monitoring committee adapts the trajectory.

Summary

1. Malthus: Vietnam is at the dawn of its energy transition.
2. World order: energy sector support and FDI both help ...
3. but an even split is not justified.
4. Justice: workers and localities must benefit specifically.
5. Plan or market? Both, with active governance.

Concluding remarks

JETP is a political declaration, not a pot of money

How to spend \$15.5 bn? was a red herring

JETP success is PDP8 success.