



Highlight

Fintech forecast to be robust this year, driven by the creation of regulatory sandbox

VIETNAM BUSINESS REVIEW

What's in it today?

Vol 01, Jan 06th 2021



FINANCE

VN's strong economic recovery to further take VN-Index to 1,300 in 2021

2020 not a good year for bank stock debuts

Fintech forecast to be robust this year, driven by the creation of regulatory sandbox



E-COMMERCE

Omnichannel on the rise thanks to COVID-19

Global ecommerce to grow up to 7 trillion USD in 2024



INVESTMENT

Power firms seek foreign funding as loans become expensive, hard to get

HCM City's EPZs, IPs attract over \$747.6 million in 2020



LOGISTICS

Aviation industry forecast to face a hard year in 2021

Construction of country's largest airport starts in Dong Nai Province

Logistics startup EcoTruck received an investment of 100 billion VND



RETAIL

Vietnam retail market records \$172 billion in 2020

VinShop breathes fresh air into traditional retail market



ENERGY

Rooftop solar power saw tremendous growth in 2020

US to help Vietnam develop clean energy

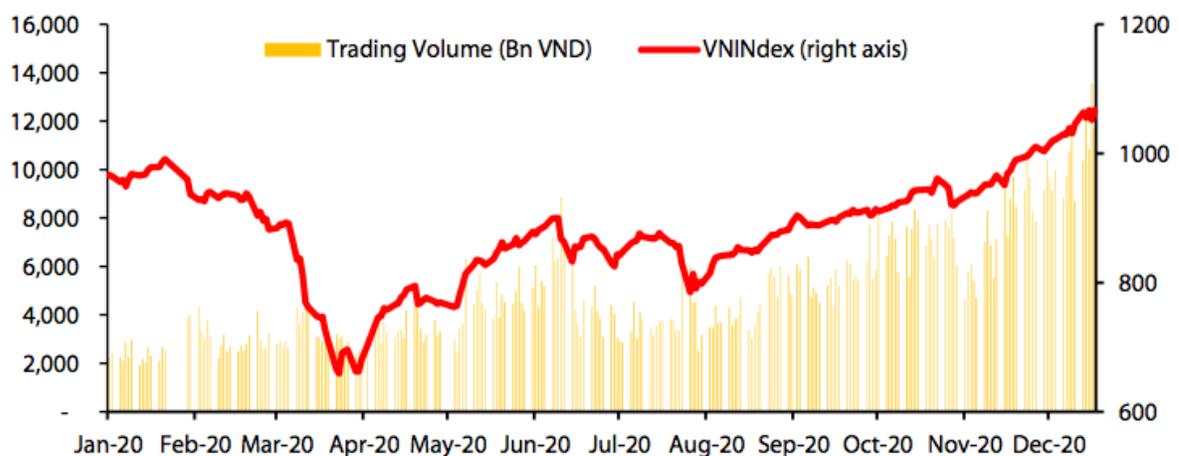
FINANCE

VN's strong economic recovery to further take VN-Index to 1,300 in 2021

The fact that interest rates are still very low, will help the local stock markets continue to be an attractive and profitable channel, thereby attracting domestic investor.

In 2021, a potential strong economic recovery with an estimated GDP growth of 6.5% by the government will be the main pillar for the market and take the Vn-Index to nearly 1,300, after having surpassed the threshold of 1,000 last year, according to Viet Dragon Securities Company (VDSC).

Figure 1. VN-Index in 2020 (as of 18/12/2020)



Source: Bloomberg, Rong Viet Securities

The Vn-Index ended the last trading session of the year at 1,103.87, posting an impressive growth of 15% from late 2019, while the average trading value hit VND7.39 trillion (US\$316.6 million), up 59% year-on-year.

“The fact that interest rates are still very low, will help the local stock markets continue to be an attractive and profitable channel, thereby attracting domestic investors,” stated the VDSC in its latest report.

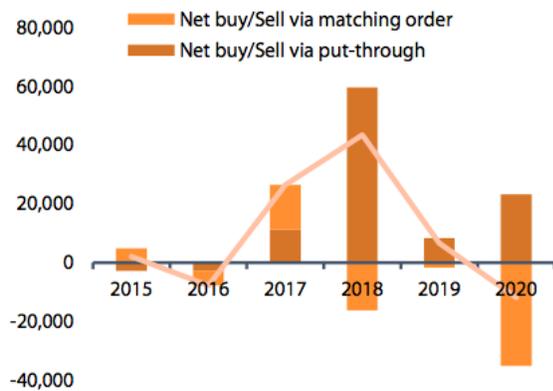
In addition, Vietnam will be appealing to foreign investors in the context that the economy of the US and other developed countries has yet to get rid of Covid-19, while Vietnam continues to enjoy rapid growth, it added.

The VDSC also referred to a potential upgrade of the Vietnamese stock market from frontier market to emerging market by MSCI and FTSE in the near term, in turn boosting global investors’ interest in the stock market.

However, the rapid rise of the market could push individual investors to use margin (which currently dominates the market), thereby escalating market risks. Another factor that investors should bear in

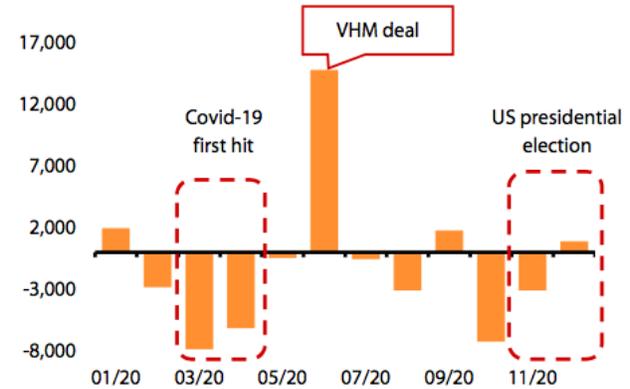
mind is that the recent US labeling of Vietnam as a "currency manipulator" would increase the risk of US tariffs on exports from Vietnam and will affect the general market sentiment.

Figure 2: Foreign trading activity (billion VND)



Source: Fiinpro, Rong Viet Securities

Figure 3: Foreign trading activity, monthly (billion VND)



Source: Fiinpro, Rong Viet Securities

Money flow turnaround from foreign investors after Covid-19

Looking back to 2020, foreign investors remained as net seller, the net selling value was even largest in the past four years. According to VDSC, the complicated situation from global factors including Covid-19 and the US presidential election have moved foreign capital flows out of such frontier markets as Vietnam when they have incentive to withdraw capital on high-risk assets amid the turbulent condition to safer assets such as bonds and stocks of developed countries.

In 2020, foreign investors remained net selling through matching orders but they net bought well via put-through transactions, indicating that foreign investors are starting to be more selective in their investment on stock market.

Table 1: Net trading value of foreign investors in some Asian countries (USD Bn)

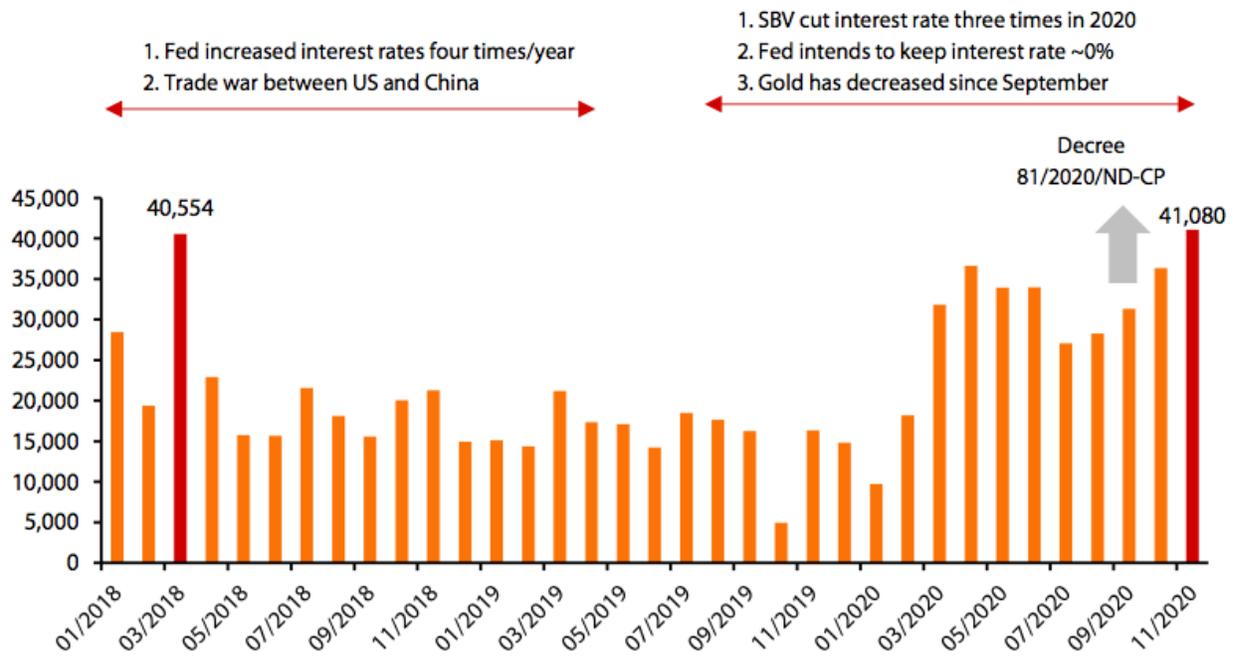
Countries	Daily	WTD	MTD	QTD	YTD
Vietnam	20.5	29.4	10.4	-461.4	-686.6
Philippines	4.4	-10.7	-59.8	-384.8	-2,401.8
Sri Lanka	-0.5	-7.1	-10.0	-54.2	-266.3
Malaysia	-39.6	-130.1	-148.4	-560.3	-5,783.2
Thai Land	-85.6	137.1	262.3	642.2	-8,105.9
Indonesia	-92.3	-118.7	-165.2	-172.1	-3,105.5
Taiwan	-102.2	-708.7	-121.4	3,776.5	-18,404.0
Korea	-157.7	-2,026.80	-539.4	4,231.9	-20,007.9

Source: Bloomberg, Rong Viet Securities

However, VDSC's report expects the foreign money flows would be more positive as signs of turnaround happened in November and December. Specifically, foreign investors reduced their net selling in November when the US presidential election results were relatively clear. In December, the turnaround was even clearer when they started to net buy while remained as net seller in other Asia countries.

New momentum from domestic capital

Figure 7: Number of newly opened accounts from 2018 – 2020



In 2020, there had been strong capital flows from domestic investors, especially individuals. The number of newly opened accounts in November surpassed its previous peak in March 2018. Historically, this was not a good signal as the market dropped after that as the number of new accounts was at its highest.

“However, this does not indicate another market selloff as the current situation has completely changed,” it noted. Specifically, monetary policy has been loosened several times this year in Vietnam and around the world. The US Fed also has no intention to raise interest rates as they still prioritize a recovery.

The continuous interest rate cuts from the US also brought pressure on interest rates in other countries, including Vietnam. Despite the differences in the economic and political structure, we believe that the lowering of lending and deposit rates by Vietnamese commercial banks under the direction of the State Bank has the same effect as the quantitative expansion policy from the United States. Therefore, the continuous low interest rate environment would incentivize deposits from banks to filter into the stock market. Hanoitimes

2020 not a good year for bank stock debuts

Debuting on a new bourse may give a boost to the stock price, but the market reactions were not quite positive for the banks doing so in 2020.

Lien Viet Post Joint Stock Commercial Bank (LienVietPostBank, HoSE: LPB) and Vietnam International Commercial Joint Stock Bank (VIB, HoSE: VIB) in early November 2020 moved their shares from UPCoM to the Ho Chi Minh Stock Exchange (HoSE).

Both banks saw their shares dive from UPCoM-ending levels on HoSE-debut days before struggling to rebound and end 2020 at UPCoM-ending prices.

LienVietPostBank had its last trading day on UPCoM at VND12,500 apiece on October 23 and finished its HoSE-debut at VND11,230 apiece on November 9. Its shares then ended 2020 at VND12,400 apiece.

VIB closed its UPCoM-trading at VND32,800 apiece on October 29. The bank started trading on HoSE on November 10 and its shares dropped to VND27,330 apiece at the end of the day. VIB shares finished 2020 at VND32,400 apiece.

According to business insiders, the moves of the two stocks are only short-term stories. Both banks have their own competitive advantages but it will take them a long time to realise those advantages, improve the performances and reflect the improvements in the share prices.

One of the most remarkable bourse-switching deals in 2020 was the move of Asia Commercial Joint Stock Bank (ACB, HoSE: ACB) as it cancelled the listing on the Hanoi Stock Exchange and moved to HoSE on December 9.

ACB ended its listing on HNX at VND27,300 apiece. Its stock surged to VND28,500 apiece on the debut day but then fell back to VND28,100 on December 31.

Dairy boost

Moc Chau Milk debuted on the Unlisted Public Company Market (UPCoM) with code MCM on December 18. After the debut, the dairy producer's shares surged total 92.5% in seven trading days to VND78,000 apiece before declining to VND72,200 apiece on the last day of 2020.

During the rally, the shares were often sold out while the demand of buyers outperformed the supply.

Moc Chau Milk' shares had been a "hot" commodity before its UPCoM debut as some investors were willing to pay VND60,000 for a share on the Over-the-Counter (OTC) market.

The surge of the company's shares resulted from the market expectations that its business would be robust in the near future and the largest dairy producer Vinamilk (HoSE: VNM) will soon raise its ownership in the firm, tinnhanhchungkhoan.vn reported.

The parent firm Vilico owns 51% of Moc Chau Milk. GTNFoods owns 74% of Vilico, while Vinamilk possesses 75.3% of GTNFoods. On September 30, 2020, Vinamilk had a 28.61% indirect stake at Moc Chau Milk.

Moc Chau Milk recorded average earnings in 2017-19 with revenues ranging from VND2.46 trillion to VND2.56 trillion and net profit falling from VND217 billion in 2017 to VND181 billion in 2018 and VND167 billion in 2019.

After being acquired by Vinamilk, the results at Moc Chau Milk improved sharply. In July-September, revenue was up 13.7% on-year to nearly VND775 billion and post-tax profit soared 113% on-year to VND102.4 billion.

After nine months, total revenue at Moc Chau Milk gained 73.7% on-year to VND2.14 trillion and post-tax profit jumped 132% on-year to VND208 billion.

But for some analysts, the shares of Moc Chau Milk are slightly overrated. The price-to-earnings per share (P/E) ratio at the northern dairy company was 22.21 at September-end and the price-to-book (P/B) ratio was 4 – nearly level to those of Vinamilk (20.66 and 7.2) while the size and capacity of Moc Chau Milk were not comparable to Vinamilk's at the moment.

Those figures may suggest that Moc Chau Milk's shares will soon cool down in the near future and return to a more reasonable price level. VNS

Fintech forecast to be robust this year, driven by the creation of regulatory sandbox

The regulatory sandbox for financial technology (fintech) which is expected to be created this year, coupled with efforts to promote the use of digital financial services, are expected to accelerate the development of fintech in Vietnam.

Governor of the State Bank of Vietnam Nguyen Thi Hong recently said that the central bank would focus on creating favourable conditions for fintech development this year in a bid to boost the digital economy.

Vietnam saw strong fintech development in 2020, partly fuelled by the COVID-19 pandemic which forced people to shift to cashless payments.

According to the recent Vietnam Fintech Report 2020 by Fintech News Singapore, the strong development of fintech in Vietnam was driven by the rapid growth of e-commerce platforms and the Government's efforts to accelerate digital transformation and cashless payments to cope with the impacts of the COVID-19 pandemic.

Statistics showed that electronic payments in Vietnam increased by 76% with the total transaction value increasing by 124% in the first quarter of 2020 compared to the same period of 2019.

The visits to e-commerce apps reached 12.7 million in the second quarter of 2020 when social distancing was imposed, representing a rise of 43%.

The report also pointed out that the number of fintech start-up firms in Vietnam increased nearly three times, from 44 in 2017 to 120 in 2020.

About 31% of them operated in payments, 17% in peer-to-peer lending and 13% in blockchain/crypto while the rest were in wealth management, comparison, data/credit/scoring management, crowdfunding, insurtech, digital banking and SMEs financing.

The report said that international investors were optimistic about the potential of Vietnam's fintech market and had poured millions of dollars into domestic fintech start-ups. However, the investment was mostly disbursed in 2019.

Major deals were VNPAY raising \$300 million from Softbank's Vision Fund and Singapore's GIC fund and Momo raising \$100 million in its Series funding C round from Warburg Pincus.

Key players in the e-wallet market were MoMo, Payoo, Moca, Zalo Pay and Viettel Pay while three outstanding companies in B3B were VNPAY, Trusting Social and Kilimo Finance.

The central bank was focusing on promoting digital transformation in the banking sector and developing the legal framework for fintech, including regulations about eKYC, mobile money and cross-border money transfers.

A regulatory sandbox for fintech was also expected to be submitted to the Government this year.

Tran Viet Vinh, founder of Fiin Financial Technology Innovation Joint Stock Company, said that the regulatory sandbox when issued would create an impetus for the development of new fintech services, which would bring more convenience to users.

Vinh said that fintech companies should prepare for participation in the sandbox while diversifying their products and services.

According to Nguyen Ba Diep, deputy chairman of e-wallet Momo, the cooperation between banks and fintech companies was of significant importance to create benefits and value for users, adding that this was also an important factor for fintech development in 2021. — VNS

[Back to top](#)

E-COMMERCE

Omnichannel on the rise thanks to COVID-19

Sapo's latest survey on more than 10,000 vendors showed the impact of COVID-19 has made 2020 a difficult year for businesses specialised in catering services, accommodations, and hospitality. However, thanks to omnichannel, part of them managed to churn out positive results in the last months of the year.



69% of physical vendors, 76% of restaurants and coffee shops, and 59% of online vendors recorded a plunge in revenue or maintained the same earnings in 2019.

Despite the plentiful difficulties generated by COVID-19, 2020 still saw some encouraging signs such as 30% of vendors recording a hike in sales against the year prior thanks to quickly shifting to omnichannel to

adapt to market fluctuations.

Omnichannel – the only pathway to economic recovery

As the health crisis keeps on unabated, the multi-sales channel has been emerging as an ideal option for business operations. Specifically, 24.1% of omnichannel vendors reported a rise in earnings.

To better cope with the challenges, traditional vendors have accelerated online sales channels on social networking sites and e-commerce platforms. 24% of them shifted entirely to online business, including 56% who have managed to recover their performance with sales exceeding pre-COVID-19 figures.

In 2020, e-commerce was the most effective sales channel, rising from the fourth position in 2019. For advertisements, Facebook was No.1, as businesses poured large funds into Facebook Ads. Meanwhile, TikTok and Zalo ranked second and third, and advertising through e-commerce sites ranked last.

Moreover, the shift in sales channels and the downturn in revenue have affected expenses on advertising and other marketing activities. The sum occupied only 10% of their revenue while the rate in 2019 was up to 20%.

41% of vendors collaborate with delivery partners for speed

Social distancing in the early months of last year has transformed the shopping behaviours of most consumers. Pointedly, demand for online shopping has skyrocketed, resulting in a large need for co-operating with delivery service providers.

In 2020, the number of vendors working with delivery service partners occupied about 56% of the total and 41% said that delivery speed was the leading criteria to select delivery service providers.

QR code in top three payment methods

Along with cash on delivery and bank transfer, QR code has been gathering popularity since the pandemic broke out, going from the sixth to the third place with 12.7% of vendors utilising the payment method.

Global ecommerce to grow up to 7 trillion USD in 2024

GroupM predicts that the total amount will grow to \$7 trillion by 2024, or 25% of retail sales, and reach \$10 trillion globally by 2027. Online retail sales are expected to reach new heights by 2020, as the global corona virus pandemic has forced many domestic consumers to shop online. That won't change anytime soon.

Spending on online retail is expected to grow at double-digit rate at the lowest over the next 6 years even after the end of social distancing due to the pandemic.

According to the GroupM report, global retail e-commerce will amount to \$ 3.9 trillion by 2020, or 17% of total global retail sales. GroupM said these figures do not include food and delivery services to ensure consistency across markets.

Christian Juhl, GroupM's global chief executive, says brands that sell more products online are spending most of their budgets on digital marketing and more emphasis on direct advertising that drives sales. The shift to e-commerce, he said, will also change the way ad agencies operate.

"It is a continuous movement of talent pools to people who understand data and performance," Mr. Juhl said. On the supply side, publishers have to quantify inventory value "

"We are not addressing the problem of public outreach and awareness."

Online shopping habits are expected to continue.

"After a year of sitting at home, many of our behaviors will be driven in the long term towards digital and commercial behaviors," said Jay Pattisall, chief analyst at research firm Forrester Research Inc.

In the future, when customers think less about security than convenience, brands will need to differentiate their online experiences from each other, he said.

"In the early stages we saw a lot of transaction messages about contactless payments, online ordering with lots of great benefits," said Pattisall. "Brands will need to shift their strategies towards customer experience and brand equity rather than just for the functional convenience of e-commerce."

Advertising agents can also benefit from the increase in online sales.

[Back to top](#)

LOGISTICS

Aviation industry forecast to face a hard year in 2021

Despite a recovery in the final months of this year, the aviation industry is forecast to face further difficulties in 2021. The recent recovery was thanks to a complete restoration of domestic routes and the continued good performance of freight transport.



2021 will still be a difficult year for the industry as it has no room for further recovery until international flights are reopened.

As of November, the total number of flights decreased by 23% compared to the same period last year but strongly recovered from a decrease of 92% in April.

The most effective route was HCM City - Hanoi with 540 flights per week, reaching an occupancy rate of about 90%.

However, commenting on the prospects of the aviation industry, Mirae Asset Securities Vietnam Co (MASVN) believes 2021 will still be a difficult year for the industry as it has no room for further

recovery until international flights are reopened.

MASVN explained the current low fares are helping push up the demand for air travel on domestic routes. However, airlines can't further cut the fares as they are too low. If airlines continue to reduce fares, it will be difficult to make profits.

With only domestic routes operating, the competition in the aviation industry next year will be fiercer. All aircraft are now converging on domestic routes to improve cash flow. Meanwhile, Vietjet Air has received 11 new aircraft, bringing the total number of aircraft in operation to 88. Bamboo Airways reduced two A320s but received four small aircraft E195, bringing its fleet to 26.

In addition, the aviation industry also has to compete against other transportation means like passenger cars and trains which have also applied fare discounts from 15% to 50%.

Construction of country's largest airport starts in Dong Nai Province

Construction of the much-awaited Long ThAnh international airport in the southern province of Dong Nai and near HCM City began on Tuesday after years of delay.

The delays were caused due to problems related to land acquisition and compensation, but Dong Nai Province has handed over 1,600 hectares, according to its People's Committee.

The remaining 200ha required for the first phase of the country’s largest airport would be handed over after affected households are moved to resettlement sites once they are found, it added.

The total lands of 5,000ha for the airport and 364ha elsewhere to build two resettlement sites will be handed over by the second quarter of this year.



Prime Minister Nguyen Xuan Phuc and delegates start the project's construction

The Airports Corporation of Vietnam (ACV), which will build and operate it, said it had checked the entire land for unexploded bombs and mines.

An artist’s rendering of the proposed Long Thanh International Airport in the southern province of Dong Nai. — Photo courtesy of Airports Corporation of Vietnam. In November the Government approved the first phase.

The work has four components: headquarters of Government management agencies, flight management services, essential airport facilities, and other works.

While the ACV, which operates 22 airports across the country, will build most of the new airport, the Government has instructed the Vietnam Air Traffic Management Corp to build the control tower and other safety-related features.

The Government has also proposed building two highways for better connectivity between HCM City and the airport.

The first phase is expected to cost more than US\$4.6 billion. Some 4,800 households and 26 organisations are expected to be relocated in all.

Prime Minister Nguyen Xuan Phuc has exhorted the province to speed up land acquisition and compensation payment.

Once completed -- in three phases at a total cost of VNĐ336.63 trillion (\$14.47 billion) -- it will straddle six communes in Long Thanh District.

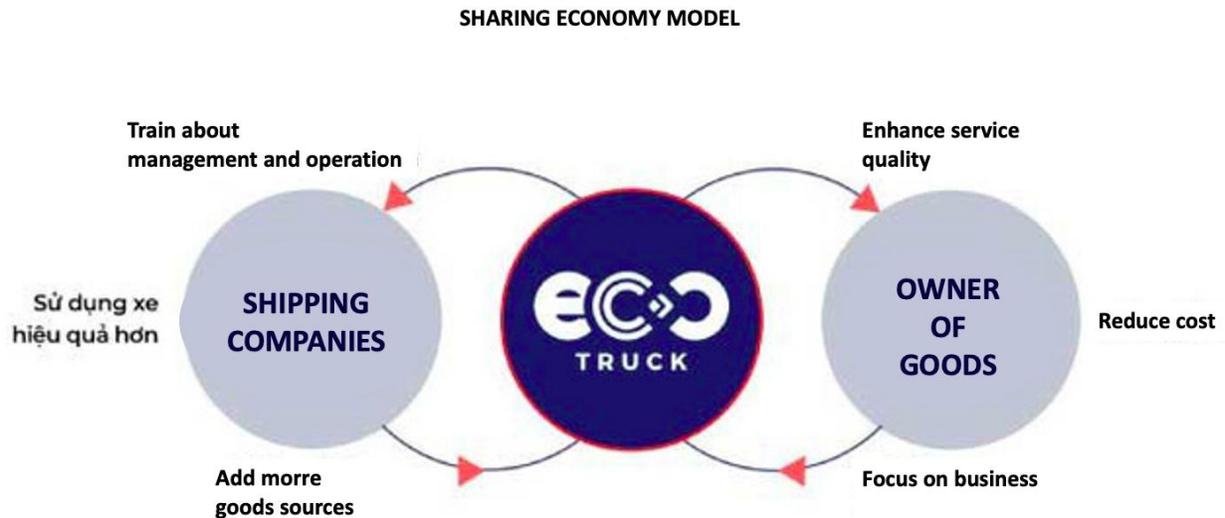
In the first phase, a 4,000m runway, taxiways, an apron, and a passenger terminal with other auxiliary works comprising a total floor area of 373,000sq.m will be built to serve 25 million passengers and 1.2 million tonnes of cargo a year.

In all it will have four runways and four passenger terminals to handle 100 million passengers and five million tonnes of cargo by 2040. — VNS

Logistics startup EcoTruck received an investment of 100 billion VND

Logistics technology startup EcoTruck has just announced a successful fund raising of over 100 billion VND in Series A round - led by VNG Technology Group, and both domestic & foreign investors.

CEO EcoTruck said, when he learnt about logistics in Vietnam, he realized that for a long time the logistic industry lacked technology application leading to inefficiency. Le Hoang Anh affirmed that EcoTruck was born with the goal of reducing logistics costs that businesses have to bear, while increasing the service quality of the industry.



In addition, to build a complete ecosystem for transport, EcoTruck has closely linked with partners in many fields such as petroleum, insurance, banking to complement each other's strengths and specialization. Together, develop the symbiosis, thereby creating an economic advantage through scale, to bring benefits to partners, owners and garage. EcoTruck now acts as a bridge between merchants and logistics operations.

Currently, EcoTruck's platform has cooperated with more than 400 corporate customers, managing over 400 garages with 7,000 vehicles including trucks and tractors. CEO EcoTruck said that 2020 is a challenging and arduous year for EcoTruck, EcoTruck not only has surpassed but also continuously developed and brought many values to partners.

Currently the system covers over 200 routes and can transport more than 1,000 containers per day. In addition, EcoTruck also cooperates with insurance companies and banks to insure the garage in the system and provide financial tools for shippers.

Mr. Le Hoang Anh shared that with the capital of more than 100 billion VND, EcoTruck will continue to invest in the technology system, human resources, and promote the development of services in the ecosystem.

[Back to top](#)

RETAIL

Vietnam retail market records \$172 billion in 2020

Such growth rate, while remaining lower compared to the 12.7% recorded the previous year, was an encouraging sign for the business community amid global retail market suffering plunge in revenue during the pandemic.



Revenue from Vietnam's retail market reaches record high of US\$172 billion in 2020

Vietnam's retail market in 2020 expanded by 7% year-on-year or US\$11 billion to a record high of \$172 billion, according to the General Statistics Office (GSO).

"While the Covid-19 crisis remains complicated globally, Vietnam's effective control of the pandemic has led to recovery of retail sales of consumer goods and services in the final months of the year," stated the GSO in its report.

Such growth rate, while remaining lower compared to the 12.7% recorded the previous year, was an encouraging sign for the business community amid global retail market suffering plunge in revenue during the pandemic.

Among cities/provinces with strong growth in retail sales in 2020, Ho Chi Minh City witnessed a two-digit growth rate of 12% year-on-year to US\$33 billion.

A high growth rate in retail sales by year-end was due to retailers and shopping malls offering sales promotion programs to stimulate domestic consumption, added the GSO

In 2020, total retail sales of consumer goods and services in Vietnam reached an estimated VND5,059.8 trillion (US\$219.53 billion) in 2020, up 2.6% against 2019

On breaking down, retail sales of goods in 2020 gained around VND3,996.9 trillion (US\$172.76 billion), accounting for 79% of the total and increasing by 6.8% over the similar period in 2019.

Estimated sales of accommodation and catering services in this year attained VND510.4 trillion (US\$22.14 billion), accounting for 10.1% of the total and down 13% from the same period of the previous year.

Sales of tours achieved an estimate of VND17.9 trillion (US\$776.8 million), making up 0.3% of the total and plunging by 59.5% year-on-year.

Sales of other services during this period were estimated at VND534.6 trillion (US\$23.2 billion), representing 10.6% of the total and decreasing by 4% against the comparable period in 2019. Hanoitimes

VinShop breathes fresh air into traditional retail market

As many as 40,000 mom-and-pop stores nationwide have been digitalised thanks to the VinShop mobile app developed by Vietnam’s biggest conglomerate Vingroup.

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As many as 40,000 mom-and-pop stores nationwide have been digitalised thanks to the VinShop mobile app

The Southeast Asian country is currently home to 1.4 million mom-and-pop shops and over 9,000 traditional markets, which serve 85 percent of the consumption demand of local people. However, their out-of-date business operation could affect consumers’ shopping experience as well as the market development.

VinShop, the first in Vietnam to employ the Business to Business to Consumer (B2B2C) model, addresses inefficiencies in the supply chain by offering thousands of traditional store owners a digital platform where they can order fast-moving

consumer goods from suppliers and vendors. Shop-keepers can use the app to manage their orders or make cashless payment through VinID Pay e-wallet. In the other words, VinShop helps turn brick-and-mortar shops into mini-markets without paying any operational cost.

Vingroup says its app will raise the income of small shops by 10 million VND (432 USD) a month on average by making their operations more efficient and cutting costs.

VinShop began building its retail network in July 2019, aiming to connect manufacturers and shops through the app, which includes purchase and distribution functions. If its business strategies go on the right track, hundreds of thousands of shops will go digitalised in 2021.

This solution is expected to improve the efficiency of the entire supply chain, and help overcome current weaknesses in the distribution of products from manufacturers to grocery stores, VinGroup said.

“VinShop benefits the whole market, from producers, retailers and consumers who have opportunities to buy high-quality products at low costs”, according to retail specialist Vu Vinh Phu./.

[Back to top](#)

ENERGY

Rooftop solar power saw tremendous growth in 2020

Over 100,000 rooftop solar power works with total capacity of 9,300 MW were connected to the national grid by December 31, 2020. The total electricity output provided by the power works was 1.15 billion kwh.

December 31 was the final day the FIT (feed in tariff) price mechanism was still valid. The electricity price at which the Electricity of Vietnam (EVN) will buy from solar power project developers after that day remains unclear. This is why investors rushed to put their projects into operation before the deadline.

Just within three days, from December 29 to December 31, more than 3,000 MW worth of rooftop solar power belonging to 10,000 projects became operational.

Ha Dang Son, director of the Centre for Energy and Green Growth Research, noted that after one year, the 2019-2025 'rooftop solar power race' exceeded the target of 1,000 MWp set for the entire period.

The target of installing 100,000 power systems with total capacity of grid-connected rooftop solar power of 9,300 MWp, equal to the capacity of operational ground-mounted solar power projects, was exceeded.

Son cited an EVN report as saying that the total installed solar power capacity is 19,400 MWp, or 16,500 MWac. As such, Vietnam has surpassed Germany in the proportion of solar power in total electricity capacity (16.5/60 GW vs 51.5/211 GW), and it is No 1 in ASEAN in total renewable capacity (wind and solar power).

To date, the total capacity of installed solar power all over the country has reached 19,400 MWp, including 9,300 MWp of rooftop solar power, or 16,500 MW, which accounts for 25 percent of total installed electricity capacity of the entire national electricity system.

One report said that the total electricity output provided by solar power works to the national grid in 2020 was 10.6 billion kwh, including 1.16 billion kwh from rooftop solar power, accounting for 4.3 percent of total output mobilized from all sources of the national system.

According to EVN, difficulties exist in the electricity system when the solar power proportion is high.

The typical characteristic of solar power is that electricity generation depends on the sunny hours of the day. The electricity is abundant from 10 am to 2 pm, especially on weekends and holidays because the additional charge decreases at this time, while solar radiation is the strongest during the day.

In peak hours, from 5.30 to 6.30 pm, when the demand is the highest, solar power works cannot generate enough electricity.

In order to ensure stable electricity supply, it is always necessary to maintain a number of traditional electricity generation units.

In addition to the difference in additional charge capacity at different moments of the day, there is also the difference in the additional charge demand between working days and holidays, which causes difficulties for power regulation.

The difference between the peak capacity in holidays and ordinary days is up to 5,000 MW. On weekends and holidays, the Electricity Regulatory Authority has warned that it is impossible to mobilize all the usable capacity of electricity generation sources, including renewable power sources (solar and wind power) during off-peak hours, weekends and holidays.

This means that a lot of solar power projects, including rooftop power and wind power, won't be able to provide all of their capacity to the national grid.

So a question has been raised about what Vietnam will do in the next five years. Will Vietnam continue to see a solar power boom, or will it go more slowly to have time to deal with technical problems, such as technical criteria, waste solar panel treatment and better programming for national power development? In the latest move, EVN released a notice on the development of rooftop solar power after December 31, 2020.

Power companies have stopped receiving and dealing with requests on connecting the national grid and signing contracts on buying/selling electricity from rooftop solar power works developed after December 31, 2020 until there is a new guideline from appropriate agencies.

The Electricity and Renewable Energy Department under the Ministry of Industry and Trade (MOIT) is coordinating with consulting agencies to study the scale of rooftop solar power projects and the price of electricity generated from these projects.

US to help Vietnam develop clean energy

The U.S.'s official aid agency has signed an agreement with national utility Vietnam Electricity (EVN) for rooftop solar power generation.

The Vietnam Urban Energy Security project, which the United States Agency for International Development (USAID) funds and runs, formalized a partnership Monday to support EVN's efforts to expand rooftop solar (RTS) energy generation.

Power demand in Vietnam is growing by 10 percent annually, making it critical for the country to use modern, clean technologies to sustain its rapid economic growth while also protecting human health and the environment.

Vietnam's demand for electricity might rise to 90,000 MW by 2025 and double that by 2030, the Ministry of Industry and Trade has said. The current capacity is more than 68,000 MW in the first 11 months, up 3.19 percent against the same period last year.

EVN has set a high target for RTS capacity by 2025 and is putting in place tools to help consumers understand how to adopt cleaner energy.

By September 2019 the registered capacity of solar power plants had reached 25,000 MW, racing ahead of the government's target of 4,000 MW by 2025, according to EVN.



EVN staff establish a rooftop solar system for a resident house in Ho Chi Minh City, August 2020. Photo by EVN.

It said renewables currently account for 9 percent of Vietnam's energy mix, surpassing the target of 7 percent set for 2020.

But RTS adoption would threaten EVN's revenues and potentially the power grid by reducing voltage quality and causing power losses, USAID said.

To address these challenges, and ultimately increase RTS capacity, EVN will conduct utility financial impact analyses of various rooftop solar deployment scenarios in Da Nang with support from USAID through the new

agreement.

Policymakers and EVN would be informed about the short-term impacts in the early phases of their rooftop solar programs, the aid agency said.

Through the agreement, USAID will also help EVN evaluate rooftop solar systems in its distribution network, build its capacity to mitigate adverse impacts to the grid and design and run innovative communication campaigns to promote rooftop solar. The \$14-million Vietnam Urban Energy Security project was instituted in November last year, and will be run through 2023.

At its launch, USAID had said the project would promote advanced energy solutions in HCMC and Da Nang to support deployment of household rooftop solar and next generation battery storage technologies, cleaner forms of transportation such as electric vehicles and other innovative solutions suitable for local conditions.

The ministry has warned of power shortages of 3.7 billion kWh in 2021 and nearly 10 billion kWh the following year as construction of new thermal and gas-fired plants fall behind schedule. The shortage will peak in 2023 at around 15 billion kWh before starting to drop to 7 billion kWh and 3.5 billion kWh in 2024 and 2025.

Earlier this month EVN signed agreements to buy power from two hydropower plants and one coal-fired power plant in Laos from 2024. In January it had signed deals with two other Laotian companies to buy 1.5 billion kWh of power each in 2021 and 2022.

[Back to top](#)

INVESTMENT

Power firms seek foreign funding as loans become expensive, hard to get

The quickest and most effective way to raise funding for power projects is to enter into an alliance with foreign investors, Nguyen Anh Tuan, general director of Phu Yen TTP Joint Stock Company, said.



His company built a 670MW solar power plant in this manner, and also expects to go down the same route to set up a 400MW wind power plant in the near future, he said.

Not only Phu Yen JSC but also many other power companies in Vietnam consider foreign investment vital since they find it difficult to raise funds from domestic sources.

HBRE Wind Power Solution Company has tied up with some Thai and French investors to set up large five wind power plants in the south-central and Central Highlands regions.

In December 2019 it and Thailand's Super Energy Corporation built a VND1.8 trillion (US\$77.7 million) power plant with a capacity of 50 MW in the Central Highlands Province of Gia Lai.

Tuan said power projects face many obstacles in borrowing from local credit institutions.

Ngo Quoc Hoi, general director of the An Khanh-Bac Giang Thermal Power Joint Stock Company, said his company's problem stems from lending limitations on banks.

Circular 36 prohibits lending of more than 15% of equity to a single borrower, and 25% to a borrower and associated entities.

In the case of non-bank credit institutions, these increase to 25% and 50%.

As a result of these restrictions, his company could not borrow at home, and such investors have to take recourse to foreign sources, he said.

Hoang Manh Tan, deputy general director of Son Ha Group, concurred with him, saying stringent requirements and high lending interest rates are the biggest barriers to power firms borrowing from banks.

The feed-in-tariff (FIT) is 7.09 cents (VND1,600) per kW for solar power projects on land, while the lending interest rates range between 10% and 11.5%, precluding any hope of making a profit, he said.

The FIT is only attractive to foreign investors and Vietnamese firms that could get foreign loans at low interest rates, he said.

Tuan said foreign investors are really keen on power projects, especially renewable energy, in Vietnam because of the incentives offered by the Government, thus encouraging Vietnamese firms to seek foreign investment partners.

HBRE chairman Ho Ta Tin said the average return on renewable energy projects is at least 15%, which makes it easy for developers of wind power projects like his company to attract foreign investment partners.

Thus, more and more energy companies from around the world, especially from Thailand, the Philippines and China, are investing in solar power projects in the country.

Thailand's B.Grimm Power Public Company Limited for instance has a joint venture with the Phu Yen JSC to build a solar power farm in Phu Yen Province and with the Tay Ninh Energy Joint Stock Company to build the Dau Tieng Solar Power Project with a capacity of 420 MW, one of the biggest renewable energy projects in Southeast Asia.

Another Thai Company, Gulf Energy Development PLC, has become the biggest shareholder in two solar power projects in Tay Ninh Province with more than 90% ownership.

Economist Can Van Luc predicted there would be more foreign investors seeking to buy stakes in large power projects, especially those with attractive earning potential.

But some analysts said attracting foreign investors is not an easy task for local power firms since they prioritise efficiency before making an investment decision.

Foreign investors in the energy industry have also expressed concern about legal uncertainties, construction delays and EVN's ability to buy their electricity, they said.

Coal-fired power and the environment

Though the development of renewable energy is strongly encouraged by the Government with a number of incentives in recent years, coal-fired power still plays an important role in the country's socio-economic development.

As of the end of 2019 the national power grid's capacity was 54,880MW, of which 19,812 MW, or 36%, came from coal-fired plants.

According to the Power Development Master Plan 8 drawn up by the Ministry of Industry and Trade for 2021-30, the country's power capacity is expected to increase by nearly 80,000MW by 2030, mostly from coal, gas and LNG plants.

Coal plants will account for over 38,123MW by 2030, or double the current figure.

Coal is less clean than oil.

Experts have made some comparisons between coal and diesel used to generate power in the country and found that the Vietnamese coal used for power generation is anthracite (not exceeding 25 mm), with 6A, 6B, 5A, and 5B being the most popular varieties.

The imported coal used in the power plants is bituminous or sub-bituminous, mainly from Indonesia and Australia.

The former has sulphur content of 0.65% and ash content of 29-42.5%, while in imports they are 0.5% and 15%.

In diesel, these are only 0.05% and 0.01%.

But there is a contradiction here.

The 2010 Environmental Law stipulates that the environmental tax corresponds to the damage caused by a particular product, but coal enjoys a low environment tax.

For instance, it is VND30 per kilogramme on anthracite and VND15 on other types of coal, whereas it is VND4,000 per litre on gasoline and VND2,000 on diesel, or hundreds of times.

As a result, coal accounted for only 2% of the environmental tax collected in 2016 though it was responsible for 71% of the air pollution.

The World Bank estimates that air pollution causes a 5% loss of GDP for Vietnam.

Some power industry insiders said if the environmental tax were to truly reflect the damage caused, coal-fired power would become much more expensive.

They estimated anthracite coal would be subject to an environmental tax of VND2,000 per kilogramme, while other types of coal would be subject to VND1,500.

If the tax levels on gasoline are used as a benchmark, these figures will almost double.

Analysts said domestic coal used for generating power should be taxed at VND2,100 and imported coal at VND1,500.

But instead, since coal is used for generating power and is thus a strategic product, the Government offers a subsidy of VND2,070 per kilogramme on domestic coal and VND1,485 on imported coal.

The country used 84.4 million tonnes of coal in 2019, including 43.9 million tonnes of imports. Some 54.3 million tonnes were used for power generation, including 18.3 million tonnes of imports.

Thus, a subsidy of almost VND149 trillion (US\$6.4 billion) was paid in 2019, 2.4 times the environment tax collected. VNS

HCM City's EPZs, IPs attract over \$747.6 million in 2020

Over \$747.6 million were poured into export processing zones (EPZs) and industrial parks (IPs) in Ho Chi Minh City in 2020, representing a year-on-year increase of 15.79%.



Japanese enterprises invest in Tan Thuan export processing zone in Ho Chi Minh City

Of the total, domestic enterprises invested over 8.9 trillion VND (nearly 385 million USD), a year-on-year increase of 53.94%.

Meanwhile, foreign direct investment (FDI) reached over 363 million USD, down 8.3% from the same period last year due to travel restrictions to prevent the spread of the COVID-19 pandemic, and the global economic downturn.

Thirty existing FDI projects registered additional capital of over 182.2 million USD, a 21.54% reduction, while there were 16 new projects with total capital of 180.8 million USD, a 10.5% increase from last year.

Export processing and industrial zones in the city mainly lured foreign investors from the Netherlands, Singapore, Taiwan (China), Japan, the US, Thailand, Hong Kong (China) and the Republic of Korea.

Four key industries of the city lured 39 out of 81 newly-licensed projects totaling 189.77 million USD, accounting for 39% of the total investment from new projects, including 8 FDI projects and 31 domestically-invested projects.

Supporting industries attracted nine FDI projects and 27 domestic ones with total investment capital of 167.2 million USD, making up 34% of total new investment attraction.

Local and foreign investors were primarily interested in logistics and workshop infrastructure, HEPZA said, adding that despite influences by the COVID-19 pandemic, investors have still rented land, built warehouse and workshop infrastructure to prepare for investors in the coming years, particularly after the pandemic is put under control./.VNA

[Back to top](#)

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