

CLIMATE INVESTMENT FUNDS

CTF INVESTMENT PLAN

Vietnam

Vietnam has been one of Asia's fastest growing economies. For the past ten years, energy consumption has been increasing faster than GDP, averaging about 13 percent per year, with rapid expansion of heavy industry and motorized transport and increased use of fossil fuels for power generation. Energy intensity of the Vietnamese economy has increased by nearly 50 percent since 1998.



To address growing energy needs while mitigating climate change impacts, the Vietnamese government has recognized the need to curb the looming fast growth in power generation from fossil fuel. The high electricity intensity in the residential, commercial and industrial sectors in Vietnam and deficiencies in the country's power system suggest a focus on energy efficiency measures, in combination with scale-up

of clean and renewable energy, primarily small hydropower, and advanced biomass energy, and wind. Another area of importance is the transport sector in Hanoi and Ho Chi Minh City.

The Vietnam CTF Investment Plan will use \$250 million in CTF co-financing for industrial energy efficiency; energy efficiency programs led by energy service companies (ESCOs); initial capitalization of Energy

Conservation and Renewable Energy Funds; transmission system modernization; direct investment and a risk-sharing facility for private sector renewable energy development; and enhancements to urban rail systems in Hanoi and Ho Ch Minh City. The CTF investments will mobilize financing of about \$3.195 billion from the government, multilateral financiers, carbon finance, and the private sector.

The Vietnamese CTF Investment Plan identifies three priority investment areas:

Vietnam National Target Program to Respond to Climate Change

- Effectively use and save energy under climate change context
- Properly and effectively use natural energy resources, develop and maximize exploitation of hydro power and natural gas
- Develop and exploit new forms of energy: geothermal, solar, wind, nuclear power
- Evaluate costs and benefits of energy projects

VIETNAM CTF INVESTMENT PLAN

CTF financing: **\$250 million**

Co-financing: **\$3.195 billion**

PROJECT APPROVALS

Sustainable Energy Finance

CTF Approval Date: Sep '10

CTF financing: **\$30 million**

Co-financing: **\$155 million**

Partner MDB: **International Finance Corporation**

Energy efficiency

With passage of its 2004 Electricity Law, Vietnam has embarked on an ambitious long-term program to develop a competitive power market. The objective of the CTF-supported reform is to improve efficiency through competition, minimize costs, and mobilize additional investment, in order to reduce national energy consumption by 5–8% relative to business as usual projections by 2015. Initiatives would include:

- Investments in industrial waste heat recovery and other measures
- Expansion of ESCO-led energy efficiency programs and capitalization of an Energy Conservation Fund as investment vehicles
- Transmission system modernization
- Energy storage and “smart grid” technology to optimize energy efficiency and renewable potential, especially wind and solar power
- New financing for private sector investment

Renewable energy

Vietnam has significant undeveloped renewable resources, in particular small hydropower. Their development is commercially feasible but hampered by financial and other barriers. CTF co-financed programs could dramatically accelerate and scale up use of biomass, hydropower, and wind power through:

- Private sector support and risk-sharing facility for renewable energy development
- Initial capitalization of a new Renewable Energy Fund

Transport

The government is proposing to use CTF financing to enhance urban rail projects in Ho Chi Minh City and Hanoi, and develop a comprehensive urban public transport system. Measures include:



- Strengthening linkages between transport modes (buses, other public transport, private transport modes) increasing the catchment areas of the new urban rail lines
- Introduction of high efficiency buses (hybrid technology and cleaner fuels), urban rail/bus interchanges and integrated ticketing, park and ride facilities.
- Policy reform measures to discourage private vehicle usage and encourage public transport patronage.

What is the CTF?

The Clean Technology Fund (CTF) is a multi-donor trust fund created in 2008 as part of the Climate Investment Funds (CIF) to provide scaled-up financing for the demonstration, deployment and transfer of low carbon technologies that have a significant potential for long-term greenhouse gas (GHG) emissions savings. CTF resources amount to approximately \$4.5 billion (based on exchange rates on the initial CIF pledging date of September 25, 2008) pledged by contributors (Australia, France, Germany, Japan, Spain, Sweden, United Kingdom, United States). The CTF supports a selected series of investment plans that meet the criteria of significant GHG emissions savings, demonstration potential at scale, development impact and implementation readiness.

Note: Vietnam is revising the investment plan and some components may change.