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Subject: Notification of Joint Mission to Vietnam

Dear CTF Trust Fund Committee Members,

The CTF Guidelines for Investment Plans call for the CIF Administrative Unit to inform the Trust Fund Committee of country expressions of interest and all planned joint missions for the preparation of investment plans.

The purpose of this e-mail is to notify you that the Multilateral Development Banks (MDBs) have received a request from the Government of Vietnam (dated July 6, 2009) indicating its interest in accessing CTF funds and requesting a mission of ADB, IBRD and IFC to support the government in the preparation of a CTF investment plan. Vietnam is eligible for access to CTF resources, since it is ODA-eligible and has active MDB country programs. A joint MDB assessment confirmed the potential fit of the country request with the CTF investment criteria for significant greenhouse gas emissions savings, demonstration potential at scale, development impact and implementation potential.

Vietnam's energy related emissions in 2000 were 48.4 MtCO₂e (WRI – CAIT), and are projected to reach 101.5 MtCO₂e in 2010 (APERC 2006). Renewable energy currently accounts for the largest share of primary energy demand, mainly in the form of traditional biomass. As Vietnam continues its development and urbanization, traditional biomass -- mostly from the residential sector -- will be generally replaced by fossil fuels such as coal and natural gas. Total energy-related emissions are projected to increase almost three-fold to 301 MtCO₂e in 2030, with emissions projected to increase most rapidly in the industry, electric power, and transport sectors. Under the business-as-usual (BAU) scenario from 2010 – 2030, industry sector emissions will increase by 163% from 33.9 MtCO₂e/y to 89.2 MtCO₂e/y, power sector emissions will increase by 248% from 27.7 MtCO₂e/y to 96.5 MtCO₂e/y, and transport sector emissions will increase by 214% from 24.3 MtCO₂e/y to over 76.3 MtCO₂e/y (APERC 2006).

The Government of Vietnam (GOV) is taking steps to address the energy and transport challenges while promoting a low carbon growth path. Highlights include:

The GOV signed the United Nations Framework Convention on Climate Change (UNFCCC) in November 1994 and ratified the Kyoto Protocol in August 2002.

Vietnam's Second National Communication to the UNFCCC on Greenhouse Gas Emissions is under preparation and is expected to be submitted in 2010.

The GOV (through the Prime Minister) directed the preparation of the National Target Program to Respond to Climate Change in 2008, and the National Target Program on Energy Efficiency and Conservation for the Period 2006-2015 (approved by the Prime Minister on 14 April 2006). The draft Energy Conservation Act is currently under review in the National Assembly and is expected to become effective in 2010.

Grid-connected power from renewable energy (RE) sources is being developed using a streamlined procedure for plants of 30 megawatts (MW) or less capacity. Financially viable RE potential is estimated at over 4000 MW, approximately 25% of current grid-connected capacity. Total RE potential is much higher, but will require new incentives for commercial development. Enabling legislation for EE and RE is being developed with assistance from ADB and other donors.

GOV is mobilizing substantial investment in public transport systems in the large urban areas, with the objective of shifting from about 10-15% to 50% public transport by 2020.

Vietnam has a successful track record in development of large-scale energy projects including public-private partnerships, and is in early stages of replicating that success in RE development and commercialization. Under the national program for climate change, the GOV is initiating a more aggressive program to reduce carbon intensity in key sectors of the economy including industry, electric power, and transport. Time-of-use power tariffs have been introduced, which provides a strong incentive for conservation and efficiency improvements. Vietnam's far-reaching power sector reform program was launched with passage of the forward-looking Electricity Law in late 2004 and establishment of the new Electricity Regulatory Authority of Vietnam under the oversight of the Minister of Industry. Urban rail systems are under development as the core investments for private to public modal shift in major cities. The rail projects will be complemented by Intelligent Transport Systems and high-efficiency bus systems. A nascent renewable fuels program is being led by Petrovietnam, with the objective of 10% biodiesel (B10) and 10% ethanol blending (E10) by 2020. Other options under consideration by GOV include: energy efficiency standards for new vehicles, optimization of urban transport routes, restriction and control of private transport in urban areas, and hybrid and conversion of buses for public transport.

The initial joint scoping mission of ADB, IBRD and IFC will visit Vietnam between September 7 and 16, 2009. The objectives of the mission are to: (i) agree on the strategic utilization of CTF resources in support of the government's strategies in renewable energy, energy efficiency and transport and (ii) agree on the types of priority projects to be included in the Investment Plan submitted for CTF financing. Depending on the outcomes of the scoping mission, a follow-up mission to finalize the investment plan may be scheduled for late September or early October.

This mission falls in the category 2 Investment Plan (i.e. public and private sector).

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