

DECISION

On the

Support mechanisms for the Development of Solar Power Projects in Vietnam

Pursuant to the Law on Government Organization dated 19/06/2015;

Pursuant to the Electricity Law dated 03/12/2004 and the Law on Amendment of the Electricity Law dated 20/11/2012;

Pursuant to the Investment Law dated 26/11/2014;

Pursuant to the Construction Law dated 18/06/2014;

According to the proposal of the Minister of Industry and Trade,

The Prime Minister hereby enacts the Decision on Mechanisms for Promoting the Development of Solar Projects in Vietnam.

Chapter I

GENERAL PROVISIONS

Article 1. Scope of Regulation

This Decision regulates the mechanisms for promoting the development of solar power projects in Vietnam.

Article 2. Subject of Application

The subject of application of this Decision includes organizations and individuals participating in the development of solar power projects in Vietnam and other related stakeholder.

Article 3. Interpretation of Terms

In this Decision, the following terms shall be construed as follows:

1. Electricity Buyer means Vietnam Electricity Corporation (EVN) or its authorized member companies.

2. Electricity Seller means any organization or individual having license for generating electricity from grid-connected solar power plant; organization or individual having solar roof-mounted power project and selling surplus electricity to the grid.

3. Solar PV Project means the project producing electricity from solar modules based on Photovoltaics principal.

4. Roof-mounted Solar Power Project (referred to as “Roof-mounted Project”) is a solar power project that uses solar panels installed on the rooftop or around the building and connected to the grid of the Electricity Buyer.

5. Grid-connected Solar Power Project (referred to as “Grid-connected Project”) means the project which is connected to the national grid or the grid of the Electricity Buyer, except the projects as specified in the Clause 4 of this Article.

6. Connection Point means the position where electrical line of the Electricity Seller is connected to electrical system of the Electricity Buyer.

7. Electricity Delivery Point means the position where an electricity counter is placed to determine electricity production sold by the Electricity Seller as agreed in the Power Purchase Agreement.

8. Standardized Power Purchase Agreement used for all Grid-connected and Roof-mounted Projects means the contract promulgated by the Ministry of Industry and Trade and applicable to the selling and purchasing of electricity produced Electricity Seller and Buyer.

9. Feed in Tariff (FiT) of solar power projects means the fixed tariff by which electricity shall be paid to the Electricity Seller by the Electricity Buyer.

Chapter II

PLANNING AND INVESTMENT FOR DEVELOPING SOLAR POWER PROJECTS

Article 4. Solar power development planning

1. Solar power development planning consists of national and provincial solar power development planning. Solar power development planning is necessary for investment activities in solar power development and shall be adjusted in accordance with studies and assessment on solar potentials in different periods.

2. The national and provincial solar power development planning is established once for

the period 2020 with a vision to 2030, and shall be adjusted and supplemented if needed. In the subsequent planning period, the solar power development planning will be integrated into the national and provincial power development planning.

3. The solar power development planning is only applicable to grid-connected projects and non-applicable to roof-mounted solar power projects.

Article 5. Preparation, approval and Promulgation of the solar power development planning

1. The Ministry of Industry and Trade shall be responsible for preparing and submitting the national solar power development planning to the Prime Minister for approval; promulgating, guiding, monitoring and inspecting the implementation of the approved national solar power development planning.

2. People's Committees of municipalities and provinces (collectively referred to as provincial People's Committees) where solar potential is considerable are responsible for preparing and submit the provincial solar power development planning to the Minister of Industry and Trade for approval.

3. The promulgation and amendment of the planning must be implemented in compliance with existing regulations.

4. Details of solar power development planning:

a) The national solar power development planning comprises of:

- Solar potential of localities;
- List of solar power projects;
- Orientations for connecting solar power projects to the national grid.

b) The provincial solar power development planning comprises of:

- Solar potential of province;
- Areas and boundaries of regions where solar power projects are developed;
- List of solar power projects;

- Capacities of solar power projects and method for connecting them to the national grid.

5. The Ministry of Industry and Trade stipulates the details, sequences and procedures for preparing, appraisal and approving solar power development planning.

Article 6. Expenditures for the preparation of the solar power development planning

1. State budget shall guarantee the expenditures for the preparation, appraisal, promulgation and adjustment of national solar power development planning.

2. Provincial and Central cities' budget shall guarantee the expenditures for the preparation, appraisal, promulgation and adjustment of provincial solar power development.

3. Other legitimate financial resources for the preparation and adjustment of the solar power development planning should be encouraged.

Article 7. Investment in the development of solar power projects

1. Investment in the development of grid-connected projects must be in conformity with the power development planning as approved by competent authorities.

2. This investment in the development of solar power projects shall be in compliance with existing regulations on investment, construction, fire prevention, environmental protection and other relevant regulations.

3. Main components of solar power projects should fulfill PV technical standards. Electricity generated from solar power projects shall conform to technical specifications such as voltage, frequency and other relevant requirements as per prevailing laws.

4. The Electricity Seller shall be responsible for investing in installing electricity meters and testing and calibrating them in compliance with measurement regulations.

5. Organization or individual investing in the development of solar power projects responsible for installation of solar PV components must ensure the structural and construction safety pursuant to current regulations.

6. The development of Roof-mounted Projects must satisfy the following requirements:

a) The roof or construction structure are strong enough for mounted solar panels and their accessories.

- b) All regulations concerning electrical safety shall be observed.
- c) Surrounding landscape and environment should be maintained.

Article 8. Connecting solar power projects to electrical systems

1. The Electricity Seller shall be responsible for investing, operating and maintaining transmission lines and booster transformers (if any) from power plants of the Electricity Seller to the Connection Points of the grid of the Electricity Buyer.

2. Connection Points shall be agreed by the Electricity Seller and Buyer and based on the principle of the nearest Connection Points to the existing grid of the Electricity Buyer according to the capacities of power plants of the Electricity Seller and the approved provincial electrical planning. In case these Connection Points are different from the positions of electricity meters, the Electricity Seller shall take liability for energy loss of connection lines and loss of booster transformers of power plants. The Ministry of Industry and Trade must stipulate method for calculation of energy loss of connection lines.

Chapter III

SUPPORT MECHANISMS THE DEVELOPMENT OF SOLAR POWER PROJECTS

Article 9. Obligation of Power Purchase from solar power projects

1. The Electricity Buyer shall be responsible for purchasing the entire electricity generated from solar power projects; with priority given to deploy full generating capacity of commercially operating solar power.

2. The purchase and selling shall be performed via the power purchase agreement in accordance with the standardized power purchase agreement issued by the Ministry of Industry and Trade for solar power projects.

3. Within thirty (30) days since the Seller has prepared completed required dossier and Power Selling Proposal, the Purchaser and Seller shall enter into the PPA in accordance with regulations.

4. The PPA of solar power projects is valid for 20 (twenty) years from the date of commercial use. After 20 years, the PPA may be extended or renewed by both parties pursuant to existing regulations.

Article 10. Investment capital and tax incentives

1. Mobilization of investment capital: Any organization or individual participating in the development of solar power projects shall be entitled to mobilize capital from both domestic and foreign organizations and individuals for their solar power projects as per existing regulations.

2. Import duty: all solar projects shall be exempted from import duty for imported goods as fixed assets of the projects. Apply the current regulations of export and import duties for imported goods which serve project production including raw materials, supplies, semi-finished products which have not been domestically produced.

3. Corporate income tax (CIT): the exemption and reduction of corporate income tax imposed on solar power projects is similar to the projects in the fields of investment priorities as stipulated in the existing laws on taxes.

Article 11. Preferential treatment on land

1. Solar power projects, transmission lines and transformers connected to the grid must be reduced or exempted from land use charge and rent pursuant to current regulations regarding the projects having investment incentives.

2. Based on the approved planning by the competent authorities, the Provincial People's Committee must allocate appropriate land for the Investor to carry out their projects. Compensation for land clearance must be subject to land regulations.

Article 12. Feed-in tariff (FiT) of solar projects

1. Grid-connected Projects

a. The Electricity Buyer shall buy all electricity production generated from the Grid-connected Projects at a FiT of VND 2.086/kWh (USDcents 9.35/kWh, exclusive of VAT) at the Electricity Delivery Points according to exchange rate of VND 22,316/USD announced on 10/04/2017 by the State Bank of Vietnam. The FiT shall be subject to fluctuations of VND-USD exchange rate. This tariff shall be applied only for the Grid-connected Projects with solar cell efficiency of more than 16% or with module of over 15%.

b. The adjustment of FIT subject to fluctuations of VND-USD exchange rate shall be executed according to SPPA issued by MoIT.

2. Roof-mounted Projects

- a. The Roof-mounted Projects shall benefit net-metering mechanism by using two-way electricity meters. In a payment cycle, if the generated electricity is bigger than consumption, it must be transferred to subsequent payment cycle. At the end of the year or when the PPA is terminated, excessive generated electricity shall be sold to the Electricity Buyer at tariff regulated in the clause 1 of this Article.
- b. Annually, based on the central rate of VND versus USD quoted by the State Bank of Vietnam on the last quoting date of the previous year, the MoIT shall promulgate purchase price for roof-mounted projects for the following year.

3. All electricity amounts from solar power projects as stated in the Clause 1 and 2 of this Article shall be calculated and included into the input data of annual FiT provided by EVN.

4. The Ministry of Industry and Commerce shall supervise and suggest FiT adjustment as defined in the Point A, Clause 1 in this Article and report it to the Prime Minister for for consideration and decision.

Chapter IV

IMPLEMENTATION PROVISIONS

Article 13. Responsibilities of State Management Authorities

1. The Ministry of Industry and Trade

- a) Organizing, guiding and coordinating with the People's Committees of municipalities and provinces in examining and supervising the compliance with this Decision.
- b) Promulgating the Standardized Power Purchase Agreement for the Grid-connected and Roof-mounted Projects and guiding to implement such Agreement.
- c) Promulgating calculation methodology of energy loss over transmission lines in case measuring points are different from connection points.
- d) Promulgating technical standards in relation to solar power power and regulations of electricity measurement for solar power projects; guiding to execute procedures for connecting and installing electricity meters and applying the net-metering for the Roof-mounted Projects.

d) Conducting study on bidding process for solar power projects and organizing the performance of such process properly to improve investment efficiency and reduce cost prices of solar power projects.

e) Conducting study on and proposing support mechanisms for solar power projects for the period after 30th June 2019.

g) Coordinating with the People's Committees of municipalities and provinces in allocating land fund for power and solar projects and ensuring such projects reach the progress as determined in the adopted planning.

h) Issuing FIT for solar power project according to fluctuations of VND-USD exchange rate for the coming year.

i) For solar power project has not been included into approved solar power development planning and approved power development plan, MoIT examine and approve the inclusion of solar power projects with capacity under or equal 50 MW; submit to Prime Minister for approval if project's capacity is above 50 MW.

2. The Ministry of Planning and Investment

Coordinating with relevant Ministries and Departments in initiating support mechanisms for investment in manufacturing solar devices in Vietnam and submitting them to the Prime Minister for appraisal and approval.

3. The Ministry of Finance

Taking lead in researching and supplementing fee and tax exemption regulations for roof-mounted solar power projects (capacity under or equal 50KW), and submit to competent authorities for appraisal and approval.

4. The People's Committees of municipalities and provinces

a) Combining and supporting the employers in implementing compensation for land clearance, infrastructure and human resources to invest, carry out and develop their solar power projects in the municipalities and provinces.

b) Publicly allocating and specifying land fund for solar power projects on land use planning.

c) Monitoring, controlling and inspecting the execution of solar power projects in the

municipalities and provinces.

d) Following state management relating to solar power activities in the municipalities and provinces pursuant to existing regulations.

e) Prior to January 31st of each year, the People's Committees of municipalities and provinces shall inform the Ministry of Industry and Trade on total installed capacity of the Grid-connected and Roof-mounted Projects as of December 31st of previous year.

Article 14. Responsibilities of relevant organizations and individuals

1. EVN or its authorized member companies

a) Negotiating and entering into the PPA with the Electricity Seller and FiT as indicated in Article 12 of this Decision if the Electricity Seller has satisfied all conditions concerning investment in building solar projects as set out in Article 7 of this Decision.

b) EVN shall calculate and include electricity amounts from solar projects into the input data of the FiT as annually offered by EVN and present them to the competent authorities for adoption.

c) Prior to January 31st of each year, EVN must notify the Ministry of Industry and Trade on total installed capacity of solar power projects as of December 31st of previous year.

2. The Electricity Seller

a) Negotiating and contracting with the Electricity Buyer under the SPPA and FiT as indicated in Article 12 of this Decision.

b) Installing electricity meters in conformity with prevailing laws to measure the used electricity consumption as proof for electricity payment.

c) Sending 1 (one) copy of the signed PPA for the Grid-connected Projects to the Ministry of Industry and Trade no later than 30 (thirty) days from the signing date of this contract.

d) Complying with all regulations relating to the operation of electrical, electrical transmission, electrical distribution and electrical measurement systems as well as relevant regulations enacted by the Ministry of Industry and Trade.

Article 15. Transition

For the Grid-connected and Roof-mounted Projects with the PPA before this Decision is effective, both parties are responsible for negotiating and entering into an amended Agreement in accordance with this Decision.

Article 16. Validity

1. This Decision is valid from 01/06/2017 until 30/06/2019.

2. Ministers, Heads of Ministry-level agencies, Chiefs of governmental bodies, Chairmen of the People's Committees of municipalities and provinces and Directors of organizations concerning the development of solar projects in Vietnam must follow this Decision.

Copies to:

- Secretariat of the Party Central Committee;
- Prime Minister and Deputy Prime Ministers;
- Ministries, Ministry-level agencies and governmental bodies;
- People's Councils and People's Committees of municipalities and provinces;
- The Party's Central Office and Committees;
- Office of the General Secretary;
- Office of the President;
- The National Assembly's Ethnic Council and Committees;
- Office of the National Assembly;
- People's Supreme Court;
- State Audit Office of Vietnam
- National Financial Supervisory Commission;
- Vietnam Bank for Social Policies;
- Vietnam Development Bank;
- Central Committee of the Vietnam Fatherland Front;
- Central agencies of the Unions;
- Government's Office: BTCN, Vice Chairmen, Assistant of Government Information, General Director of Government Portal, relevant Departments, Government Gazette;
- Kept in the archives, KTN (3b).

PRIME MINISTER

NGUYEN XUAN PHUC