

**Ms. Xianli Zhu**

Senior Economist, UNEP - Danish Technical University (DTU) Partnership

### **Xianli's keynote address at the VEPG**

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Good afternoon, your excellency Minister *H.E. Trần Tuấn Anh*, distinguished guests, ladies and gentlemen,

First of all, I would like to thank Viet Nam Energy Partnership Group for the opportunity to participate in this important event. It's a honor to be here with you. This event is another milestone in Vietnam's energy efficiency policymaking. The solutions debated here can influence the country's energy consumption and wellbeing of the society in the decades to come.

In my speech, I will cover three aspects: first, why energy efficiency is the way to-go for Vietnam; second, the change of mindset; third, some good practices and examples of policies and measures for energy efficiency improvement in the industrial sector.

So, why is energy efficiency the way to go for Vietnam? One significant impact of fossil fuel consumption is severe air pollution in cities. Ho Chi Minh City and Hanoi are already among the 20 most polluted cities in the world. Exposure to severely polluted air can damage people's lungs and heart, cause cardiovascular and respiratory illness, and even shorten people's life span. According to the World Health Organisation, more than 60,000 deaths each year in Vietnam are linked to air pollution. The recent Vietnam Energy Outlook Report projected that in the absence of ambitious new energy efficiency measures, by 2030, the health costs of air pollution can reach 7 to 9 billion US dollars per year, or 2% of Vietnam's GDP. Meanwhile, increasing investments in energy efficiency can help the country save 3 to 16 billion US dollars by 2030.

Energy efficiency can bring about multiple economic, social, and environmental benefits. For Vietnam, another major benefit is saving investments in power generation capacity, reducing spending on coal import, and improving national energy security. Among the three targets of SDG 7, energy efficiency is fundamental as improving energy efficiency will make it both easier and cheaper to double the share of renewable energy, and providing universal access to electricity and modern energy for cooking.

There is also the issue of climate change. Vietnam has long coastal lines and is highly vulnerable to multiple climate change impacts, from sea level rise to droughts, floods and extreme weather events. The international climate negotiations are calling for all countries to do more in climate change mitigation. Energy efficiency measures are among the cheapest way for reducing greenhouse gas emissions.

Second, it is important to work on changing the mindset about Energy Efficiency. Some people are concerned that energy efficiency policies and high energy prices can harm the local economy and domestic businesses, cause unemployment and other social problems. But energy efficiency can help improve country's competitiveness in the global transition toward low carbon and green development. As of September, 77 countries, ten regions and over 100 cities had committed to be carbon neutral by 2050. The Danish Model proves that energy efficiency can also increase a country's international competitiveness. Back in 1973, when the first world oil crisis hit, Denmark relied on import for meeting over 80% of its energy supply. When the Arab world imposed an oil embargo, and international oil prices quadrupled in a few months, Denmark had to raise its energy prices and ban private car use during weekends. To prevent the recurrence of such situations, Denmark has been persistent in its

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pursuit of energy efficiency. Thanks to these policies, today Denmark is among the most energy-efficient countries in the world and Copenhagen is among the most liveable cities on Earth. Denmark, a land of five million people, is now home to quite a few leading companies in clean energy technologies, including Vestas, Rockwool, Velux, Danfoss, Ramboll. Danish companies exported 14 billion US dollars of energy technology and services in 2016. This makes up 12 per cent of Denmark's total export.

China is another example of mindset change in energy efficiency policies. In the 1990s, the general consensus among Chinese scholars and officials was: China would follow a similar development path of European countries: first focusing on economy development; after becoming rich, it would have more means to tackle energy efficiency and pollution. Then from 2002 to 2004, due to rapid growth of energy-intensive industrial sectors, the country's energy intensity increased, instead of keeping its declining trend. The resource and environmental issues of rapid energy consumption led to a shift in mindset. In 2004, China released the national plan to reduce the energy intensity of its GDP by 43% from the 2002 level by 2020. This represented an average annual reduction of 3%. Through implementing a long list of energy efficiency policies and programmes, China may have already realised this target. The air quality in Chinese cities has been improving, and China is now an active supporter of ambitious climate actions and low-carbon development. Maybe some people in Vietnam would say, we can do the same once our economy is more developed. You may be surprised to know that in 2004, China's per capita GDP was 1,500 USD. Vietnam already crossed that level in 2011.

Finally, I will give a few examples of good practices and key measures for energy efficiency improvement, especially for the industrial sector. The costs of energy efficiency investment and actions highly depends on the timing, whether you do it at the time of new construction, a new purchase, or through retrofitting. The cheapest and easiest way is integrating energy efficiency solutions and technologies in the time of new investment, new purchases, and new construction. Vietnam's economy is growing at high speed; that means a large share of the buildings, infrastructure, industrial facilities and are not built yet. Through limiting market energy to energy-efficient options, this could minimise the cost of energy efficiency investments. Clear and specific long-term targets can provide certainty and strong signals for new investment. China's 2020 energy conservation plan provides energy efficiency targets for 2010 and 2020 for energy intensive sectors. These targets provide criteria for new investment approval and give strong signals for businesses.

Another important topic is creating markets for energy-efficient projects, from prioritising energy efficiency in public procurement to standards and labelling, offering and fiscal incentives.

Energy audit and energy management are key to industrial energy efficiency improvement. These are the most critical measures for industrial energy efficiency implementation.

Finally, it is important to engage local government and to apply vigorous compliance measures. One critical success factor of the Chinese energy efficiency policy is its comprehensive and powerful compliance scheme. The national government set annual and five-year energy intensity improving targets for each province, the provincial government further disaggregates their targets to local cities. Energy intensity is included in the performance evaluation targets for provincial governors and mayors. Large energy-consuming enterprises are allocated binding targets, and their energy efficiency performance is directly monitored by the national authorities. Industrial facilities and coal-fired power plants failing to meet the energy efficiency standards are subject to mandatory closure.

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In recent years, lots of international businesses are moving their production base to Vietnam. This creates excellent opportunities for energy efficiency improvement. Through setting ambitious targets and implementing effective policies, Vietnam can make its economic growth more sustainable and cleaner, and become a regional and even world leader in energy efficiency technologies and services. Vietnam's energy transition has the advantage of strong international support in knowledge, capacity, technology, and funding. Through strong domestic leadership and international support, the country can replicate the successes from other countries and create a future of economic prosperity and clean and liveable cities. I wish today's stakeholder forum a great success.