

Viet Nam Energy Partnership Group

Technical Working Group 2 – Energy Efficiency

Report of the 5th Meeting

Date: 24 June 2020,

Location: Meeting room 101, 25 Ngo Quyen, Hoan Kiem, Ha Noi and online via Microsoft Teams

Time: 15.00-16.30

Key agenda points:

1. Updates on implementation of VNEEP3 / National EE Action Plan (NEEAP)
2. Focus topic: Exploring the concept of an Energy Efficiency Foundation in Viet Nam

Chair and Co-Chair:

- **Mr. Trịnh Quốc Vũ**, Deputy Director General of DEESD/MOIT
- **Ms. Sitara Syed**, Deputy Resident Representative of UNDP

Agreed Conclusions and Actions: (See next page)

Agenda: See Annex 1

Participants: See Annex 2

Minutes: See Annex 3

Inputs: See Annex 4

4.1 – Presentations

Agreed Conclusions and Actions:

Conclusion / Decision	Action
<ul style="list-style-type: none"> TWG 2 members to continue updating their activities in the matrix on the development partner's support for the implementation of the VNEEP 3. The VEPG will update and disseminate the updated matrix to the development partners and relevant stakeholders. 	<p>VEPG Secretariat</p> <p>Members of the TWG</p>
<ul style="list-style-type: none"> The TWG2 members discussed and commented on the presentation introducing the concept of and best practices related to establishing an Energy Efficiency Foundation. The Energy Efficiency Foundation could direct the resources of an energy efficiency fund and administer incentive mechanisms/programs at scale. An Energy Efficiency Foundation, as proposed, would offer a one-stop-shop with EE Awareness Raising, Advice and Finance to enable organisations to adopt EE measures via access to knowledge, technical support and capital. To explore the establishment of such a foundation, it was proposed as a next step that a white paper on the outline of the EE Foundation will be developed in close cooperation with MoIT. A VEPG Sub-working group was proposed with core members from ADB, UK-ASEAN Low Carbon Energy Programme, Embassy of Denmark, EVEF/GIZ, and DEESD. The VEPG Secretariat could support the sub-working group in an open process to develop the concept paper. The government objective to establish an EE Foundation, as included in the VNEEP (<i>To pilot the establishment of a Foundation to promote economical and efficient use of energy through socialization, financing, and cooperation of domestic and foreign individuals and organizations.</i>), was welcomed by several development partner organizations. Those development partners indicated their willingness to participate in the sub-working group and pointed out that more support will be needed from a higher level in the government to see such a Foundation established in Viet Nam. In cooperation with MoIT, VEPG is best positioned to support the exploration of how the EE Foundation could function in the specific Viet Nam context through an open stakeholder process under the sub-working group. This initial process will lay the foundation for political and practical decision-making and will eventually need to go beyond the VEPG Platform to the National Assembly or a higher level in the government. Therefore, as things develop, this topic should be included as an agenda item in upcoming VEPG Steering Committee Meetings. The Chair, Mr. Vu, DEESD/MoIT took note of the comments and inputs and will report to Mr. Kim, Director General of DEESD and Mr. Hoang Quoc Vuong, MoIT Vice Minister for further guidance on the proposal. 	<p>Chair/Cochair</p> <p>VEPG Secretariat</p> <p>VEPG Sub-working group on EE Foundation</p> <p>Steering Committee</p>

ANNEX 1 – FINAL AGENDA

15.00-15.05 Log-In & Guidance for Webinar Users

15.00-15.15 Opening, Introduction & Secretariat Report

Mr. Trịnh Quốc Vũ / Ms. Sitara Syed

- Opening and introduction to the agenda

Mr. Rainer Brohm

- Report of the Secretariat

15.15-16.00 Update on VNEEP3/NEEAP Implementation

- DEESD/MOIT: Update on NEEAP implementation (NEEAP activities 2020, NEEAP 2020-2025, budget, provincial EE Action Plans, etc.)
- DEESD/Secretariat: Overview of VNEEP3 action areas/key objectives and DP support – (matchmaking matrix)
- Participants: Q&A

16.00-16.40 Focus Topic Exploring the concept of an Energy Efficiency Foundation in Viet Nam

- EE Subworking Group & Establishing an Energy Efficiency Foundation in Viet Nam, Mr. William Hudson, Carbon Trust/ UK-ASEAN Low Carbon Energy Programme
- Participants: Q&A, discussion on further work on the topic

16.40-16.45 Closing of the meeting

Mr. Trịnh Quốc Vũ / Ms. Sitara Syed

ANNEX 2 Participants:

Co-Chairs

- **Mr. Trịnh Quốc Vũ**, Deputy Director General of DEESD/MOIT
- **Ms. Sitara Syed**, Deputy Resident Representative UNDP

Participants

- **Mr. Lê Bá Việt Bách**, MOIT
- **Mr. Đinh Gia Nghiêm**, MOST
- **Mr. Trần Hà Ninh**, MONRE
- **Ms. Trần Thị Hảo**, EVN
- **Ms. Trần Hà Anh**, AfD
- **Ms. Hyunjung Lee**, ADB
- **Mr. Greg Peterson Jones**, ADB
- **Mr. Stuart King**, ADB
- **Mr. Vũ Quang Đăng**, ADB
- **Ms. Trần Thùy Dương**, EU
- **Ms. Đào Minh Hiền**, DEPP
- **Ms. Trần Hồng Việt**, Denmark
- **Mr. Emil Reenberg**, Denmark Energy Agency
- **Ms. Lê Thị Mỹ Hạnh**, GGGI
- **Ms. Trần Bảo Minh**, GGGI
- **Mr. Phạm Nguyệt**, GGGI
- **Mr. Nguyễn Đỗ Thuýên**, GIZ
- **Mr. Markus Bissel**, GIZ
- **Ms. Vũ Thị Kim Thoa**, GIZ
- **Mr. Alain Jacquemin**, Lux Development
- **Ms. Cecilia Tam**, OECD
- **Mr. Brendan Coleman**, OECD
- **Ms. Luiza Girleanu**, Romania
- **Ms. Hoàng Diệu Linh**, UNIDO
- **Ms. Lê Thanh Thảo**, UNDP
- **Mr. Jay Malette**, UNDP
- **Ms. Nguyễn Thúy Hằng**, UNDP
- **Mr. Yannick Millet**, EECB – UNDP/ MOC
- **Ms. Lê Thị Ngọc Bích**, UK
- **Mr. William Hudson**, UK Low Carbon
- **Mr. Felix ter Heegde**, SNV
- **Ms. Nguyen Ha**, SNV
- **Ms. Phạm Cẩm Nhung**, WWF
- **Mr. Asko Ojaniemi**, BENET Oy
- **Mr. Nam Nguyen**, DAI
- **Ms. Mai Nguyen**, NIRAS Viet Nam
- **Mr. Minh Ha Dương**, VIET SE
- **Mr. Christopher Starling**, The Lantau Group
- **Ms. Vũ Thị Dung**, Viet Nam Academy of Science and Technology

VEPG Secretariat

- **Mr. Rainer Brohm**, VEPG Secretariat
- **Ms. Nguyễn Phương Thảo**, VEPG Secretariat
- **Mr. Đỗ Quang Nhật**, VEPG Secretariat
- **Ms. Vũ Minh Hiền**, GIZ Support Team

ANNEX 3 - SUMMARY MINUTES

Agenda item	Summary
Opening. Introduction & Secretariat Report	<ul style="list-style-type: none"> • <u>Mr. Rainer Brohm, International Coordinator of the VEPG</u> welcomed both in-person and online participants to the first hybrid meeting of the VEPG Technical Working Group (TWG) 2 on Energy Efficiency (EE). The international coordinator introduced housekeeping rules for online participants. • <u>Mr. Trịnh Quốc Vũ, Department of the Energy Efficiency and Sustainable Development (DEESD)/Ministry of Industry and Trade (MOIT), Chair of TWG 2</u> welcomed in-person and online participants to the hybrid meeting. The Chair looked forward to the productive discussion on the implementation of the third phase Viet Nam Energy Efficiency Programme (VNEEP 3) as well as the discussion on the EE Foundation. • <u>Ms. Sitara Syed, UNDP, Co-Chair of TWG 2</u> also welcomed in-person and online participants to the meeting. She highlighted this meeting as an opportunity to come together to discuss energy efficiency in the context of recovery from the COVID-19 pandemic, where the Small and Medium Enterprises (SME) have a large role in both climate change and energy efficiency. The Co-chair also emphasized the importance of EE in the Resolution 55-NQ/TW as well as the revision of the Construction Law. The Co-chair, therefore, looked forward to having a fruitful discussion in the meeting.
Update on VNEEP3/NEEAP Implementation	<p><u>Mr. Lê Bá Việt Bách, DEESD/MOIT</u> updated the TWG 2 on the progress of the implementation of the VNEEP 3 (Annex 4).</p> <p><u>The Chair of TWG 2</u> added on presentation:</p> <ul style="list-style-type: none"> • The DEESD is focusing on the completion of internal rules and regulations to manage the implementation of VNEEP 3. The draft NEEAP was shared with the Steering Committee of the VNEEP 3 and comments were addressed to DEESD. DEESD will finalize and complete the NEEAP and resubmit to the Chair of the SC – the Deputy Prime Minister for approval by the end of 2020. • 40 provinces have issued their energy efficiency action plan (EEAP) based on Decision 280. DEESD will support the provinces to develop a more qualified (EEAP) with support from Denmark, World Bank, ADB. <p><u>Mr. Rainer Brohm, International Coordinator of the VEPG</u> presented the Matrix on Development Partner's support for the implementation of the VNEEP 3 (link). This Matrix will be updated at regular intervals and be disseminated to all partners for further information and updates.</p> <p>Update on DP's Support for the implementation of the VNEEP 3</p> <ul style="list-style-type: none"> • Denmark is supporting the development of provincial NEEAP. The third phase of DEPP will support DEESD in terms of capacity building exercises. • ADB is supporting the development of the NEEAP for 6 provinces with 2 has been completed. The approval for the action plans is expected to be

	<p>in July/ August 2002. ADB will also support the aforementioned provinces in the implementation of the NEEAP including the preparation of the FS for these cities to invest in public lighting and EE in buildings.</p> <ul style="list-style-type: none"> • GGGI is currently working with EU and DEESD to start a new EE project to start next year which supports start-up on energy efficiency and energy conservation. • EU is in process of negotiating with MOIT on the 2nd phase of the Programme to support the energy sector which includes budget support for the implementation of the VNEEP 3 as well as implementation of the VEIS. • UNIDO is supporting SME on energy efficiency solutions in collaboration with WWF for awareness-raising and demand-driven support for MOIT and related agencies • GIZ is supporting activities in the energy benchmarking legal framework in Viet Nam as well as amendments and review for Decree 21. <p>The Chair closed the agenda item by highlighting that DEESD welcomes all support from all institutions includes civil society organizations in the support of the implementation of the VNEEP 3 as well as in the issue of energy efficiency in the country.</p>
<p>Focus Topic: Exploring the concept of an Energy Efficiency Foundation in Viet Nam</p>	<p><u>Mr. William Hudson, UK-ASEAN Low Carbon Energy Programme</u> gave a presentation introducing the concept of and best practices related to establishing an Energy Efficiency Foundation (Annex 4.1). The Energy Efficiency Foundation could direct the resources of an energy efficiency fund/funding and administer incentive mechanisms/programs at scale. An Energy Efficiency Foundation, as proposed, would offer a one-stop-shop with EE Awareness Raising, Advice and Finance to enable organisations to adopt EE measures via access to knowledge, technical support and capital. The EEF can also support with other objectives under VNEEP3.</p> <ul style="list-style-type: none"> • The government objective to establish an EE Foundation is included in the VNEEP: <i>To pilot the establishment of a Foundation to promote economical and efficient use of energy through socialization, financing, and cooperation of domestic and foreign individuals and organizations.</i> This initiative is jointly supported by EVEF/GIZ, DANIDA, the Asian Development Bank (ADB), and the UK-ASEAN Low Carbon Energy Programme (LCEP). • To explore the establishment of such a foundation, it was proposed as a next step that a concept paper on the outline of the EE Foundation be developed in close cooperation with MoIT. A VEPG Sub-working group was proposed with core members from ADB, UK-ASEAN Low Carbon Energy Programme, Embassy of Denmark, EVEF/GIZ, and DEESD. The VEPG Secretariat could support the sub-working group in an open process to develop the concept paper. Mr. Hudson also emphasized that this is an open process and welcomed contribution from any VEPG TWG member. • The Sub-working group, should it be established and facilitated/coordinated by the VEPG Secretariat and in close

	<p>coordination with DEESD, could develop a Concept Paper which identifies potential design options for the EE Foundation that can be implemented in Viet Nam.</p> <p><u>The Chair</u> shared with the TWG that MoIT is in the first phase of discussions with the Low Carbon Trust on the development of the legal framework for the government-owned/administered EE fund. He looked forward to further support from DPs as the EE financial mechanism develops and ultimately is proposed to the Prime Minister for approval.</p> <p><u>The Co-chair</u> expressed support for the EE Foundation proposal should it be taken up and would like to make contributions supporting the development of an EE Financing Mechanism. UNDP experience funding 51 projects in the period from 2006-2011 in the form of grants and loans for private sector was highlighted.</p> <p>The members of the TWG 2 discussed the topic. Below is the summary of the discussion:</p> <ul style="list-style-type: none"> • <u>UNIDO</u> appreciated the proposal and shared their experience in promoting EE through an energy management and system optimization approach as well as supporting companies to adopt EE measures. Their main components include capacity building (trainings for managers, experts in the factories), loans for bankable projects, supporting MOIT for EE benchmarking and awareness raising. UNIDO expressed their interest in participating in the discussion of the Sub-working group as well as sharing their experience to support the formulation of the project. • <u>UNIDO</u> also shared with the meeting experience in studies on Green Financing as well as ranking of feasibility to access different funds in Viet Nam. • <u>Embassy of Denmark</u> highlighted the lack of an incentivizing mechanism for real investment in EE development. It was pointed out that this Foundation proposal is at the preliminary stage and it is aligned with the government objective set out in the VNEEP3. DPs and TWG members are welcome to join the group. It was suggested keeping the discussion under a smaller and more focused group (VEPG Sub-working group) for tangible results. • <u>The Chair</u> shared their efforts and difficulties of establishing the government administered/owned financial incentive mechanism for EE though it is mentioned in the law of EE and conservation (lack of support from across government and specific challenges with MoF). EE Foundation is mentioned in VNEEP3 and Mr. Vu expressed the hope that an EE Foundation will be established and piloted in the future. He also appreciated initiative from Denmark to gather a group to support the development. • <u>The Co-chair</u> suggested it is important to develop the TOR of the group and differentiate between the government-owned fund and the Foundation as well as create a work plan. Reporting on the work of the
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	<p>sub-working group, should it be agreed upon, should also be part of the agenda item of the TWG 2 meeting.</p> <ul style="list-style-type: none"> • <u>Mr. Rainer Brohm, the VEPG Secretariat</u> appreciated those development partners that indicated their willingness to participate in the sub-working group and pointed out that more support will be needed from a higher level in the government to see such a Foundation established in Viet Nam. In cooperation with MoIT, VEPG is best positioned to support the exploration of how the EE Foundation could function in the specific Viet Nam context through an open stakeholder process, and the sub-working group has been proposed. This initial process could lay out the basics of an EE Foundation. Still, more high level political and practical decision-making will be required as the concept likely would require support across government and ministries. That means any concept will eventually need to go beyond the VEPG Platform to the National Assembly or a higher level in the government. Therefore, as things develop, this topic should be included as an agenda item in upcoming VEPG Steering Committee Meetings. • <u>GIZ</u> underlined the importance of coordination with relevant ministries, especially MOF, in this process and suggested bi-weekly meeting for the sub-working group with representatives from MoIT and MoF. • <u>OECD</u> updated the meeting about their activities on both RE and EE with strong links to investors, institutes and member governments. They were keen on supporting the establishment of an EE Foundation particularly to support green finance and investment. • <u>Representative from the Ministry of Science and Technology (MOST)</u> expressed interest in the EE Foundation and interest in exploring the possibility to mobilize funding from EE Foundation to support the development of RE and EE technologies projects (KC05) under VNEEP 3. • Noting comment from MOST representative, the Chair asked for support from MOST in sharing their experience in successful establishment of the Science and Technology Fund. <p><u>The Chair</u>, took note of the comments and would report to the Director General of DEESD and Mr. Hoang Quoc Vuong, MoIT Vice Minister for further guidance on the proposal.</p>
<p>Closing of the meeting</p>	<p><u>The Chair and Co-chair</u> concluded the meeting with the following remarks:</p> <ul style="list-style-type: none"> • <u>The Chair and Co-chair</u> thanked the TWG 2 members for their participation online and in-person as well as the fruitful discussion on the NEEAP implementation and the overview of VNEEP3 action areas and Development Partners' support. The Chair invited TWG 2 members to continue updating their activities in the VNEEP 3 matchmaking matrix. • At the same time, <u>the Chair and Co-chair</u> also called for support for the implementation of provincial NEEAP and coordination on the EE Foundation proposal going forward.

	<ul style="list-style-type: none"> • <u>Mr. Rainer Brohm</u> announced that he finished his term at the VEPG Secretariat and introduced his successor, Ms. Amber Sharick who will take over the role of the International Coordinator of the VEPG and will arrive in Viet Nam in August 2020. • <u>The Chair and Co-chair</u> as well as the members of TWG 2 expressed their sincere thanks to Mr. Rainer Brohm for commitments and support for the work of VEPG in general and TWG 2 in particular.
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ANNEX 4.2 – PRESENTATIONS



Viet Nam Energy Partnership Group Technical Working Group 2 – Energy Efficiency

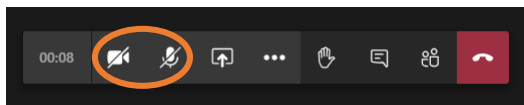
5th Meeting – 24 June 2020
MOIT/MS Teams, Ha Noi

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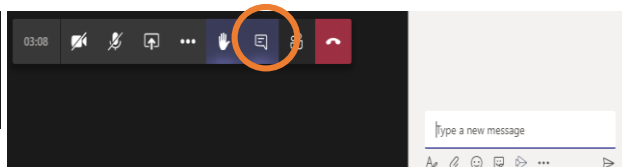
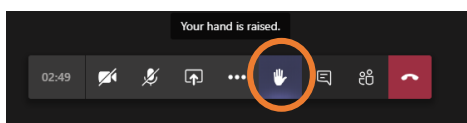
Welcome to the first Live+Virtual TWG Meeting!

Instructions for online participants

- Please keep your **microphone muted** and your **video feed turned off**:



- You can **ask questions** using the **chat box** and/or **raise hand function**. We will unmute you so that you can ask questions



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Key Objectives of the Meeting

- **Updates on implementation of VNEEP 3 / NEEAP 2020-2025** – including matching VNEEP tasks with Development Partner/Stakeholder support
- **Focus topic “Energy Efficiency Foundation”** – Introduction and proposal from TWG 2 member group

Top 1: Opening and Introduction

TWG 2 Chair:

- *Mr. Trịnh Quốc Vũ, Deputy Director General, Department of Energy Efficiency and Sustainable Development, DEESD/MOIT*

New TWG 2 Co-Chair:

- *Ms. Sitara Syed, Deputy Resident Representative UNDP Viet Nam*

Agenda

Time	Subject
15.00-15.15	1. Opening remarks, overview of the agenda <ul style="list-style-type: none">Mr. Trịnh Quốc Vũ/ Ms. Sitara SyedSecretariat updates on VEPG activities
15.15-16.00	2. Updates on Energy Efficiency Policy and Planning – VNEEP 3 / NEEAP Implementation <ul style="list-style-type: none"><u>DEESD/MOIT Chair</u>: Introduction and update on VNEEP 3 implementation and draft NEEAP 20-25<u>Secretariat</u>: Overview of DEESD survey on Partner Support for VNEEP 3/NEEAP<u>Plenary</u>: Q&A and discussion (further inputs/comments on matchmaking matrix)
16.00-16.40	3. Focus Topic Energy Efficiency Foundation <ul style="list-style-type: none"><u>EE Fund Support Group/William Hudson</u>: Introduction – Concept and Best-Practice for an EE Foundation in Vietnam<u>Plenary</u>: Q&A and discussion (support for sub-working group on EE Fund)
16.40-16.45	4. Conclusions and closing remarks <ul style="list-style-type: none">Mr. Trịnh Quốc Vũ/ Ms. Sitara Syed

Top 1: Secretariat Report on VEPG Activities

VEPG Secretariat:

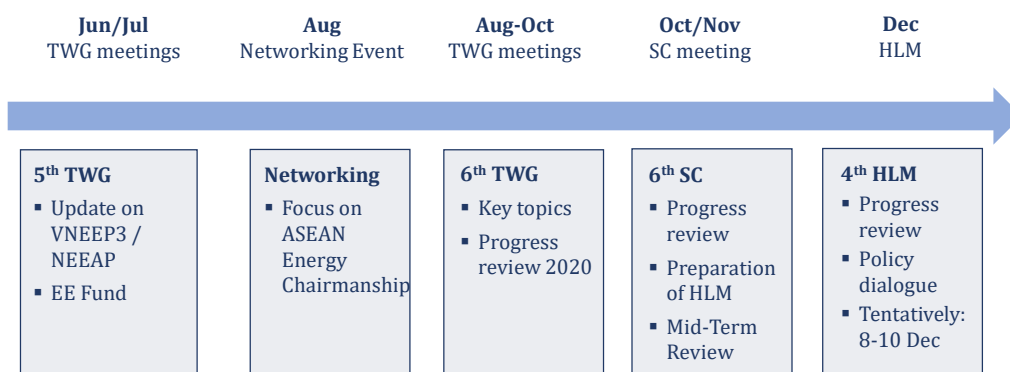
- Mr. Rainer Brohm, International Coordinator*

Adjusted VEPG Operation in 2020











Due to Corona-Virus restrictions and Secretariat transition:

- **TWGs meet online or in hybrid** form (physical and online participation).
- No (6th) **Steering Committee meeting** in the first half of 2020
- **Mid-Term Review of VEPG** (decision in last Steering Committee meeting) postponed to September 2020.
- **Networking event** planned for August 2020 (focus topic **ASEAN Chairmanship Vietnam**).
- **High-Level Meeting 2020** further planned for December 2020 (half-day meeting with focus on policy dialogue and progress of VEPG work).

VEPG – Timeline for 2020



TWG's 5th Round of Meetings – Overview

TWG	5 th Meeting	Key Topics/Highlights
TWG 1 RE 	 18 June 2020	<ul style="list-style-type: none"> Updates on current policy processes (Solar FIT 2, on- and offshore wind, RTS program, bioenergy FIT etc.) Outlook to 2021 (auctioning)
TWG 2 EE 	 24 June 2020	<ul style="list-style-type: none"> Presentation and discussion on draft National EE Action Plan (NEEAP) 2020-2025 Focus topic Energy Efficiency Foundation (sub-working group)
TWG 3 ESR 	 Mid-July	<ul style="list-style-type: none"> Report on first half year of VWEM operation Update on DirectPPA process and pilot scheme
TWG 4 EA 	 30 June 2020	<ul style="list-style-type: none"> Progress on implementation of Rural Electrification Program Discussion of Energy-Agriculture nexus – biogas technologies for rural areas
TWG 5 D&S 	 July/August	<ul style="list-style-type: none"> Discussion on VEIS implementation Discussion of PDP 8 progress/ first studies and scenarios

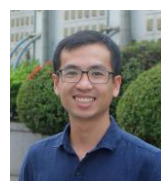
Follow up on 4th TWG 2 meeting (2 October 2019)

- Update on and input to draft **NEEAP 2020**
- Focus topics “**MRV Framework**” and “**EE Database**”
- Discussion and capturing of **Progress in TWG 2 work** (Progress Report to be presented at High-Level Meeting 2019)



Transition of VEPG Secretariat Coordination

- VEPG assignment of current International Coordinator ends in June.
- The **new International Coordinator, Ms. Amber Sharick**, will start operation in Hanoi in early July.
- Ms. Sharick will introduce herself in the planned **Networking Event in August** (depending on ASEAN event calendar) or latest in the 6th TWG 2 meeting in autumn.
- The **Secretariat team** with Ms. Thao and Mr. Nhat will **provide continuous support** for VEPG members in the transition time and beyond!



Top 2: Updates on VNEEP3 / NEEAP 2020-2025

DEESD presentation

DEESD/MOIT: Introduction and general update

- *Mr. Trịnh Quốc Vũ, Deputy Director General, DEESD/MOIT*

Secretariat: Survey/Overview of Development Partners support to VNEEP3

- *Mr. Rainer Brohm, International Coordinator VEPG Secretariat*

Discussion: Further input from TWG members to VNEEP 3/NEEAP implementation

Survey Member Support VNEEP 3 / NEEAP

- **DEESD** conducted a **survey** on international **Development Partner support for VNEEP 3** (consultant support).
- **VEPG Secretariat** supported with **survey among TWG 2 members**.
- **Overview Matrix** will be further developed (living document) as **basis for DEESD's work and TWG 2 activities/ work process**.
- Matrix was **shared with TWG 2 members** before the meeting.

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Survey Member Support VNEEP 3 / NEEAP

- **Specific objectives until 2025** reflected in Dec. 280.
- Related **main responsibilities/tasks**.
- Related **specific objectives in the period 2020-2025**.
- **Matching** with Development Partner /Sector Stakeholder **support activities**.
- **So far reflected in the overview:**
 - EVEF/4E Project, ADB SEA Sector Development Programme, UK-ASEAN Low Carbon Energy Programme, DEN-DEPP, WB VSUEE, KOICA, Lux-Dev, UNIDO,
- **Further organizations approached...**

Survey Member Support VNEEP 3 / NEEAP

1. Reviewing, developing and finalizing **mechanisms and policies** on economical and efficient use of energy.
2. Technical and **financial assistance** to **promote investment, production and business projects** on economical and efficient use of energy.
3. Developing the **Vietnam Energy Data Center**, databases and information technology applications on energy and economical and efficient use of energy (the EU funding = 10 million EUR).
4. **Strengthening the capacity** on economical and efficient use of energy
5. Enhance examination, supervision, expedition of and instruction for the implementation and **implementation and evaluation of legal regulations** on economical and efficient use of energy.
6. Conducting communication activities to **raise the community's awareness** of economical and efficient use of energy.



Survey Member Support VNEEP 3 / NEEAP

7. **Enhancing international cooperation** and relations in economical and efficient use of energy
8. Doing **scientific research and developing technologies** on economical and efficient use of energy
9. Establishing the **Energy Efficiency Promotion Fund**
10. Enhancing economical and efficient use of energy for means of **transportation**
11. Enhancing economical and efficient use of energy in civil works and manufacturing facilities in the **construction sector**
12. Enhancing economical and efficient use of energy in the **agricultural production sector**

Survey Member Support VNEEP 3 / NEEAP

13. Conducting **communication activities** to raise the community's awareness of economical and efficient use of energy.
14. Developing and **enhancing the capacity of organizations** and individuals on economical and efficient use of energy **from the central to local levels**.
15. Supporting **localities and industrial parks**.

Survey Member Support VNEEP 3 / NEEAP

Discussion: Further inputs from TWG members to VNEEP 3/NEEAP implementation?

Top 3: Focus Topic “EE Foundation”

Member presentation

TWG 2 Member Group on Energy Efficiency Foundation:

- *Mr. William Hudson, Head of Southeast Asia, Carbon Trust
on behalf of TWG 2 member group (UK-ASEAN LCEP, EVEF/GIZ, DEN-DEPP, ADB)*

Discussion: Q&A and Feedback on proposed TWG 2 sub-working group process

Viet Nam Energy Partnership Group

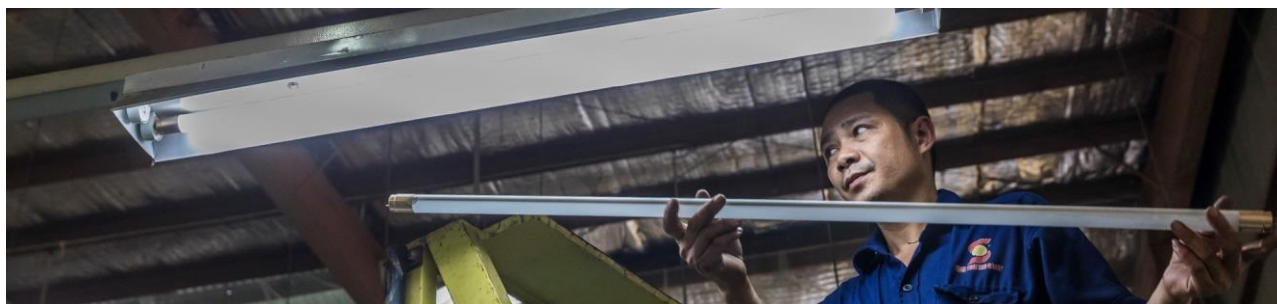
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Closure of the Meeting

Mr. Trịnh Quốc Vũ, Deputy Director General, DEESD/MOIT

Ms. Sitara Syed, Deputy Resident Representative UNDP Viet Nam



Viet Nam Energy Partnership Group

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MINISTRY OF INDUSTRY AND TRADE

UPDATES ON THE PROGRESS OF THE NATIONAL ENERGY EFFICIENCY PROGRAM IN THE PERIOD 2019 – 2030



Hanoi – June 24th 2020

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 **BỘ CÔNG THƯƠNG**



The National Energy Efficiency Program (VNEEP) in the period 2019 – 2030 was issued by the Government at Decision No. 280/QĐ-TTg dated 13th March, 2019.

- Establish the Steering Committee of the VNEEP3 at Decision No. 1664/QĐ-TTg dated 19th November, 2019 with 16 members from ministries and sectors led by the Prime Minister.
- Establish the Assistance Office for the Steering Committee (Decision No. 1474/QĐ-BCT dated 05th June, 2020)
- Many provinces and centrally-run cities have promulgated implementation plans for the VNEEP3

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The National Energy Efficiency Program (VNEEP) in the period 2019 – 2030 was issued by the Government at Decision No. 280/QĐ-TTg dated 13th March, 2019.

- Develop the action plan to implement the VNEEP3: under finalization
- 2020 implementation plan: 26 tasks on training, capacity building, communication and legal document development.
- Preparing 2021 implementation plan: In March 2020, the MOIT has sent official dispatch to other Ministries, People's Committees of provinces and cities to propose and coordinate to develop 2021 implementation plan. In July, consolidated plan is expected to be sent to Ministry of Finance for review and approval for funding.
- Continue to implement technical assistance projects funded by ADB, WB, UNIDO, UK, Denmark and others.

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Thank you very much!

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Establishing an Energy Efficiency Foundation in Vietnam

Proposal for the VEPG TWG Meeting

24 June 2020

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Contents

1. Context and Concept: An Energy Efficiency Foundation (EEF)
 2. Barriers to EE Financing and Role of an EEF
 3. Potential Structure for an EEF: (1) Awareness Raising, (2) Technical Advice, (3) Finance
 4. EE Financing Instruments
 5. Proposed White Paper
 6. Timeline and Next Steps
- Appendix: International Case Study Examples

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Context and Concept: An Energy Efficiency Foundation (EEF)

Context: existing legal framework on foundations/fund

Law on economical and efficient use of energy – article 41: incentives for economical and efficient use of energy. “Concessional loans from the development bank, the fund for science and technology development support, the national fund for technological renovation and the environment facility and supports from the national programs on hi-tech development and economical and efficient use of energy.....”

[National Foundation for Science and Technology Development \(NAFOSTED\)](#) ; [Vietnam Environment Protection Fund \(VEPF\)](#) ; [National Technology Innovation Fund \(NATIF\)](#)

Resolution 55: Develop legal foundations so as to form and effectively operate funds for sustainable energy development and energy efficiency toward socialization, ensuring financial independence, avoiding the overlap with revenues and expenditures of the state budget and limiting the activities which increase the operation, production and business costs of enterprises and manufacturers.

Objective in decision 280/QĐ-TTg (also mentioned in the NEEAP 2020-2025):

To pilot the establishment of a foundation/fund to **promote economical and efficient use of energy** through socialization, financing and cooperation of domestic and foreign individuals and organizations.

Thí điểm thành lập Quỹ Thúc đẩy sử dụng năng lượng tiết kiệm và hiệu quả thông qua xã hội hóa, tài trợ và hợp tác của cá nhân, tổ chức trong và ngoài nước.

Concept: an **Energy Efficiency Foundation (EEF)** would offer a one-stop-shop with EE Awareness Raising, Advice and Finance to enable organisations to adopt EE measures via access to knowledge, technical support and capital. The EEF can also support with other objectives under VNEEP3:



Providing awareness raising, technical advice and financial assistance to promote economical and efficient use of energy across business, and supporting energy efficient demonstration models to scale up with access to new investment.



Strengthen international relations and coordination in energy efficiency sector by cooperating in the development of bilateral and multilateral financial mechanisms to promote the implementation of energy saving solutions.

2

2



A Coordinated Approach to Developing an EEF | VEPG sub-group

EVEF/GIZ, DANIDA, the Asian Development Bank (ADB), and the UK-ASEAN Low Carbon Energy Programme (LCEP), via the Vietnam Energy Partnership Group (VEPG) have agreed to jointly support and cooperate in offering technical assistance to set up an Energy Efficiency Foundation for Vietnam, working with DEESD and Ministry of Finance (MOF), and initially targeting the industry sector.

TWGs will organize sub-groups working on specific issues and results, initiate technical reviews, etc., as appropriate. Working sessions in small (sub)groups could be organized to address any special request or proposal made by members.

Mission	Establish a national foundation for promoting energy efficiency and conservation by socialization, sponsorship and cooperation of local and international individuals and organization.
Scope of Work	Target group, purpose, strategic direction, operational principles, organization, funds, etc.
Moderator Team	Markus (EVEF/GIZ) and Amber (VEPG)
Participants	ADB, UK-ASEAN Low Carbon Energy Programme, Embassy of Denmark, EVEF/GIZ , DEESD
Set Up	Biweekly hybrid meetings
Report to	Bimonthly to Chair and Co - Chair of VEPG TWG 2



ASIAN DEVELOPMENT BANK



UK Government

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Key Barriers to EE Financing and Role of an EEF

A key challenge for energy efficiency finance is the perceived absence of a convincing business case. As energy savings do not create sales or revenues directly, but deliver a return by reducing costs relative to a baseline, it is not immediately understood by the market.

Barriers to Energy Efficiency Financing:



Lack of **knowledge and awareness** of energy efficiency, **scepticism and misunderstanding** of benefits, and a **lack of motivation** across businesses limits the pipeline of bankable projects. Linked to this is the lack of a convincing **business case** in contexts with cheap energy and absent regulation.



Insufficient **technical capacity**, and a lack of commonality on best practice and **standardisation of procedures and technologies**, including difficulties in **project assessment, monitoring and verification**, act as obstacles to financing trustworthy energy efficiency solutions.



Perceived **high investment costs**, coupled with **prohibitive calculations of risk and return**, limit the supply of affordable capital and the demand for such investments.

Role of an EEF:

As a promotional platform to build critical mass of demand by increasing knowledge and understanding of EE across target sectors and financiers.

Develop project capabilities by training suppliers, facilitating supply chain interactions, tracking potential customers and demonstration projects to create sufficient market scale to interest financiers

Structure EE financial mechanisms to encourage demand or supply of capital through the use of concessional terms and incentives.

5



EEF Objectives

Key EEF Objectives:

Promote EE Technologies

Stimulating adoption of best practices and energy efficient technologies across all industrial sub-sectors through awareness raising

Build EE Capacity

Enhancing capacity of market players and industrial stakeholders in energy efficiency service provision via technical advice

Deliver EE Finance At Scale

Removing the barriers and addressing risk perceptions within the local financial sector to stimulate adequate financing for EE

EEF Types:

Identify the appropriate legal form of the EEF by comparing different types of Foundation structures to determine which form is suitable for Vietnam and meets the objectives identified here.

Wider VEPG Objectives:

The support from International Development Partners to MOIT, mobilized and coordinated on the VEPG platform, could help to address barriers related to implementation of the mechanism such as inter-agency coordination and budget availability.

In addition, the VEPG offers an effective channel to communicate all potential financial structures and their feasibility in Vietnam to stakeholders prior to selection and implementation of the mechanism.

Benefits of an EE Foundation include accelerated adoption of energy efficiency by industries, resulting in greater energy performance, reduced carbon footprint and enhanced productivity and competitiveness.

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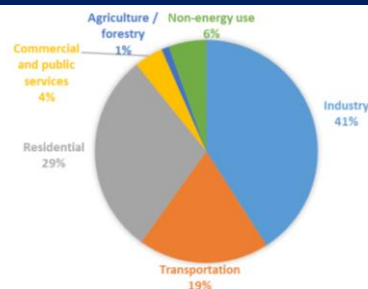


Sector Focus of an EEF

The **industry sector** is proposed to be the focus of the Foundation given that:

- The contribution of the industrial sector to Vietnam's **energy consumption** is by far the largest in comparison to other economic sectors.
- With a limited budget, the **impact** of the Foundation will be greater by implementing a targeted sector approach in the first instance.
- Several energy efficiency mechanisms begin with a targeted sector focus. **Lessons learned** from the implementation of these schemes are then used to make adjustments to the mechanisms before opening them up to more sectors.

Total Energy Consumption by Sectors in Vietnam (IEA, 2016)



The six largest energy consuming **industrial sectors** include (i) cement and construction materials (34% of total final energy consumed by the industrial sector), (ii) food processing (19%), (iii) chemical (10%), (iv) textile and leather (10%) (vi) pulp and paper (4%), steel (4%)

There is scope to broaden the target areas of the EEF to other sectors, however this depends on the ability to access greater funds.

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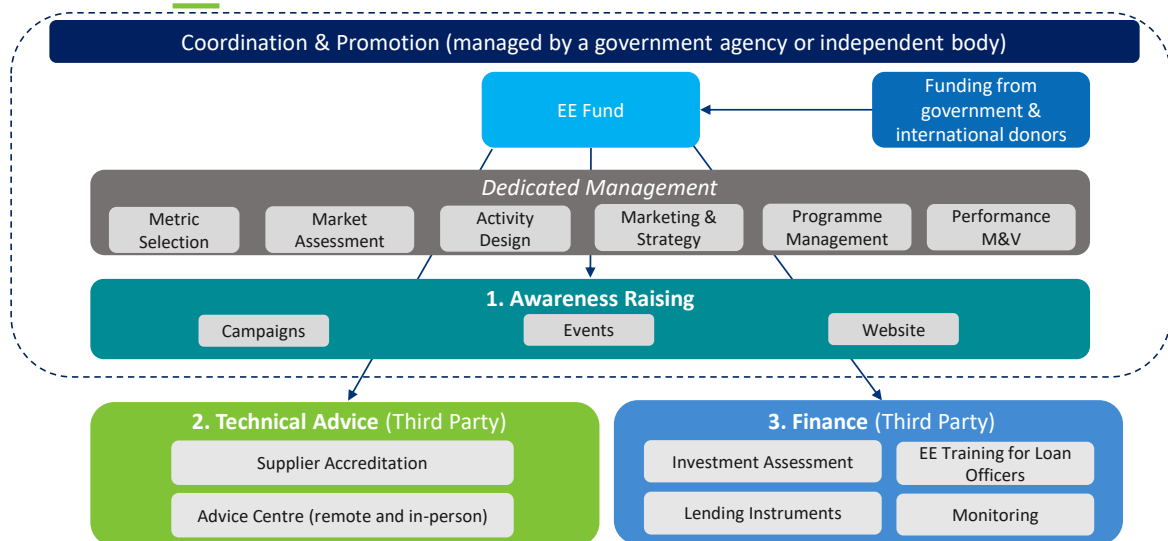
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Overview of an EEF: Options for Consideration

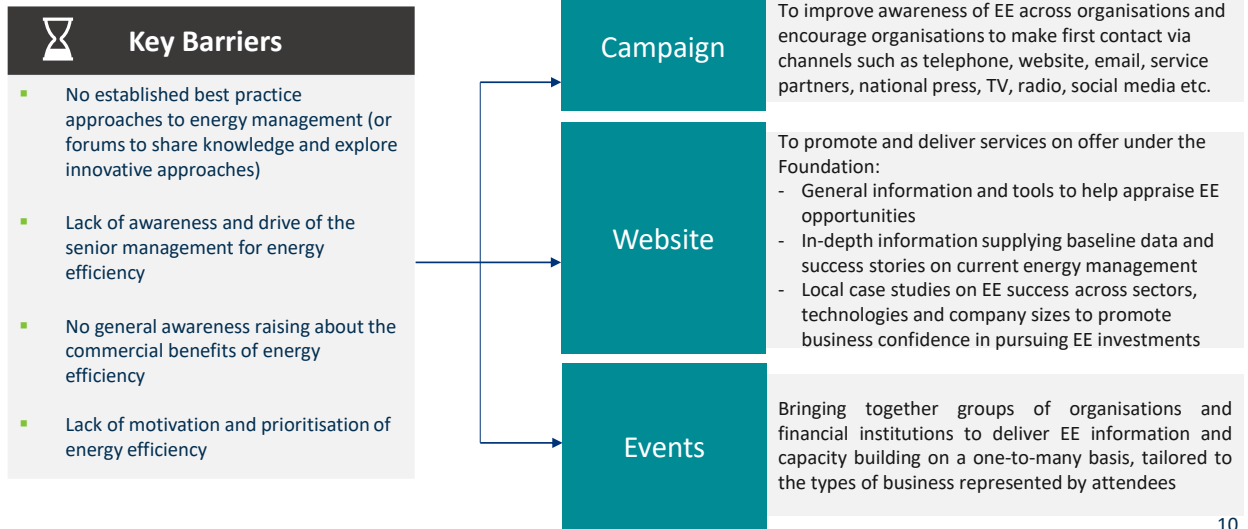


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EE Foundation | Awareness Raising Options

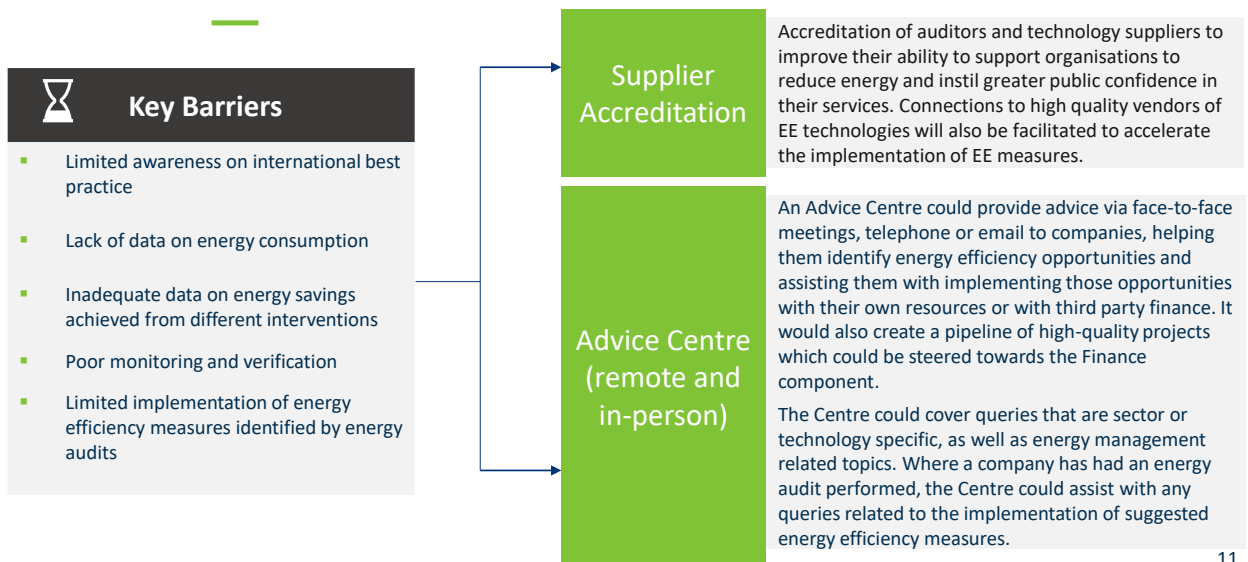


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EE Foundation | Technical Advice Options

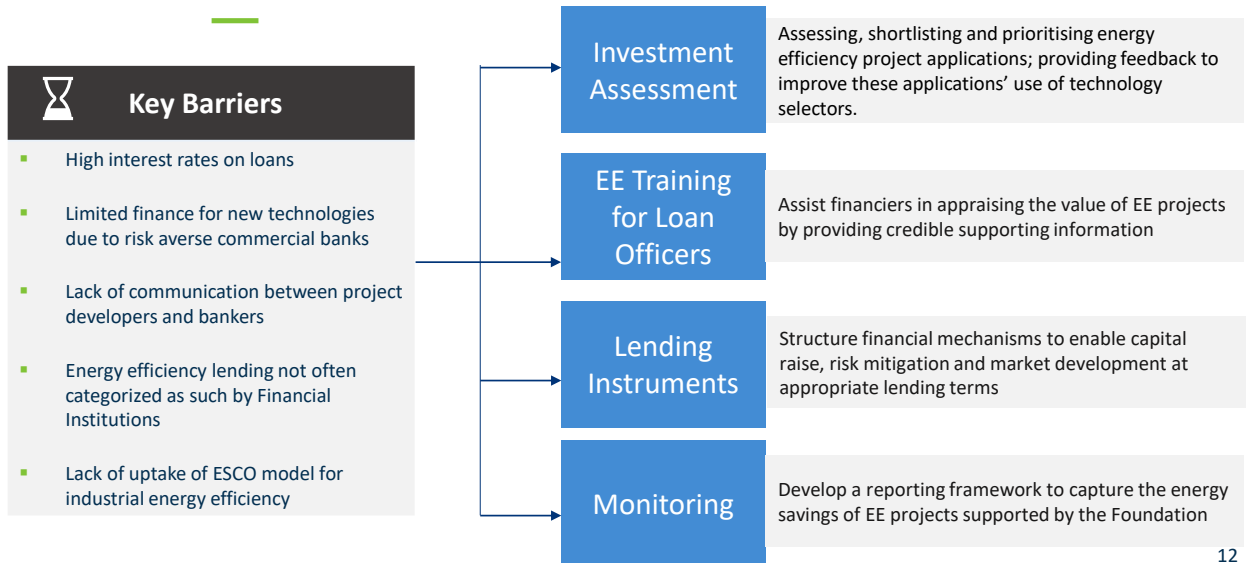


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EE Foundation | Finance Options



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Examples of EE Financing Instruments

The following instruments will be evaluated in terms of their

- **impact potential;**
- **feasibility;**
- **appropriateness**

to the Industrial EE fund/Financial Mechanism that will be developed for Vietnam:

Risk Sharing

Credit Guarantees

Energy Savings Insurance

Market Development

On-Bill Financing

Capital Raising

Concessional Loans

Green Loans

Revolving Credit Facility

Leasing Agreements

Credit Lines

Examples:

China Utility-Based Energy Efficiency Finance Programme

A **guarantee** facility was provided in two stages by the IFC and GEF to reduce the high perception of risk within the participating banks.

Energy Savings Insurance, Mexico

Insurance paid by the technology supplier against energy savings shortfalls to lower the risk for SMEs not being able to pay back the loan.

PROESCO, Brazil

Credit lines were provided at a **concessional** interest rate of 5.1% for up to 100% of the finance for energy efficiency projects to ESCOs.

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Proposed White Paper

We propose that a core team **develop a White Paper which identifies potential design options** for the Industrial EE Foundation that can be implemented in Vietnam. This will be based on discussions with DEESD on specific support needs, and coordination among the group on efficient support activities.

Proposed Outline of the White Paper:

1. Legal and regulatory review for setting up an EE Foundation in Vietnam
2. Recommendations for the structure of the EE Foundation (including purpose, target groups and key performance indicators)
3. Current Status of EE Financing in Vietnam
 - a. Energy Efficiency Market Barriers
 - b. EE Financing Demand from VNEEP3
 - c. Market Assessment of existing EE finance initiatives in Vietnam
 - d. Lessons learned from previous Vietnam EE Projects from ODA
4. Examples of EE Foundation options used internationally and their applicability to Vietnam (including approach to Awareness Raising, Technical Advice and Finance)
5. Recommendations on the key activities and delivery approach of the EE Foundation (target customers, implementing partners, service delivery, costs and resource requirements, expected energy savings, impact measurement)
6. Recommendations for potential funding sources (national and international) and next steps

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Outcomes of the White Paper

The White Paper will be particularly beneficial in identifying the following factors required to structure the EE Foundation:

- i. Gaps between EE funds and financing mechanisms available globally, and those currently available in Vietnam
- ii. Consideration of other supporting structures needed to unlock EE finance in Vietnam: awareness raising, technical capacity, supply chain, energy service provider, etc.
- iii. Required availability, accessibility and affordability of capital for EE in Vietnam
- iv. Requirements of different target groups (e.g. SME vs heavy industry)
- v. Main barriers currently restricting flows of EE finance in Vietnam (e.g. size of EE projects; terms of financing instruments; awareness of EE projects and financing instruments etc)
- vi. Implementation partners
- vii. Marketing campaign: making the Foundation mechanism public

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Timeline and Next Steps

Indicative Timeline	Key Activities
June – October 2020	Develop the white paper
October 2020	Present the white paper at the next high level meeting with heads of delegation
October – December 2020	Select an appropriate industrial EE Foundation structure based on stakeholder consultation and analysis
January – February 2021	Identify funding need and sources of finance, including roles and responsibilities for different stakeholders
March 2021	Determine activities required to support the EE Foundation, e.g. capacity building to private sector



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Appendix: International Case Study Examples

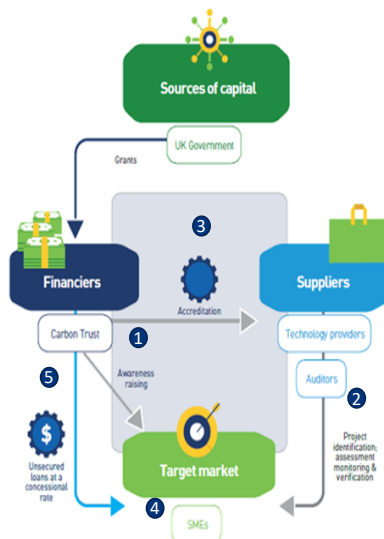
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Case Study: SME Energy Efficiency Programme, UK

A \$300 million programme with the objective of opening up the market for energy efficiency for SMEs via unsecured, 0% interest loans ranging from \$4,600- \$600,000.



Specifications of the SME EE Programme:

1. **Awareness-raising** focused on a national advertising campaign, educational events for target audiences and direct outreach through emails and calls. Its progress was synchronised with the loan scheme to achieve maximum impact with repeated marketing drives.
2. **Project identification, assessment, monitoring and verification** through advice to the target market, via a call centre, was combined with outreach through suppliers and trade associations to identify projects and encourage applications. Training for auditors was also conducted so that they could suggest potential projects and verify their quality.
3. **Accreditation:** of quality energy efficient technologies in an authoritative and accessible database increased trust in the investments made by customers.
4. **Standardisation of procedures:** quick and simple, where a conditional offer could be granted on the loan in 30 minutes via an online application.
5. **Unsecured lending:** Whilst businesses had to undergo a credit check, they were free from providing collateral, with lending granted based on the merits of the project. The loan included the incentive of a 0% interest rate to further boost demand.

Track Record: : In total, the scheme reached over 7,000 SMEs across a range of non-domestic business sectors, resulting in over 2MtCO₂ and \$560 million in savings on energy bills.

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Case Study: SME Energy Efficiency Programme, UK

Target Recipients:
Small and Medium sized Companies

Eligible Projects:
EE on Industrial Processes, Buildings, and onsite renewables

Solutions:
Awareness, Technical Assistance, Concessional interest rates

Funding Source:
UK Government; Loans disbursed by the Carbon Trust

Strengths

- The extensive marketing and supplier engagement was influential in not just building awareness, but connecting potential customers with technology providers. This integration across the supply chain was enhanced through training and accreditation of suppliers to build trust.
- The unsecured lending and 0% headline rate circumvented conventional barriers of SMEs needing to post their limited collateral against the loans and a high cost of capital.

Weaknesses

- Sustaining activity beyond the life of the programme has proved challenging. The loan terms on offer, as well as the free technical advice, are unsustainable in the long-term without ongoing government funding.
- Ideally the scheme would have created a smoother transition to working with banks and suppliers directly in the UK with a clear pipeline of projects extending beyond those supported by the programme.

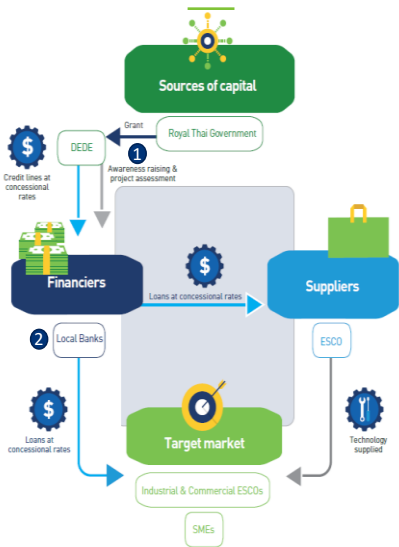
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Case Study: Energy Efficiency Revolving Fund, Thailand

In 2003 the Thai government launched the Energy Efficiency Revolving Fund (EERF) as part of their wider Energy Conservation Programme to stimulate investment from Thai banks for lending to energy efficiency projects.



Specifications of the EE Revolving Fund:

- 1. Awareness-raising and project assessment** is provided by the Department of Alternative Energy Development and Efficiency (DEDE) for banks who lack the skills and capacity. The aim is to train these banks so that they were capable themselves of assessing the potential cost savings of an energy efficiency project. In addition, DEDE helps build up wider awareness of the profitability of energy efficiency projects across the local banking sector through advertising initiatives.
- 2. Credit lines provided at concessional terms to act as an incentive** are the primary feature of the EERF. The Thai Government provides the initial capital which was on-lent at discounted rates to commercial banks.
 - The DEDE offered banks low interest loans (0% originally, but 0.5% after the first two years to cover administrative costs) with tenors of up to seven years.
 - These banks would then in turn charge a 4% interest rate on loans for energy efficiency projects for ESCOs and the wider target market.
 - This compared favourably with a 2-5% cost of funds for banks and a minimum lending rate to end customers set by banks outside of the EERF of 5.75% from 2002-2005.

Track Record: The programme has been successful in realising significant energy savings, with over 7 billion THB disbursed to projects that have helped save 0.98MtCO₂/year. the EERF has been able to leverage private sector investment into energy efficiency projects at a 3:1 ratio.

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Case Study: Energy Efficiency Revolving Fund, Thailand

Target Recipients:
Any commercial or industrial facility and ESCOs

Eligible Projects:
Energy efficiency equipment and renewable energy

Solutions:
Awareness; Concessional rates and tenors; credit line; technical assistance

Funding Source:
Government of Thailand

Strengths	Weaknesses
<ul style="list-style-type: none">It was initially effective at attracting interest from commercial banks, with the numbers of participants increasing from six to eleven over the course of the programme.The banks' initial interest was kicked off by market distortions – concessional credit line means that returns on their investments in energy efficiency are more attractive, whilst the technical assistance for assessing projects can help build capacity and mitigate the high perceived risk.	<ul style="list-style-type: none">Lack of effectiveness in stimulating a self-sufficient market that can work without the incentives of concessional finance and technical assistance. The interest of commercial banks to lend to energy efficiency projects was not sustained beyond the life of the programme.The local banks have not gained sufficient experience, and therefore confidence, in providing finance for energy efficiency projects. This could suggest a lack of skills transfer achieved by the technical assistance.



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