

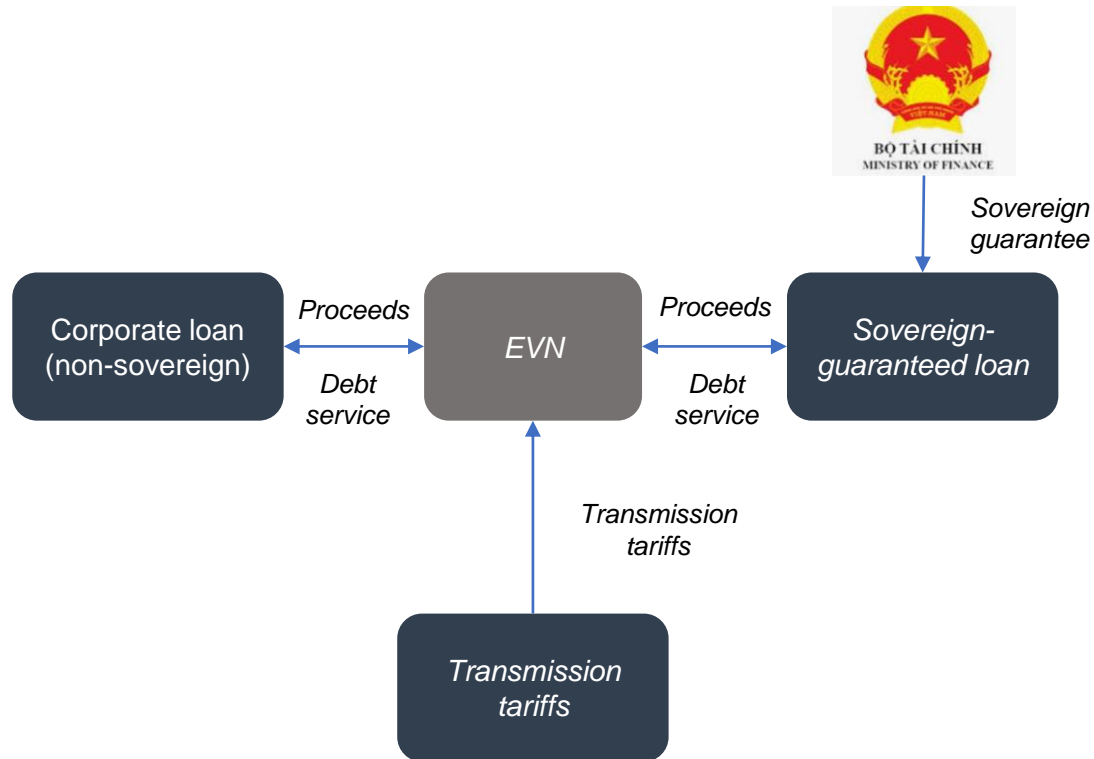
Unlocking green finance for grid investments

June 2024

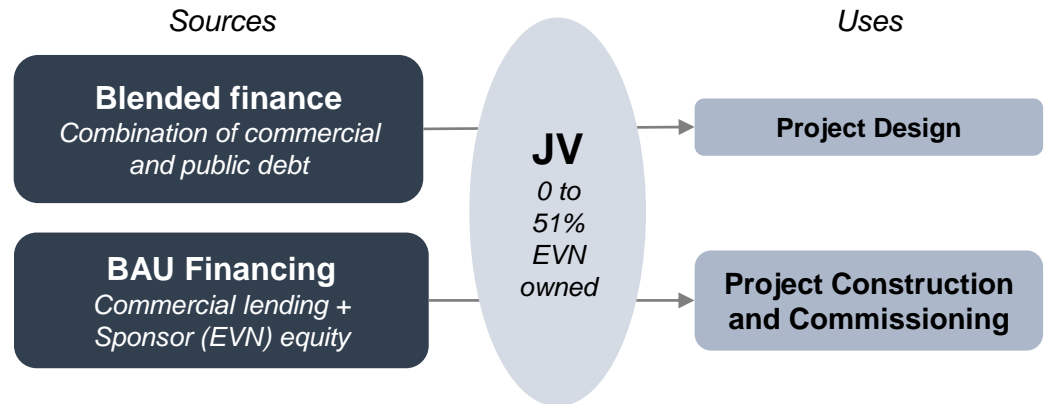
Models for transmission finance

Based on global precedent, there are two ways grid could be financed - an on-balance sheet corporate loan or an off-balance sheet JV structure. The latter could lead to avenues for creative use of blended finance and support EVN financial sustainability, but requires further regulatory development to be applicable in the Vietnamese market.

Corporate Loan Structure (status quo)



JV Structure (un-tested; regulatory uncertainty)



- The basis of this structure is a **joint venture (JV)** so that the project can be **financed off** EVN's balance sheet. EVN could maintain a controlling stake.
- A Transmission Services Agreement would be needed to lock-in revenues of the project. This would influence the public financing required to make the economics work. Using these projections as a basis, public and private debt with a long-tenor (through when the project is operational) would then be **blended together, through the joint venture, to fund the design phase of the project.**
- To fund the construction and commissioning phase, a commercial equity partner with a significant minority stake would be brought into the JV alongside EVN, who could maintain the controlling stake. The project would then be funded through traditional BAU financing, made possible through the use of public funding upfront. While an external EPC contractor would be used, EVN could hold the O&M contract given their experience.

MDBs could provide a potential solution where guarantees are provided to private finance to enable them to provide longer tenors. However, this would still be structured as a corporate loan and it is uncertain that the guarantees are needed or would be needed in a different structure, which then begs the question if the blended finance could be used more effectively.

Considerations for green finance in grids

- Traditionally grids are not thought as, as an asset for private finance, but this is internationally refuted
- However, grids do not directly contribute to emission reduction, they are fundamentally as green as the underlying generation
- As such the development of the underlying generation is critically important for grid finance to be classified as green finance
- The good news is that Vietnam's PDP8 and Net Zero Emission target can serve as assurance that grid investment is green
- Making sure to keep renewable energy deployment on track is critical for raising green finance for grids