



Danish Energy  
Agency



EMBASSY  
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# Draft revised EE law - A Danish perspective





# Pilot implementation of Voluntary Agreement Scheme in Vietnam

A Pilot under DEPP3



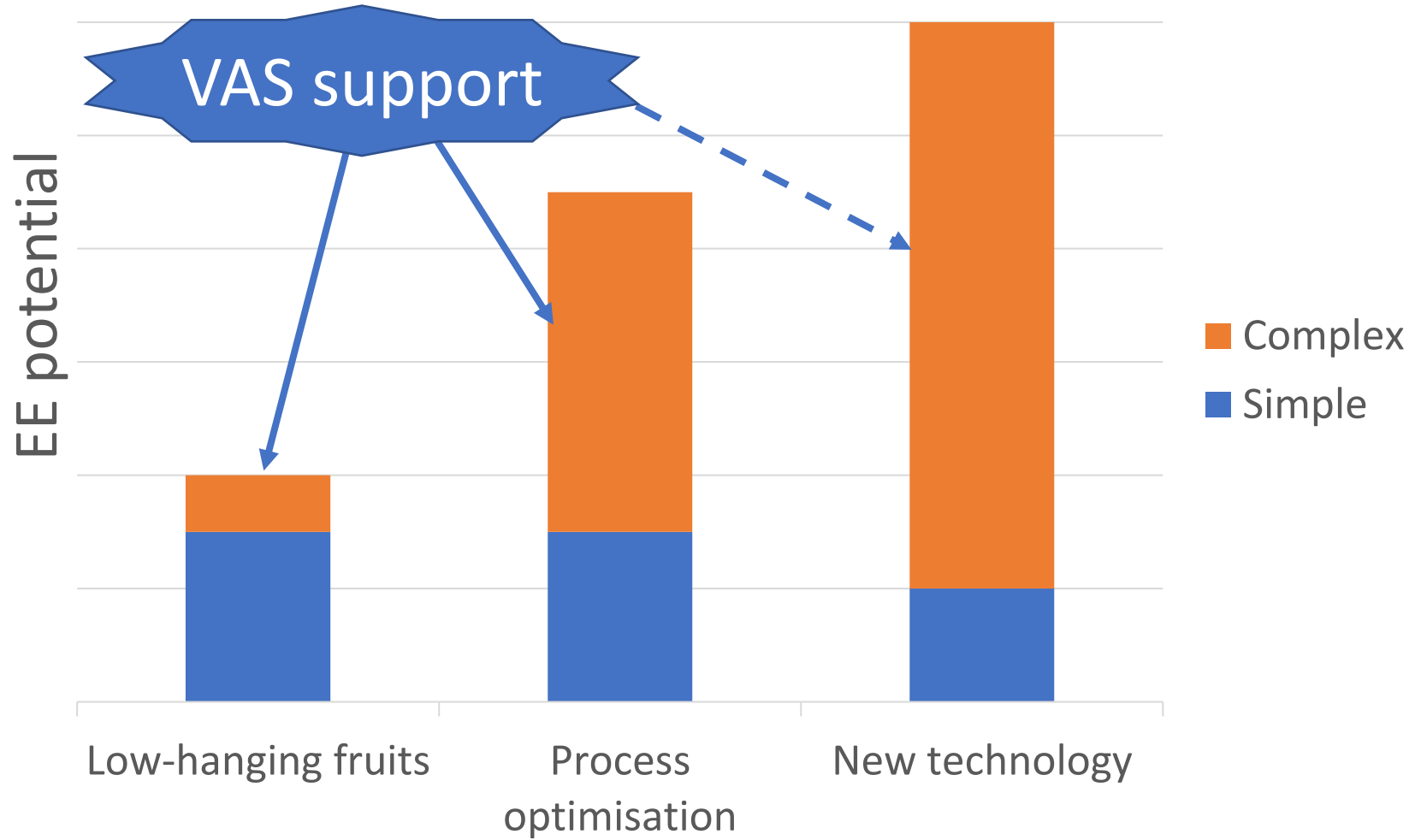
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# VAS: SUPPORT TO DEVELOPMENT OF COMPLEX EE PROJECTS





# Preliminary findings

- Great interest in participating – even without any investment incentive
- Main reason for interest: Technical assistance for full project development.
- So far, 2 FS have been conducted – one already under implementation.
- EACs need substantial capacity building
- The EE expert resource base is very limited compared to demand.

# Case: Steel re-heating furnace

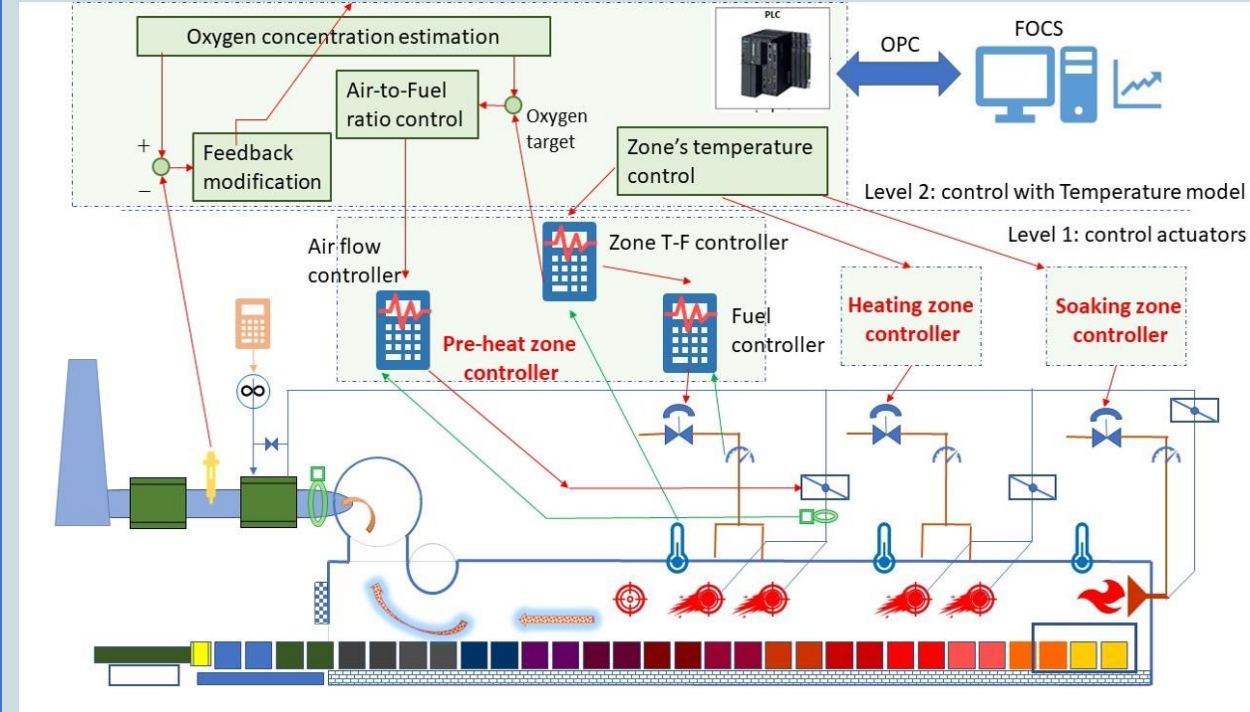
- Energy audit, selected findings:
  - Furnace energy efficiency was low
  - Cooling system very inefficient
- Pre-fs investigated
  - Advanced combustion control system for the furnace
    - Reduces fuel consumption
    - Reduces steel losses.
  - Cooling solutions
- FS detailed plan for furnace combustion control system



# Case: Steel re-heating furnace

- 140 tons fuel savings per year
- ~450 tons CO2 emission reduction per year
- Expected payback period: 2 years

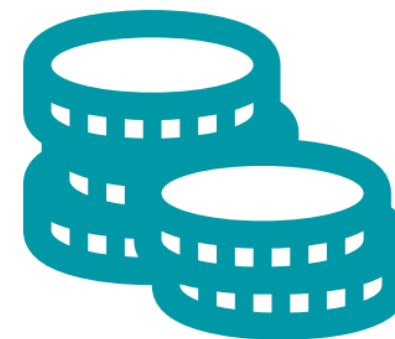
## Upgrading of the furnace control system





# What is needed for a permanent VAS

- **Financing:** Mandate to spend State budget, ODA, co-financing by partners, non-governmental international contributions...
- Mandate to establish an **implementing agency**
- A **fund** needs to be enacted in the law





# Financing

Mandate	Clause
Government to establish a National Financial Fund,	41.2.a)
Fund to be funded from state budget, public and private, external sources	41.2.b)



# MANDATE TO SPEND STATE BUDGET

Mandate	Clause
State budget allowed towards:	6,3.c)
<ul style="list-style-type: none"><li>• Mechanisms, policies, inspection, supervision, data...</li></ul>	6,3.c)
<ul style="list-style-type: none"><li>• Energy auditing, EMS; Training, communication</li></ul>	6,3.c)
<ul style="list-style-type: none"><li>• Investment support, technology upgrades, EE solutions (<b>Should be explicit that also project development, such as pre-fs and fs, is eligible for support</b>).</li></ul>	6,3.c)
<ul style="list-style-type: none"><li>• Training, communication</li></ul>	6,3.c)



# TYPES OF FINANCIAL SUPPORT PERMITTED

Mandate	Clause
Preferential policies on export tax, import tax, corporate income tax	41.3,a)
Land-use incentives	41,3,b)
Preferential loans and financial support from (several funds)	41,3,c)
Other incentives	41,3,d)
Promote investment ...through green credit support and green bonds	41,4



# FUND STRUCTURE

Mandate	Clause
PM to decide on Fund establishment, organisation and operation	41.2.c)
<b>Not clear whether the law mandates PM to delegate management to external parties???</b> <ul style="list-style-type: none"><li>- <b>Fund holding?</b></li><li>- <b>Fund administration / management</b></li></ul>	

# Legality of financial support

- Agencies such as MOF have previously raised concerns that financial support to project development is against the Budget law.
- This legal issue should be clarified (and probably has been already)

# Strengthened Energy management regulation?

- Recent review of EMS regulation compliance shows:
  - High level of compliance
  - Low level of actual energy management
- Mandatory EMS based on international standard?
  - Danish law requires all large energy consumers to certify an EMS, Could be very relevant in VN as well
    - Would require extensive capacity building of consultants and energy managers.

# Effectiveness of compliance control

- PPCs maintain mandate to set rules and implement compliance control.
  - Many provinces do not have the resources to secure effective control.
  - PPCs tend to prefer promotion and cooperation with industrial enterprises rather than control.
- For consideration:
  - Strengthen requirements on compliance control
  - Enable outsourcing of compliance control to 3rd party organisations (such as verification bureaus).