Potential pollution projects curbed by government

By Phuong Thu

In order to attract more investment into higher value-added or high-tech industries and to protect the environment, the Vietnamese government is tightening the licensing of projects prone to pollution, and is increasing control over existing ones.

Vietnamese authorities have rejected various proposals from foreign-invested enterprises to license and expand projects that contain a high risk of environmental pollution. The majority of the projects involve cloth-dyeing facilities.

The latest refusal was made by Deputy Chairman of the Tay Ninh People's Committee Nguyen Ngoc Thanh to TMTC Industrial Zone Development Co., Ltd, a Vietnamese subsidiary of South Korean shoe manufacturer Taekwang Industrial Co., Ltd. The company earlier asked for permission to process of textile dyeing products from businesses outside of the industrial zone (IZ) it is located.

"The province has regulated that textile and garment firms in IZs are not allowed to receive raw materials from outside the IZs for processing. This is a consistent policy of the province aiming to develop IZs towards being sustainable and environmentally-friendly," noted Thanh in the document sent to TMTC Industrial Zone Development Co., Ltd.

This is not the first case involving the rejection of foreign investors' proposal to increase their output of dyed products. Recently some others such as TAL Group and Eclat Fabrics submitted requests for authorisation to increase their output of dyed products. However, due to concerns over the high risk of environmental pollution, the Vinh Phuc People's Committee recently submitted a document asking the prime minister to refuse Hong Kong-backed TAL Group's $350 million textile and garment dyeing project in the province.

The provinces already set out the criteria on calling for investment and confirmed that projects which fail to meet waste treatment requirements would be rejected, and completed projects would only be allowed to be put into operation when their wastewater treatment system meets environmental standards.

Earlier this year the Ministry of Planning and Investment rejected a proposal from a company, citing Document No.5035/VPCP-KG from 2016, in which the government instructed the southern province of Ba Ria-Vung Tau to ban five industrial manufacturing sectors – dyeing, tanning, starch processing, latex processing, and chemical production – along the Thi Vai River, in order to protect it from heavy pollution.

At a recent forum, the Vietnamese government warned that natural disasters and environmental pollution could cause the country's GDP to shrink by about 0.6 per cent during 2016-2020, threatening Vietnam's medium-term development. In particular, water, air, and land pollution in cities, large residential areas, and craft villages has been on the rise. Concerted anti-pollution measures are now required in order to conserve water and other natural resources, while safeguarding agriculture and rural development. These movements are in line with the objectives spelt out in Vietnam's National Strategy on Environmental Protection to 2020 with a vision to 2030, which calls for increased efforts to reduce the causes of pollution.

The Ministry of Environment and Natural Resources (MoNRE) has issued a number of national technical standards in order to limit the emissions of pollutants by various industrial parties. Since 2014 new laws related to environmental protection have been in effect, which aim to protect the land, water, and air from pollution.

Under these new laws, an environmental impact assessment is required prior to embarking on a range of economic activities, including industrial projects. Activities undertaken in economic zones, IZs, high-tech parks, export processing zones, and more are also required to meet the relevant environmental and emissions standards. Those in breach of the requirements could be charged for damages as well as other legal liabilities.

"The government has also stepped up efforts to attract foreign direct investment to invest in the environmental industry, so as to lure more foreign technology into the country. These efforts include the offer of preferential corporate income tax rates, and incentives in investing in environmental businesses such as renewables and green power, energy from waste disposal, environmental equipment, and various other environmental protection activities," said Nguyen Van Tai, director of the MoNRE's Vietnam Environment Administration.

According to the General Statistics Office, in the first nine months of 2018, local authorities discovered 10,988 environmental violations in the country, handling 10,264 cases and issuing fines of over VND161 billion ($7.1 million) in total.■

Calls for removal of energy obstructions

By Thanh Dat

As Vietnam strives to ensure sufficient energy sources, it has been urged by the international community to enable private investors to engage more in the country's energy industry.

Last Wednesday, Hanoi hosted an event of high significance: the launch of the "Special Report on Global Warming of 1.5 degrees Celsius" by the Intergovernmental Panel on Climate Change (IPCC). The report was approved only a few days prior, and Vietnam was selected as the first country to share this important research.

According to the IPCC, the event was important for Vietnam, as the country is one of the countries in the world to be hit hardest by climate change. It also remains at a slow pace in reducing greenhouse gas emissions and enabling private investors to invest heavily into renewable energy (RE) projects. It is acknowledged the country can attract more of this type of investment if it removes obstructions against investors.

Caitlin Weisen, United Nations Development Programme (UNDP) country director in Vietnam, said that the country has great potential for RE. Vietnam can deploy at least 85 gigawatts (GW) of solar photovoltaic generation capacity and 21GW of wind energy generation well before 2050, showing that a low-carbon pathway is possible. The combined total technical capacity (126 GW) is an equivalence of 80 per cent of Vietnam's total installed energy capacity by 2030 (129.5 GW).

Vietnam also boasts high potential for energy-saving of up to 7 per cent relative to business as usual, through to the year 2035. Energy efficiency (EE) measures can remove some 67 million tonnes of carbon dioxide equivalent (CO_2e) by 2035 as well as deliver additional environmental benefits.

"Cutting across all climate efforts is of importance to enabling the access, contribution and involvement of the private sector," Weisen said.

A recent UNDP survey of 13 large banks, institutions, and investors show that there is at least $10 billion readily available for investment in RE and EE in Vietnam, amounting to almost 40 per cent of the total investment required by Vietnam by 2030.

"This investment is possible if the current barriers constraining such investments are addressed, especially the low price of electricity that lowers incentives for efficient use, and the existing format of power purchase agreements (PPAs) that deter investors from investing," read a UNDP report on private funding opportunities for RE and EE investments in Vietnam, released last week.

A foreign bank representative said that it stands ready to invest $1 billion into around 10 RE projects in the country. "However, the bank's engagement in Vietnam's RE market is presently being prevented by PPAs that are deemed un-bankable," the representative said.

Another bank also revealed that it has $10 billion set for RE investment loans worldwide, and would be happy to become engaged in RE investments in Vietnam. "The bank could theoretically offer up to $1 billion for Vietnam, but currently has several major concerns about the PPA framework that prevent its full engagement," a bank source said.

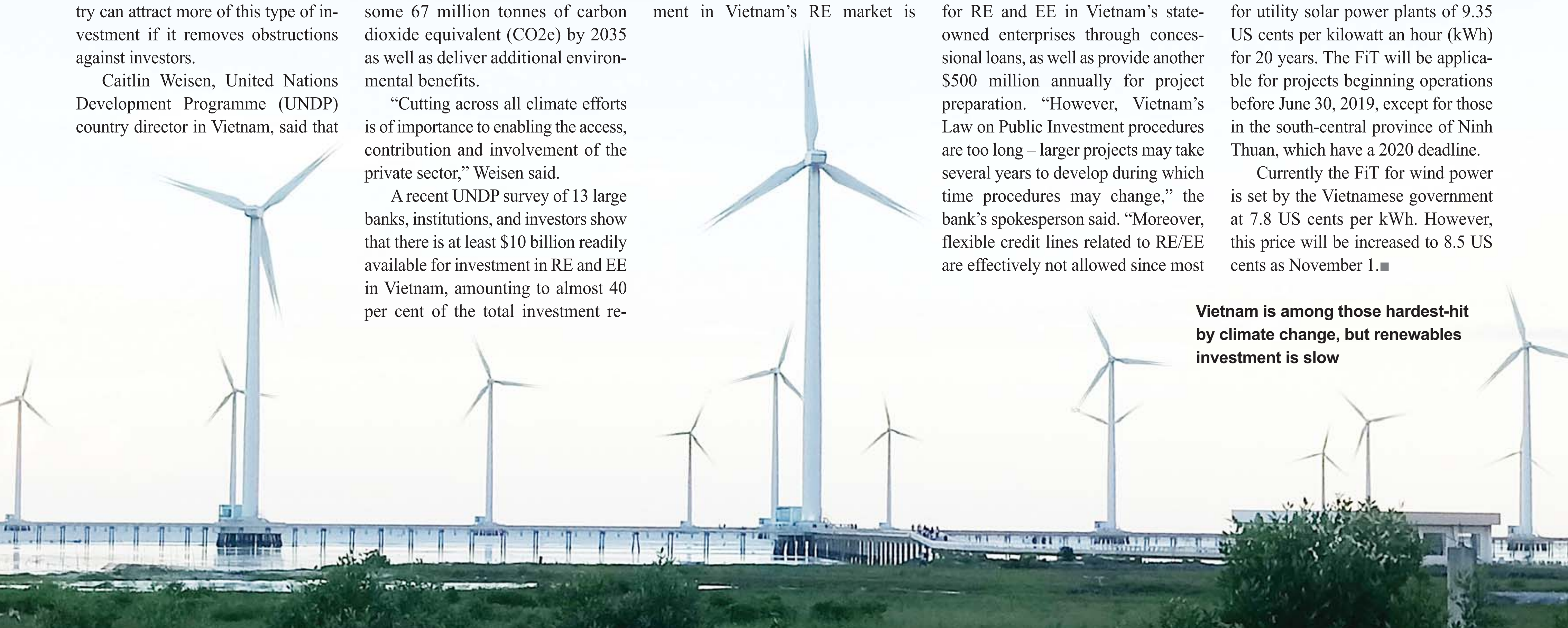
A third bank also stated that if the regulatory framework was simplified it could provide $500 million annually for RE and EE in Vietnam's state-owned enterprises through concessional loans, as well as provide another $500 million annually for project preparation. "However, Vietnam's Law on Public Investment procedures are too long – larger projects may take several years to develop during which time procedures may change," the bank's spokesperson said. "Moreover, flexible credit lines related to RE/EE are effectively not allowed since most RE projects have to be approved by the prime minister, which further complicates lending."

The Ministry of Industry and Trade (MoIT) has approved over 70 new solar power projects to be put into operation before June 2019, with a total designed capacity of over 3,000 megawatts (MW).

According to pan-Asia consulting firm Dezan Shira & Associates, as of July, solar power projects with a total capacity of 12,600MW were in the pre-investment phase, while 1,430MW was in the development and feasibility phase. Around 1,000MW is under construction, while only 8MW is currently in the operating stage. Also, 748 solar roof-top projects were in operation with a total capacity of 11.55MW.

Last year the Vietnamese government issued Decree No.11/2017/QD-TTg on mechanisms for encouraging the development of solar power in Vietnam, offering a feed-in-tariff (FiT) for utility solar power plants of 9.35 US cents per kilowatt an hour (kWh) for 20 years. The FiT will be applicable for projects beginning operations before June 30, 2019, except for those in the south-central province of Ninh Thuan, which have a 2020 deadline.

Currently the FiT for wind power is set by the Vietnamese government at 7.8 US cents per kWh. However, this price will be increased to 8.5 US cents as November 1.■



Vietnam is among those hardest-hit by climate change, but renewables investment is slow