
Lessons for Renewables Development from Vietnam

In 2020, when the world was scrambling with the covid-19 pandemic, 10 countries in Southeast Asia region added cumulatively ~22 GW new installed power capacity, about 82% of this new capacity in 2020 was renewable – a notable new trend.

While the installed fossil fuel capacity and renewables capacity were comparable in the last five years, the countries in this region are now turning more towards renewable. Looking to current power development plans of all 10 countries in the region, more than 60% of the newly installed capacity up to 2025 will be renewable.

Vietnam has contributed significantly for the renewable energy development in the region, with massive solar deployment. Vietnam's rapid expansion of photovoltaic (PV) solar power totalled a solar plus wind capacity of over 17,000 megawatts (MW), or 24% of their capacity, by the end of 2020.

A [recent study](#) identified several key drivers for this development, applicable to other countries in the region:

Enabling investment environment: Vietnam has also strived for a favorable overall investment environment, including for renewable energy. Unlike Indonesia and Malaysia, it does not impose local content requirements as a condition for preferential feed-in tariffs. This helps to avoid technology cost escalation. Since 2019, Vietnam has been among the top 40 markets in the world in terms of attractiveness for renewable energy investment and deployment.

Strong political support: Vietnamese policymakers [have shown interest](#) in developing new and greener economic sectors and have put a policy framework in place to do so. This has unleashed interest in renewables on the part of many private businesses.

Feed-in Tariffs (FITs): While Thailand and Malaysia started solar power FITs earlier than Vietnam, recent FITs have been less generous than in Vietnam.

Gross metering: Vietnam uses gross metering for rooftop solar PV producers rather than net metering as in Indonesia, Malaysia, the Philippines and Thailand. Gross metering allows solar producers to sell all solar power to the grid, whereas only excess power after self-consumption is sold to the grid under net metering. While not necessarily superior to net metering, Vietnam's gross metering approach has provided a high degree of price certainty by allowing solar PV producers to sell all generated power at a set FIT for 20 years.

Land lease exemptions: While other ASEAN countries apply income tax exemptions for renewables projects, only Vietnam has used land lease exemptions broadly. This works effectively as a subsidy for the land used on projects.

Low fossil fuel subsidies: Fossil fuel subsidies per capita in 2019 in Vietnam equaled only USD3 compared with USD8 in Thailand, USD57 in Malaysia and USD71 in Indonesia.

Now is an opportune time for ASEAN to engage in preparing for solar and wind uptake. Thanks to rapid cost reductions and maturing global supply chains, the expansion of these renewable energy technologies is accelerating. Advance preparation could help other ASEAN countries mitigate some of the challenges that Vietnam has experienced as a first mover.