POLICY BRIEF

Mobilising capital for sustainable energy infrastructure in viet nam:
From planning ambition to bankable delivery

STRATEGIC CONTEXT

Viet Nam's transition toward sustainable energy infrastructure is not a sectoral policy choice but a core element of national development strategy. This orientation is clearly established at the highest political level. Resolution No. 55-NQ/TW of the Politburo defines energy as a foundation of national security, economic competitiveness and long-term growth, calling for a shift toward market-based mechanisms, diversification of capital sources and stronger institutional governance. The resolution explicitly recognises that public resources alone are insufficient and that large-scale private investment must be mobilised under disciplined state oversight.

Government Resolution No. 140/NQ-CP translates this strategic vision into concrete institutional mandates. It assigns the Ministry of Planning and Investment (now Ministry of Finance) a central role in shaping fiscal policy, investment incentives, bidding governance and financial mechanisms to prioritise sustainable energy infrastructure, promote regional connectivity and maintain macro-fiscal stability. Importantly, Resolution 140 positions energy transition policy not only as a technical task of the energy regulator, but as a public finance and investment-system challenge.

Within this mandate, the final report of the project ***"Dedicated Policy Framework for Investment in and Development of Sustainable Energy Infrastructure"*** provides analytical evidence, international benchmarking and implementation guidance to support MOF and the Government in designing a transition that is investment-led, market-compatible and fiscally disciplined.

WHY THE ENERGY TRANSITION HAS ENTERED A MORE DIFFICULT PHASE

During the Feed-in Tariff period, Viet Nam achieved rapid renewable capacity expansion through administratively determined prices, relatively simple project structures and strong reliance on domestic bank balance sheets. That phase has ended. The system has now entered a qualitatively different stage characterised by:

- Capital-intensive technologies such as offshore wind and grid-scale storage
- System-critical infrastructure such as 500 kV transmission corridors and HVDC lines

- Higher exposure to dispatch, congestion and curtailment risk
- Greater reliance on long-tenor financing and international capital

These assets have fundamentally different risk profiles from earlier solar and wind projects. They require predictable long-term cash flows, clear risk allocation and credible settlement mechanisms. At the same time, fiscal space is tighter, global interest rates are higher and lenders are more conservative.

As a result, the binding constraint has shifted. Viet Nam does not lack renewable resources or investor interest. The constraint lies in the institutional capacity to convert planning targets under PDP VIII into a bankable and executable investment pipeline.

WHAT THE EVIDENCE SHOWS ABOUT ECONOMIC AND FISCAL OUTCOMES

The report's quantitative analysis provides an important clarification for policy design.

- First, Cost–Benefit Analysis shows that pathways aligned with PDP VIII generate positive net welfare outcomes compared with Business-as-Usual. These benefits arise mainly from structural changes in the generation mix over asset lifetimes, including reduced fuel imports, lower emissions and improved health outcomes. They do not depend on suppressing electricity prices in the short term.
- Second, Vector Autoregression analysis shows that renewable-intensive pathways can support economic growth and stabilise power-sector emissions during the 2030s, but only when electricity prices are allowed to adjust endogenously under State management. Rigid administrative price controls weaken investment signals and increase the likelihood of later fiscal intervention.

Most importantly, both analyses identify a transition-phase vulnerability between 2025 and 2030. Many projects that are economically justified over their lifetime fail to reach financial close under current pricing, dispatch and settlement conditions. This creates a paradox: the transition is welfare-enhancing in theory but fragile in practice.

For fiscal policy, this finding is critical. When bankability gaps persist, governments rarely avoid intervention. Instead, costs emerge later through arrears, renegotiation, balance-sheet stress or implicit guarantees. These outcomes are fiscally riskier than explicit, well-designed support.

LESSONS FROM INTERNATIONAL EXPERIENCE

International experience confirms that large-scale energy transitions succeed not because of high tariffs or generous subsidies, but because of coherent policy architectures.

Across Europe, East Asia and major emerging markets, successful systems share several features:

Revenue risks are stabilised through structured instruments rather than ad hoc negotiation

Procurement is linked to grid deliverability and system readiness

Storage and flexibility are treated as investable assets with defined revenues

Long-term commitments are governed by explicit fiscal guardrails

Ministries of Finance play a decisive role in these systems, not by setting technical tariffs, but by ensuring that support mechanisms are credible, bounded and transparent. Where such frameworks are absent, investment stalls even when planning targets are ambitious.

A PORTFOLIO-BASED POLICY FRAMEWORK FOR VIET NAM

The report proposes a portfolio-based policy architecture, organised into five mutually reinforcing packages. These packages should be understood as components of a single delivery system rather than standalone policies.

Package A – Revenue Stabilisation that Preserves Market Signals

During the transition period, restoring revenue predictability is essential for bankability. This requires moving beyond fixed FITs without exposing investors prematurely to unmanaged market risk.

The recommended approach combines:

- Auction-based sliding Feed-in Premiums for mature technologies
- Selective two-sided CfD-type contracts for capital-intensive assets
- Standardised, bankable PPAs and enforceable settlement rules
- Gradual expansion of Direct Power Purchase Agreements

From a fiscal perspective, the key principle is that all support obligations are explicit, capped and disclosed. This allows MOF to manage exposure proactively rather than absorbing costs reactively.

Package B – Deliverability-Based Procurement

In high-renewables systems, grid access and curtailment risk are no longer technical details. They are financial variables that determine debt sizing and cost of capital.

This package ensures that procurement volumes are aligned with:

- Grid-ready capacity and confirmed reinforcement plans
- State-led pre-development for offshore wind
- Clear and financeable curtailment rules
- Deployment of grid-enhancing technologies

The fiscal benefit is reduced renegotiation risk and avoidance of stranded assets that later require public intervention.

Package C – System Flexibility as a Financeable Asset Class

Without investable flexibility, renewable scaling leads to higher curtailment and rising system costs. Storage and demand response do not scale on merchant revenues alone in emerging markets.

This package introduces:

- Contracted availability revenues for storage
- Ancillary service markets with clear stacking rules
- Targeted hybridisation requirements

- Demand-side management as a procurement tool

For MOF, this package is best understood as cost avoidance, reducing future emergency investments and fiscal shocks.

Package D – Financing Maturity and Fiscal Guardrails

Long-lived assets require long-tenor capital. Viet Nam's reliance on short-tenor domestic bank lending creates refinancing risk and raises WACC.

This package addresses the issue through:

- Policy-bank credit enhancement within exposure limits
- Development of green bond and infrastructure finance markets
- Frameworks for refinancing and capital recycling
- An MOF-led contingent liability registry and stress testing

The central objective is to crowd in long-duration capital without creating hidden liabilities.

Package E – Institutional Delivery and Capability

Execution risk translates directly into higher financing costs. Reducing this "execution premium" is as important as adjusting tariffs.

This package focuses on:

- One-stop digital permitting with statutory timelines
- Social acceptance and benefit-sharing mechanisms
- Targeted workforce development
- Applied R&D and strategic supply-chain support

These measures lower interest during construction, reduce delay risk and improve delivery credibility.

INSTITUTIONAL ROLES AND GOVERNANCE FOR DELIVERY

Successful mobilisation of private capital for sustainable energy infrastructure requires not only well-designed policy instruments, but also clear institutional accountability for risk allocation, fiscal exposure and delivery outcomes. International experience and Vietnam's own post-FIT transition demonstrate that fragmentation of roles leads to delayed projects, rising financing costs and the accumulation of implicit fiscal liabilities.

The Ministry of Finance plays the central anchoring role in the proposed framework. Under Resolution No. 140/NQ-CP, MOF is responsible for ensuring that energy-support mechanisms are fiscally sustainable, transparent and aligned with medium-term budget planning. In practice, this means defining fiscal envelopes for revenue-stabilisation instruments, overseeing contingent-liability exposure from CfD-type contracts and grid investments, approving auction volumes and support ceilings, and ensuring that settlement mechanisms are credible and ring-fenced. MOF's role is not to manage electricity markets, but to ensure that market-oriented instruments do not translate into uncontrolled or hidden fiscal commitments.

The Ministry of Industry and Trade remains the lead authority for power-sector planning, market design and technical regulation. MOIT is responsible for translating PDP VIII targets into procurement schedules, defining eligibility and technical requirements for

auctions, designing market rules for pricing, dispatch and ancillary services, and ensuring consistency between generation expansion, grid readiness and system flexibility. Close coordination with MOF is essential so that market design choices and procurement volumes are aligned with fiscal capacity and settlement discipline.

EVN and the National System and Market Operator (NSMO) act as the operational backbone of the framework. While they are not fiscal authorities, their performance directly affects bankability through dispatch decisions, settlement timelines and cash-flow reliability. Clear rules on payment priority, arrears management and transparency of settlement flows are therefore critical. Ring-fenced accounts and predefined remedial actions in the event of shortfalls are necessary to transform contractual rights into credible cash flows for investors and lenders.

The State Bank of Viet Nam (SBV) plays a critical enabling role by shaping how the financial system treats energy assets. Prudential guidance on debt-service coverage ratios, tenor expectations, foreign-exchange risk and exposure limits determines whether projects supported by auctions, FiPs or CfDs are recognised as bankable by domestic banks. Coordination between MOF and SBV is therefore required to ensure that fiscal instruments and financial-sector regulations operate as a coherent system rather than as parallel reforms.

Provincial People's Committees (PPCs) are decisive for execution. Land access, permitting timelines, local grid readiness and social acceptance all sit at provincial level. The proposed framework therefore links auction eligibility and project awards to enforceable readiness criteria, ensuring that capacity is allocated only where permitting, land and grid conditions can support timely delivery. This reduces execution risk and prevents the accumulation of stranded commitments that ultimately create fiscal pressure.

Taken together, this institutional choreography shifts the energy transition from a sector-driven program to a whole-of-government investment delivery system. Clear allocation of roles, rule-based coordination and transparent fiscal oversight are essential to ensure that policy ambition translates into bankable projects, reliable electricity supply and sustainable public finances.

IMPLEMENTATION: FROM POLICY DESIGN TO DELIVERY DISCIPLINE

The effectiveness of the proposed framework depends not on policy design alone, but on disciplined, sequenced and institutionally credible implementation. International experience and Viet Nam's own post-FIT trajectory demonstrate that well-intended instruments fail when implementation allows uncertainty, ad hoc adjustment or implicit fiscal backstopping to substitute for predictable rules.

Accordingly, the report emphasises four core implementation principles:

Treat revenue-support instruments as fiscal commitments, not sectoral subsidies.

Auction-linked premiums, CfD-type contracts and availability payments create multi-year obligations that behave as quasi-fiscal commitments. Their credibility with investors depends on explicit budget envelopes, transparent settlement arrangements and systematic disclosure of contingent exposure. Governing these instruments as part of fiscal architecture reduces the risk of arrears, renegotiation and implicit state support later.

Prioritise predictability over generosity, because stability lowers total system cost.

Investment outcomes and financing terms are more sensitive to stability than to short-term changes in price parameters. Multi-year procurement schedules, standardised contracts and rule-based adjustment mechanisms reduce risk premia, shorten financial-close timelines and lower interest during construction. Predictability therefore delivers lower overall system costs and stronger fiscal discipline than discretionary recalibration.

Sequence instruments by readiness and financeability, not ideology.

Different technologies and market segments require different degrees of revenue certainty depending on capital intensity, construction duration and refinancing needs. Mature, replicable technologies can progressively rely on competitive procurement with limited stabilisation, while capital-intensive assets such as offshore wind, storage and strategic transmission require stronger contractual certainty during early phases. Instrument choice should follow bankability and system readiness rather than a uniform or ideological preference.

Complete market foundations so support mechanisms do not become de facto fixed tariffs.

Revenue-stabilisation tools remain market-compatible only when wholesale price formation, dispatch rules and settlement discipline are credible. If administered price ceilings, opaque dispatch or weak settlement persist, support mechanisms will trigger continuously and function as implicit fixed tariffs, increasing quasi-fiscal exposure and weakening system incentives. Completing market foundations is therefore essential to preserving both bankability and fiscal control.

Implementation should be organised around readiness gates rather than calendar dates, ensuring that bankability, grid deliverability and market deepening advance in a coordinated manner. Scaling capacity before these conditions are met risks recreating the curtailment, renegotiation and credibility losses observed at the end of the FIT period. Sequenced implementation anchored in readiness provides the most reliable pathway from policy design to bankable delivery and sustainable system outcomes.

CONCLUSION

Viet Nam's energy transition is economically justified and strategically necessary. The decisive question is not whether to mobilise private capital, but whether the State provides an

architecture that allows capital to flow predictably and safely.

The policy framework set out in this brief offers a coherent pathway to translate PDP VIII and the mandates of Resolutions 55 and 140 into bankable delivery. If implemented with discipline, transparency and institutional coordination, it can support energy security, macroeconomic stability and Viet Nam's Net Zero commitment simultaneously.

This publication was produced with the support of the Southeast Asia Energy Transition Partnership (ETP), as part of the Dedicated Policy Framework for Investment and Development of Sustainable Energy Infrastructure in Vietnam Project. Its contents are the sole responsibility of VGSEI consortium and do not necessarily reflect the views of ETP and its constituents.