

# PERSPECTIVE

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## **Vietnam's JETP Agreement: Accelerating the Energy Transition in a Just Way?**

*Julia Behrens\**



*This aerial view taken on September 25, 2022 shows solar panels at Sao Mai solar energy plant in An Giang province in Vietnam. Photo: AFP.*

*\* Julia Behrens is a post-doc fellow at the University of Bielefeld, Germany. Before that, she led the project on Climate and Energy in Asia at the Friedrich-Ebert-Stiftung, based in Hanoi.*

## EXECUTIVE SUMMARY

- The Just Energy Transition Partnership (JETP) agreement between Vietnam and the International Partnership Group was announced in December 2022. As a general agreement on advancing a just energy transition for climate change mitigation, it outlines some concrete steps for implementing the energy transition but is legally non-binding.
- Vietnam's power sector needs to transition away from its heavy reliance on coal if it is to meet its net-zero-emission goal by 2050.
- Vietnam's energy transition is currently hampered by inadequate legal regulations, insufficient capacity of the relevant Vietnamese authorities, lengthy decision-making processes, a lack of cooperation between relevant authorities and a lack of financial investment.
- Although the JETP agreement has the potential to address the lack of investment and capacity, unless the Vietnamese government speeds up decision-making processes and enhances cooperation among its ministries, the implementation of the agreement and other energy-related policies will be delayed.
- The "just" aspect in the JETP might be achieved with regard to the reskilling of workers and the advancing of decent jobs. However, it will not be "just" in the sense of involving non-governmental organisations and the media in the making of energy policies, as Vietnam's increasingly oppressive political context makes it difficult for civil society actors to participate in the process.

## INTRODUCTION

Vietnam has an electrification rate of nearly 100 per cent,<sup>1</sup> largely due to its rapid economic growth precipitating a ten-fold increase in energy demand over the past two decades.<sup>2</sup> The country is highly dependent on coal for energy, with the share of coal in the country's electricity production increasing by about 11 per cent annually between 2011 and 2021,<sup>3</sup> making it the fastest growing coal consumer within ASEAN. By 2018, coal had become Vietnam's largest source of electricity, followed by hydropower, with the installed coal power capacity increasing four-fold from 2010 to 2020. In 2022, the total installed power capacity of the country reached nearly 77,800 MW, of which 26.4 per cent were renewable energy sources (excluding hydropower).<sup>4</sup> Hydropower accounted for another 29 per cent of the energy mix, while fossil fuels (coal and gas) made up around 44 per cent.<sup>5</sup> About 72 per cent of Vietnam's coal use is for electricity production. Under a business-as-usual scenario, emissions from the energy sector are projected to account for 74 per cent of Vietnam's total emissions by 2030, making it the largest climate change mitigation sector in the country.

Since 2019, Vietnam has seen a surge in renewable energy usage, with its newly installed solar power and wind power capacity reaching 20,000 MW in just three years between 2019 and 2021.<sup>6</sup> Such a shift towards renewable energy could bring various benefits, such as improved public health, job creation, and forest protection.<sup>7</sup> Additionally, since Vietnam is one of the countries that are most vulnerable to climate change challenges,<sup>8</sup> the urgent transition to renewable energy as a mitigation measure must be taken. This is laid out in the Power Development Plan VIII (PDP8), which was adopted in May 2023 after a two-year delay.<sup>9</sup> It guides the development of the country's power sector for the period 2021-2030, with a vision to 2050, formulating goals for energy development and tasking different government authorities with the practical steps and responsibilities needed.

So far, there have been a multitude of international partnerships and projects put in place to drive the global energy transition towards renewable energy,<sup>10</sup> and many of these have been awaiting the PDP8 for implementation and progress. In December 2022, the International Partnership Group (IPG) and Vietnam announced their Just Energy Transition Partnership (JETP).<sup>11</sup> Despite the country's commitment made at the COP26 summit to peak emissions by 2030 and reach net-zero emissions by 2050, Vietnam's renewable energy boom from 2019-2021 has seen a decline, while its implementation of energy transition policies has faced challenges, with the delayed release of PDP8 being a case in point. With the JETP and the now approved PDP8, will Vietnam finally be able to advance its implementation of energy transition initiatives? This article explores what the JETP means for Vietnam's energy transition and how effectively the partnership lives up to its promises, especially regarding the "just" aspect of the agreement.

## WHAT IS JETP?

The JETP model was introduced by the G7 countries and the European Union (EU) as a financing tool to implement their climate commitments to the Global South. Through this tool, G7 and EU members aim to promote energy transition in developing countries, emphasising inclusiveness and worker protection based on the International Labour Organization's (ILO)

framework on just transition.<sup>12</sup> These targeted countries are typically those that already emit high levels of CO<sub>2</sub> and are projected to have an increased energy demand in the future as well as potential for renewable energy. They should also have demonstrated political commitment to an energy transition.<sup>13</sup> The JETPs are an important contribution to fulfilling the G7's goal of supporting climate mitigation and adaptation in the Global South, although they focus on private investment and loans rather than grants. In addition, they can be seen as a way to create markets for technology exports and to exert strategic influence on other countries' power sectors. The first deal with South Africa was announced in 2021, followed by the second with Indonesia and the third with Vietnam in 2022. Negotiations are currently underway for new agreements with India and Senegal.<sup>14</sup>

The JETP agreement with Vietnam aims to reduce emissions from coal-fired power plants by limiting peak capacity to 30.2 GW by 2030, down from the 37 GW previously planned by the Vietnamese government. This would mean that coal would account for 20 per cent of the power mix, compared to the current level of approximately a third.<sup>15</sup> Despite projected growth in GDP and power demand, coal power capacity would only be allowed to expand slightly from its current capacity of 24.6 GW.<sup>16</sup> Renewable energy sources, on the other hand, are expected to rise to 47 per cent of total electricity generation by 2030 and 72 per cent by 2050. To reach these goals, the agreement provides a structure of loans and grants worth USD7.5 billion, which is expected to be matched by an additional USD7.5 billion in private investment. PDP8 underlines that the Vietnamese government will only be able to reach the formulated goals if its JETP partners live up to their commitments. The agreement also allows for the use of carbon capture and storage technologies as a way to reach emissions reduction targets.<sup>17</sup>

Concrete steps to achieve the above goals are not stated in the agreement. The agreement is also not legally binding and uses rather soft language, often relying on words such as "should".<sup>18</sup> By November 2023, Vietnam must adopt a Resource Mobilization Plan in order to decide on the implementation, funding and strategy for the JETP.

## **THE CHALLENGES OF A "JUST" ENERGY TRANSITION**

The JETP concept emphasises the importance of justice and recognising the energy transition as not only a technical process but also a social one that requires the active inclusion of workers, affected communities, and other vulnerable groups. It also stresses the importance of creating a supportive structure for those affected by the coal phase-out, such as through reskilling programmes and educational opportunities. The reskilling programme is crucial in order to prevent unemployment and develop skilled jobs. Model projects for reskilling already exist and are funded by international development cooperation, but so far these are very small in scale and limited to a few selected colleges (*cao đẳng*). Workers' consultations are likely to be conducted through trade unions, which are ultimately controlled by the Communist Party of Vietnam (CPV). This provides access to workers but will likely be limited and structured in a top-down manner.

Another emphasis in the agreement, also underlined by PDP8, is on the affordability and access to energy, which must not be negatively impacted by the energy transition. In addition to affordability, there must be a "just" approach to land use which does not harm agriculture and

aquaculture production, particularly for communities in areas where renewable energy sources are to be developed. Economic inclusion through energy access and a sensible and equitable approach to land rights are both essential for the CPV and its legitimacy.

More problematic is the agreement's provision that for the transition to be just and equitable, "regular consultation is required, including with media, NGOs and other stakeholders so as to ensure a broad social consensus."<sup>19</sup> In recent years, energy transition has become an issue of interest to non-government organisations (NGO) in Vietnam, including local ones. However, since the January 2022 arrest of Nguy Thi Khanh, the most vocal and renowned advocate for renewables within the local NGO community, and her conviction for alleged tax evasion, NGOs have become increasingly wary of publicly expressing their opinions. This is despite Khanh's release in May 2023. Administrative procedures for NGOs have become more stringent, too, particularly in terms of obtaining permits for implementation of projects. Against this backdrop, the only public statement on Vietnam's JETP by a local organisation has been the press release of the Vietnam Initiative for Energy Transition (VIET), a local independent think tank.<sup>20</sup> Other organisations have not yet dared to comment publicly on the agreement, both out of caution and due to the lack of information on the matter from the government. Media reports have also been scarce. The hope of the IPG to press for an inclusive, participative process for the JETP in Vietnam, therefore, seems unrealistic and the justice aspect of the JETP hence limited. Community consultation might be the only way to ensure some basic inclusivity and transparency in the process.

## **OTHER CHALLENGES**

Vietnam's energy policy is overseen by the Ministry of Industry and Trade (MOIT), and the main instrument of energy development policy is power development plans (PDP). The seventh PDP (PDP7) expired in 2020, and PDP8 was approved in May 2023 after extended delays. PDP8 recognises the power sector's importance for sustainable development, with a focus on economic, social and security policy, as well as meeting environmental concerns through commitments to renewable energy and "new energy" such as green hydrogen.<sup>21</sup> The specific goals for renewable energy are wide and conditional, and rely on the JETP to come through. If JETP is implemented successfully, a 47 per cent share of renewable energy by 2030 and around 70 per cent by 2050 could be reached. PDP8 emphasises newly-installed power capacity by 2030 with wind, rooftop solar for self-consumption, hydropower, and liquefied natural gas (LNG). PDP8 also explicitly refers to the JETP and calls it an "important solution" for the energy transition.<sup>22</sup> Consequently, PDP8 has strengthened the JETP on paper, signalling political will for the energy transition. Nevertheless, to promote the sustainable development of renewable energy, further steps, such as a renewable energy law and a reliable pricing mechanism, are still needed.

Central to the success of the energy transition is an extension of the grid capacity that has been unable to keep up with the rapid increase in renewable capacities. This has resulted in the decision by Vietnam Electricity (EVN), the only off-taker in Vietnam's electricity market, to implement curtailment, causing many renewable energy projects, both big and small, to lose around 40 per cent of their output and suffer devastating financial losses.<sup>23</sup> To address this issue, the JETP agreement has included investment and research into grid transformation,

which could result in improved technical standards and grid infrastructure to accommodate a larger renewable energy capacity. Despite the complexity of this task, it is nevertheless feasible if all actors involved cooperate effectively and the legal framework reduces bureaucratic restrictions for this large-scale infrastructure project.<sup>24</sup>

For the energy transition to move forward, a clear political signal from the CPV leadership is necessary to prioritise its implementation and accelerate the bureaucratic processes in approving investments for projects. Moreover, the government needs to ensure cooperation between all relevant authorities, such as the MOIT and the Ministry of Natural Resources and Environment (MONRE). While MOIT is tasked with energy development and PDP8, MONRE is in charge of JETP. So far, cooperation has been lacking. For example, no MONRE representatives have participated in meetings of the Vietnam Energy Partnership Group chaired by MOIT and the World Bank to discuss the implementation of the energy transition with international and local partners. A strong signal from the top leadership demonstrating support for PDP8 and JETP can also help address the lack of capacity within the executive system and officials' hesitancy to make decisions.

These two latter issues arise primarily from the CPV's current anti-corruption campaign, which is considered the most comprehensive anti-corruption effort in the history of the party.<sup>25</sup> The campaign has resulted in the removal of President Nguyen Xuan Phuc and two deputy prime ministers in early 2023. Before that, Dinh La Thang became the first Politburo member to receive a 30-year prison sentence. Additionally, 7,500 party members have faced criminal investigations since 2021.<sup>26</sup> The campaign has made public servants and decision-makers, including those in state-owned enterprises, highly risk-averse and reluctant to make decisions or approve projects for fear of being caught up in the campaign. At the same time, 40,000 public employees have resigned since 2020,<sup>27</sup> further weakening the capacity of the bureaucracy. To some extent, the campaign has therefore impeded the energy transition, which requires the prompt approval of infrastructure projects and the active participation of capable policy makers and bureaucrats.

The MOIT and MONRE are only two players in the complex game of energy transition. Behind them lie a myriad of vested interests, ranging from coal-producing provinces in the North to the provinces in the Central and the South with the highest potential for renewable energy. While around two-thirds of coal-fired power plants are owned by state-owned enterprises, these enterprises hold only a small share of renewable energy sources like solar (four per cent) and wind (one per cent) in 2021.<sup>28</sup> Private investments from G7 countries also often come with their own agenda, such as creating new opportunities for the export of their technology and expertise. In order to ensure a just transition, it is essential to recognise and understand the divergent interests involved in the energy transition and the obstacles that must be overcome.

Another issue that makes the reliance on coal entrenched is political decision-makers' perception that coal is the more stable and dependable power source.<sup>29</sup> This is because CPV leaders fear potential social unrest should electricity prices rise during the energy transition.<sup>30</sup> Maintaining social stability is essential to the CPV's political security, and ultimately its rule. This is also the reason why the MOIT has avoided introducing carbon taxes and other similar measures,<sup>31</sup> despite research indicating citizens would be willing to pay more for electricity,

and the fact that off-grid solar power projects could reduce electricity prices since they could replace gasoline generators in remote areas.<sup>32</sup>

## CONCLUSION

Vietnam's JETP offers international expertise and financing options to facilitate the country's energy transition. However, it cannot address some key barriers to making this transition successful, such as the lack of political will, bureaucratic inertia, and dilemmas on how to deal with vested interests both inside and outside the country. The "just" aspect of the JETP can act as an incentive for the MOIT to consult with workers and affected communities, but it is important to acknowledge the possibility that the JETP may never meet the IPG's definition of justice, and the participative process may always be limited to what the CPV allows. NGOs and the media will unlikely be able to meaningfully engage in the process. Ultimately, a successful JETP depends on political conditions, and while PDP8 is a step in the right direction, more action is needed.

There is also a risk that the JETP signed with Vietnam, with its limited approach to justice, could set a lower standard for IPG's negotiations with other countries. Moreover, the potential issue of JETP financing structures not meeting the standards of just climate finance, in light of the historic responsibilities of industrialised countries, must be duly recognised and addressed. Therefore, close observation of all JETP agreements in the future is necessary.

## ENDNOTES

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<sup>1</sup> Koos Neefjes and Thi To Nhien Ngo, *Prospects for a socially just energy transition in Viet Nam: 2021 and beyond* (Hanoi: Friedrich-Ebert-Stiftung, 2021).

<sup>2</sup> Ember Climate, online data accessed 13 March 2023, <https://ember-climate.org/countries-and-regions/regions/asia/>.

<sup>3</sup> Thang Nam Do and Paul J. Burke, "Phasing out coal power in a developing country context: Insights from Vietnam", in *Energy Policy* 176, 1 (2023).

<sup>4</sup> Đinh Dũng, "Ngành Năng lượng Việt Nam 2022: Thành quả từ sự tự chủ, linh hoạt thích ứng", *Cong Thuong*, 1 January 2023, <https://congthuong.vn/nganh-nang-luong-viet-nam-2022-thanh-qua-tu-su-tu-chu-linh-hoat-thich-ung-235500.html>

<sup>5</sup> "Tập đoàn Điện lực Việt Nam năm 2022 – Thử thách hướng phát triển", *Nang Luong Viet Nam*, 11 January 2023, <https://nangluongvietnam.vn/tap-doan-dien-luc-viet-nam-nam-2022-thu-thach-huong-phat-trien-30102.html>.

<sup>6</sup> "Từ tăng trưởng nóng đến 'ngủ đông'", *Nhan Dan*, April 2023, <https://special.nhandan.vn/phat-trien-nang-luong-tai-cao/index.html>.

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<sup>8</sup> Pamela McElwee, "Vietnam's Urgent Task: Adapting to Climate Change", *Current History* 116: 791 (2017), pp. 223-229; Institute of Strategy and Policy on Natural Resources and Environment, *Vietnam Assessment Report on Climate Change*, 2009, <https://wedocs.unep.org/handle/20.500.11822/7940>.

<sup>9</sup> Quyết Định phê duyệt quy hoạch phát triển điện lực quốc gia thời kỳ 2021, tầm nhìn đến năm 2050, available at <https://thuvienphapluat.vn/van-ban/Thuong-mai/Quy-et-dinh-500-QD-TTg-2023-Quy-hoach-phat-trien-dien-luc-quoc-gia-2021-2030-tam-nhin-2050-566461.aspx>.

<sup>10</sup> This includes government aid projects by Germany, Japan, the United States, and others.

<sup>11</sup> Political Declaration on establishing the Just Energy Transition Partnership with Vietnam, 14 December 2022, [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_22\\_7724](https://ec.europa.eu/commission/presscorner/detail/en/statement_22_7724).

<sup>12</sup> International Labour Organization, “Guidelines for a just transition towards environmentally sustainable economies and societies for all”, 2015, [https://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_432859.pdf)

<sup>13</sup> Author’s personal exchange with representatives from the German Ministry for Economic Cooperation and Development and the UK embassy in Vietnam.

<sup>14</sup> Amos Wemanya and Mohamed Adow, *Implementation of the Just Energy Transition Partnership in South Africa*. Germanwatch and Powershift Africa Policy Brief, 2022.

<sup>15</sup> “Chi tiết cơ cấu nguồn điện Việt Nam theo Quy hoạch điện VIII”, *Cong Thuong*, 16 May 2023, <https://congthuong.vn/chi-tiet-co-cau-nguon-dien-viet-nam-theo-quy-hoach-dien-viii-254240.html>.

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<sup>17</sup> Political declaration on establishing the Just Energy Transition Partnership with Viet Nam.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid, section 15.

<sup>20</sup> VIETSE, “Just Energy Transition Partnership (JETP) will mobilise \$15.5 billion to support Vietnam’s just energy transition”, 21 December 2022, <https://vietse.vn/en/news/just-energy-transition-partnership-jetp-will-mobilise-15-5-billion-to-support-vietnams-just-energy-transition/>.

<sup>21</sup> Article 1, section II, paragraph 1 of PDP8.

<sup>22</sup> Section VI paragraph 8 of PDP8.

<sup>23</sup> Lam Le, “After renewables frenzy, Vietnam’s solar energy goes to waste”, *Aljazeera*, 18 May 2022, <https://www.aljazeera.com/economy/2022/5/18/after-renewables-push-vietnam-has-too-much-energy-to-handle>.

<sup>24</sup> Ministry of Natural Resources and Environment, Climate Change Strategy as presented at an internal workshop in 2022.

<sup>25</sup> Nguyen Khac Giang, “Vietnam’s Anti-Corruption Campaign: Economic and Political Impacts”, *ISEAS Perspectives* 41, 18 May 2023, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2023-41-vietnams-anti-corruption-campaign-economic-and-political-impacts-by-nguyen-khac-giang/>.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Do and Burke, p. 6.

<sup>29</sup> Le Ngoc Dang and Farhad Taghizadeh-Hesary, “Avoiding Energy insecurity by promoting private investment – the case of the Vietnamese power sector”, *ADB Working paper series* 1038, ADB Insitute, 2019, p. 4.

<sup>30</sup> Do and Burke, p. 6.

<sup>31</sup> Ira Irina Dorband, Michael Jakob and Jan C. Steckel, “Unraveling the political economy of coal: Insights from Vietnam”, in *The Political Economy of Coal: Obstacles to clean energy transitions*, edited by Michael Jakob and Jan C. Steckel (New York: Routledge, 2022), p. 213.

<sup>32</sup> Neefjes and Ngo, p. 33.



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