

Once upon a time

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I remember the last time I went to a restaurant in District 1, in HCM city; I was very surprised because there weren't any electric lamps in this restaurant, only oil lamps. The owner of the restaurant explained that he wanted to create an original lighting effect, but it made me think about my childhood and the electricity shortage problems we had then. When there were power outages, children were so happy because they were allowed to play in the street with friends instead of staying at home to do homework.

Electricity shortages have been a common problem in Vietnam for many years and unfortunately are still prevalent... Before 2000, Vietnam was already short 500-600 Megawatts annually. With the increased development in recent years (Vietnam's electricity needs are growing 16% each year), Electricity of Vietnam (EVN), a monopoly that undertakes all the electricity-related work in VN, plans to add an additional 1500 to 2000 Megawatts a year to its generating system.

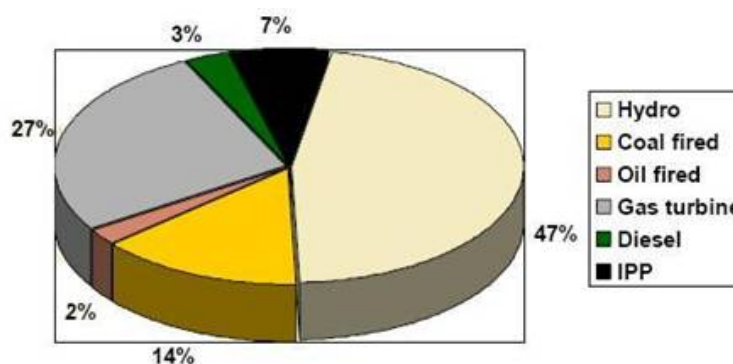


Figure 1: Vietnam electricity-generation sources - (Source: Vietnam Ministry of Industry)

As we can readily see in the electricity-generation structure in figure 1 below, hydro power is the main electricity source (47%) in Vietnam, followed by gas turbine (27%) and coal fired (14%) sources.

By examining the 2 charts below, we can understand the differences between the electricity-generation structures of a developed country (France) and those of a developing country (Vietnam).

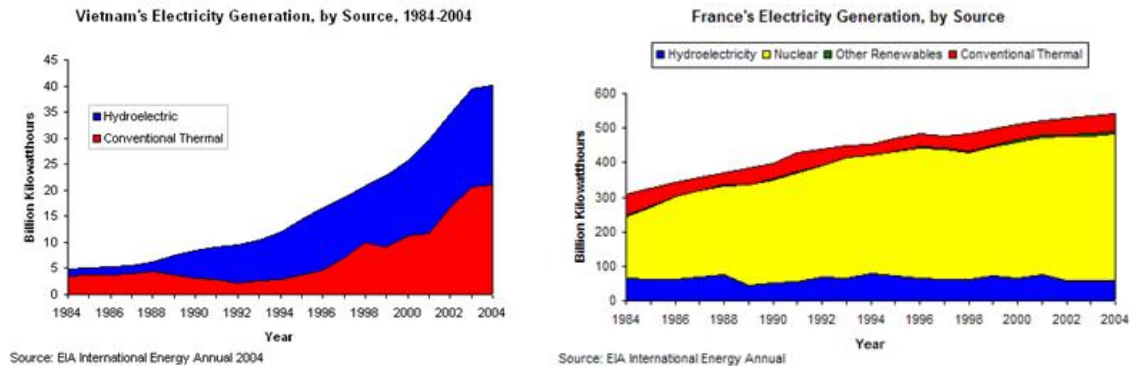


Figure 2: Electricity generation, by source - (Source: <http://www.eia.doe.gov/>)

The Vietnamese government recognizes that power shortages pose a serious and growing threat to Vietnam's sustained economic growth. And they understand that Vietnam needs to diversify its energy resources to ensure access to reliable, long-term sources of power needed to fuel the nation's development.

Among the solutions are the purchase of electricity from neighboring countries (in cooperating on some projects, for example a plan to build a cross-border power transmission line between Laos and Vietnam), a development of domestic resources (e.g. a 320 Megawatt hydro-electric power plant in Nghe An province, and a 6x400 Megawatt hydro-electric power plant in Son La). Last September, Vietnam took its first steps towards nuclear energy by announcing the creation of a State Council to assess the feasibility of a nuclear power plant project in the province of Ninh Thuan. The 4000 Megawatt nuclear power plant is expected to be commissioned in 2020.

Renewable energy sources such as wind and solar energy have also attracted the interest of the Vietnamese government. Despite their small contribution to the nation's total energy production (less than 0.01% in 2004), the government plans to increase the ratio of renewable energy to 5% by 2020 and 11% by 2050 with the establishment of many projects throughout the country.

Finally, according to Mr. TRAN Viet Ngai¹, Chairman of the Vietnam Energy Association, the government needs to consider removing EVN's status as a monopoly for several reasons. First of all, the fact is that EVN cannot produce the quantity needed, so it needs to share the task with other investors or producers (E.g. Vinacomin, PetroVietnam, Song Da Corporation...). This change of status for EVN will create a real electricity market in Vietnam by strengthening competition and encouraging more investment in electricity projects. In conclusion, it will be beneficial for Vietnamese consumers, who will then have more than one choice regarding quality and price criteria when dealing with several electricity distributors in the market.

¹ During his interview with a local newspaper "Tien Phong" in March 2008.