

Vietnam's Electricity Reforms: From Supply Security to a More Investment-Ready Power Market

Vietnam is shifting towards a more flexible, commercially viable electricity system to support its next phase of economic growth. The direction is clear: accelerate investment, widen participation in power supply and improve pricing signals. The challenge will be turning these changes into reliable electricity and investable opportunities.



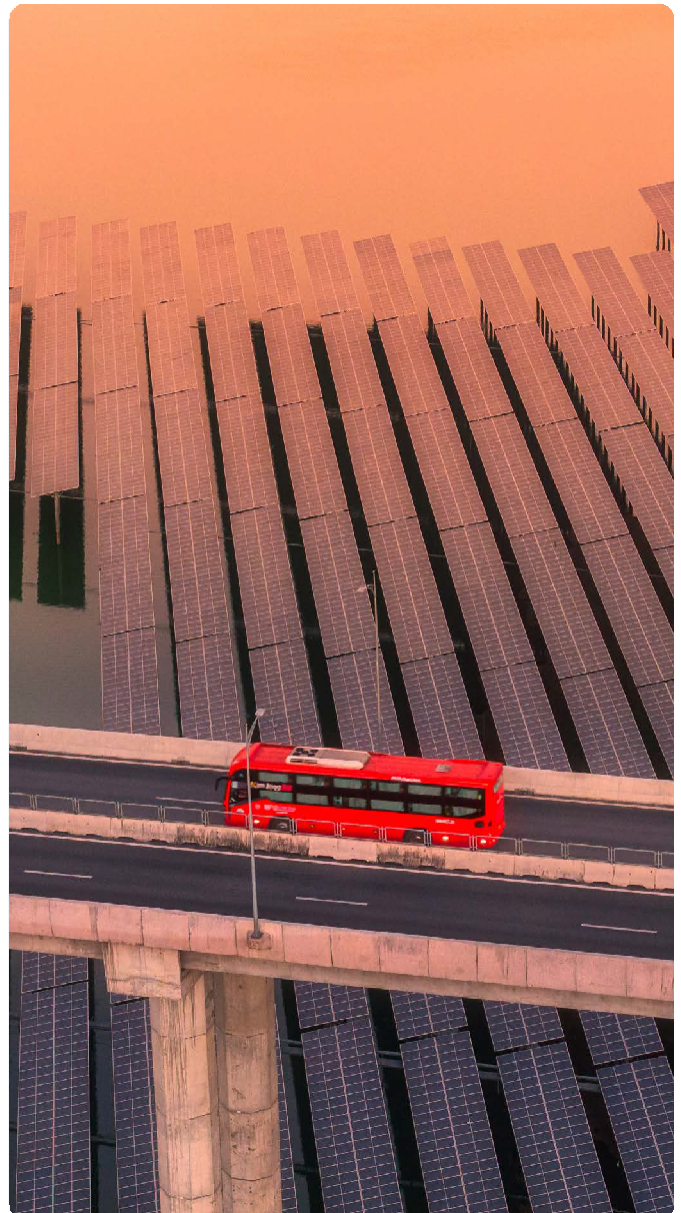
Vietnam is rethinking how to secure enough electricity for growth

Vietnam's electricity reforms reflect a growing recognition that expanding power supply requires more than adding generation capacity. The country must also accelerate project delivery, mobilize private capital, expand access to renewable electricity and improve the commercial arrangements that underpin investment.

This is becoming increasingly important as Vietnam pursues ambitious economic growth targets and seeks to attract investment in data centers, AI infrastructure, semiconductors and advanced manufacturing. These sectors require reliable, scalable electricity supply, while multinational companies face growing pressure to demonstrate progress towards renewable energy and decarbonization goals. At the same time, Vietnam is seeking to maintain its commitment to net-zero emissions by 2050.

The Government's approach is evolving across three fronts: **making power projects easier to deliver, giving businesses more flexibility in sourcing electricity, and improving the economics of investing in power supply.** Together, these changes point towards a more pragmatic approach to energy security, in which private investment and commercial incentives play a greater role alongside state planning.

The immediate priority is to address the risk that electricity supply fails to keep pace with demand. Delays in generation projects, difficulties concluding power purchase agreements and constraints on grid development have highlighted the gap between planned capacity and delivered electricity. The reform agenda seeks to close this gap while preparing the power system for more complex demand patterns and a greater share of renewable energy.





Three changes that matter to businesses

01 More flexibility in securing electricity

Vietnam is widening the options available to large electricity consumers seeking to procure power directly from generators. Under its direct power purchase agreement (DPPA) framework, eligible businesses can arrange supply through a private connection or use the national grid to support a financial arrangement between the generator and consumer.

The direction of travel is towards broader participation, including a greater role for licensed electricity retailers. This could allow electricity providers serving industrial parks and other customer groups to be more active in directly connecting renewable generators with end users.

For businesses, the potential benefit is greater choice over electricity sourcing, including opportunities to secure renewable power and manage long-term energy procurement. This is particularly relevant to data centers and manufacturers whose investment decisions increasingly depend on the availability, reliability and carbon intensity of electricity.



Greater flexibility in principle does not yet mean that direct procurement is straightforward in practice. Financing arrangements, settlement risks and the development of a competitive electricity market will influence how quickly these options become commercially viable at scale. This means direct procurement should be treated as an expanding opportunity, rather than the only option to meet all necessary power requirements.

02 Faster project delivery and a larger role for private investment

Vietnam is also seeking to reduce the time and uncertainty involved in developing power generation and transmission infrastructure. The changes include removing certain approval steps for eligible projects, simplifying operating license requirements, clarifying how competitive bids translate into power purchase agreements, and creating more scope for private participation in transmission investment.

The underlying shift is from treating procedural compliance as a major stage in project development towards a more execution-oriented approach.

Where projects have already been identified as priorities, the aim is to reduce duplication and allow investment to proceed more quickly. The clearest time saving is the removal of the investment policy approval step for qualifying projects. Under current regulations, this step takes 45 to 60 working days depending on project type, though in practice it has taken nine months to a year, sometimes longer, with the range varying widely by project. Greater clarity on the relationship between competitive bids and subsequent power purchase agreements could also reduce the risk of lengthy negotiations after investors have been selected.

This matters because electricity security depends not only on attracting investors, but on converting investment decisions into operational capacity. Private participation in transmission could help mobilize additional capital, while streamlined approvals could reduce administrative delays for eligible projects.

Nevertheless, procedural reform cannot resolve every barrier. Project economics, financing, land access, grid connections and coordination between generation and transmission will continue to affect delivery. Businesses should look for evidence of shorter project timelines and new capacity coming online, rather than rely solely on announced investment plans.

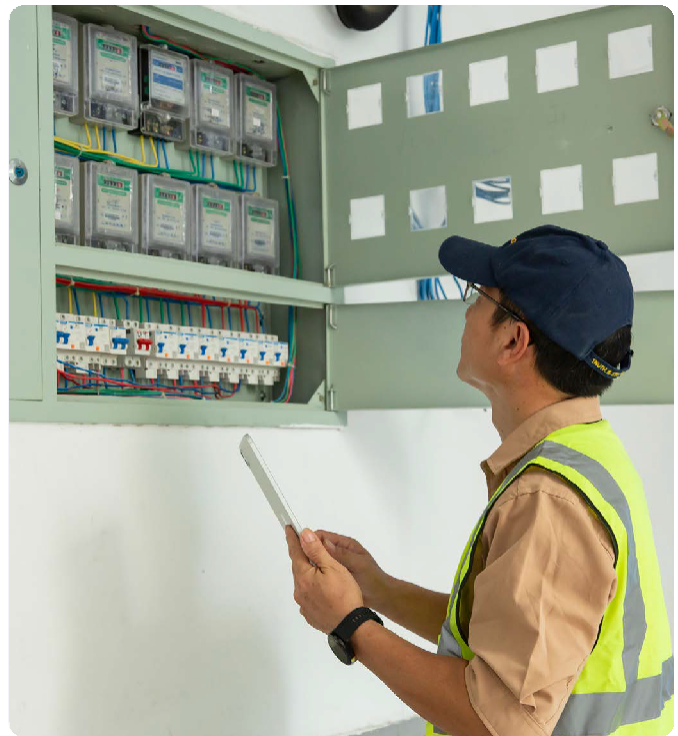
03 More commercially sustainable electricity pricing

Vietnam is moving towards a pricing approach that better reflects the costs and risks of supplying electricity. The direction includes clearer pricing arrangements for power contracts, stronger investment incentives for renewable energy and electricity storage, and more differentiated retail tariffs where technically feasible. The reforms include inclusion of the following concepts, subject to detailed implementation guidance by the government:

- Unbundling power contract pricing into separate fixed cost-recovery, operations and maintenance, and variable (fuel) components
- A contract price methodology for a reasonable profit margin that varies by project risk, financing structure, and generation type
- An incentive pricing mechanism for renewable energy, storage, and hybrid generation
- A renewable energy certificate market, tradable independently of the underlying power sale
- Time-of-use retail tariffs introduced where technically feasible, with a defined rollout for residential customers
- A formal risk-sharing framework allocating investment and operational risk between the state, the buyer, and the investor

This reflects a difficult but important balancing act. Electricity prices need to support investment in generation and infrastructure without placing an excessive burden on households and businesses.

The gradual reduction of cross-subsidies between customer groups and the introduction of time-of-use pricing could improve price signals, although the impact will vary across consumers.



For investors, the key issue is whether pricing arrangements provide sufficient predictability to justify long-term capital commitments. For large consumers, the implications extend to electricity costs, the economics of direct procurement and the competitiveness of energy-intensive operations.

Pricing reform is likely to be more complex than simplifying administrative procedures because it requires decisions about who bears investment, market and system costs. Recent parliamentary discussions have underscored the need for transparent pricing and a clearer allocation of risks between the state, electricity providers and consumers.

This suggests that the direction of reform is established, but its commercial impact will depend on how the balance is ultimately struck.

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