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Hanoi, 11 April , 2017

DECISION

ON MECHANISM FOR ENCOURAGEMENT OF DEVELOPMENT OF SOLAR POWER IN VIETNAM

Pursuant to the Law on organization of Government dated 19 June, 2015

Pursuant to the Electricity Law dated November 03, 2004; The law amending the Law on Electricity dated November 20, 2012;

Pursuant to the Law on Investment dated November 26, 2014

Pursuant to the Law on Construction dated June 18, 2014

At the request of the Minister of Industry and Trade;

The Prime Minister promulgates the Decision on mechanism on encouragement of solar power development of Vietnam

Chapter I

GENERAL PROVISIONS

Article 1. Scope

This Decision deals with mechanism for encouragement of development of solar power of Vietnam

Article 2. Regulated entities

This Decision applies to organization and individuals involved in developing solar power projects in Vietnam and other relevant organization and individuals

Article 3. Definitions

In this Decision, these terms are construed as follows:

1. Electricity buyer refers to Vietnam National Electricity Corporation (EVN) or member units authorized by EVN.
2. Electricity seller refers to organization and individuals having licenses for generating electricity from grid-connected photovoltaic (PV) power plants; organization and individuals who have rooftop solar PV projects that sell surplus electricity

to the buyers.

3. Solar power project is a project to generate electric power by using solar panel to convert energy from the sun into electricity.

4. Rooftop project means a solar power project that has its solar panels mounted on the rooftop or integrated in construction buildings and is directly connected to the power grid of the buyer.

5. Grid-connected project means a solar power project that is connected to the national power grid or the power grid of the buyer, except for the projects specified in Clause 4 of this Article.

6. Connecting point means the point where the grid of the seller connect to the power system of the buyer.

7. Power delivery point is where the power measurement device is agreed to be placed in accordance with the electricity purchase contract to determine the sold generated energy of the Seller.

8. The model power purchase contract for rooftop projects and grid-connected project means one provided by Ministry of Industry and Trade use by the seller and buyer.

9. Feed in Tariff means the price schedule applied to the buyer and the seller.

Chapter II

PLANNING AND INVESTMENT OF SOLAR POWER PROJECTS

Article 4. Solar power development plans

1. Solar power development plans include the national solar power development plans and the provincial solar power development plans. Solar power development plans act as a basis for developing and investing in solar power activities and must be adjusted to latest solar power research findings and solar power potential evaluations.

2. National solar power development plans and provincial solar power development plans shall be applied until 2020 while taking into consideration the orientation towards 2030 and may be adjusted when needed. After the said period, solar power development plans shall be integrated into national solar power development plans and provincial solar power development plans.

3. Solar power development plans only apply to grid-connected projects and do not apply to rooftop projects.

Article 5. Preparation, approval and publishing of solar power development plans

1. Ministry of Industry and Trade shall be in charge of organizing the preparation of national solar power development plans and submit it to the Prime Minister for approval; publish, provide instruction, monitor and inspect the implementation of the approved solar power development plans

2. People's Committees of central-affiliated cities and provinces (hereinafter referred to as People's Committees of provinces) that has potentials to develop solar power system shall be in charge of organizing provincial solar power development plans and submit it to the Minister of Industry and Trade for approval.

3. Publication and adjustment of the solar power development plans shall comply with the effective regulations.

4. Main contents of Solar power development plans

a) The main contents of national solar power development plans:

- Potentials for solar power of provinces;
- List of solar power projects
- Plan for connection solar power projects to national power grid.

b) The main contents of a provincial solar power development plans:

- Potentials for solar power of the province;
- Areas and boundaries of solar power projects;
- List of solar power projects
- Output power of each solar power projects and plan for connection to national power grid.

5. Ministry of Industry and Trade shall elaborate and provide instruction the preparation, implementation, approval and publication on solar power development plans.

Article 6. Funding for preparation of solar power development plans.

1. Central government budget shall provide funding for establishing, appraising, publishing and adjusting the national solar power development plans.
2. Provincial government budgets shall provide funding for establishing, appraising, publishing and adjusting the plan for their provincial solar power development plans.
3. Provision of funding from other lawful sources for preparation of solar power development plans is encouraged.

Article 7. Investment in solar power projects

1. Investment in grid-connected projects must be appropriate for electricity development plans approved by competent authorities.
2. Investment in solar power projects shall be made according to effective law on investment, construction, fire safety and firefighting, environmental protection and other relevant regulations.
3. The main equipment used in solar power projects must meet the mandatory solar power technical standards; the quality of electricity produced by solar power projects must meet the mandatory technical standards on voltage, frequency and other relevant requirements according to effective regulations.
4. Electricity seller must be in charge of providing and installing power measurement devices; inspecting, calibrating, testing, measuring power measurement devices in accordance with measurement standards.
5. Investors in developing solar power projects must ensure the structure safety and construction safety in accordance with effective regulations.
6. Investment in development of rooftop projects must meet the following requirements:

The rooftops or buildings structure to which solar panels are mounted must be able to hold the weight of the solar panels and other attached accessories.

Electric safety is ensured in accordance with effective law.

The surroundings and environment are protected.

Article 8. Connecting solar power projects to national power grid.

1. The electricity seller is responsible for investing in, operating and maintaining the lines and the step-up transmission substation (if applicable) from the seller's power plant to the connecting point with the grid of the buyer.

2. The connecting point that the seller and buyer agreed upon shall be the nearest point to connect with the available grid of the buyer and ensure the capacity for transmission of electricity from the seller in accordance with approved electricity development plan. In cases where the connecting point is different from the delivery point, the seller must be responsible for the loss of electricity on the connecting grid and the losses in the step-up transformer from the plant. The Ministry of Industry and Trade shall provide specific guidance on the calculation of electricity loss on the connecting grid.

Chapter III

MECHANISM ON ENCOURAGEMENT OF DEVELOPMENT OF SOLAR POWER PROJECTS

Article 9. Responsibility for buying electricity from solar power projects

1. The buyer is responsible for buying all electricity produced by solar power projects. It is recommended to exploit the maximum capacity of solar power projects for commercial purposes.
2. The purchase of electricity shall be made into a solar power purchase contract which is established under the model power purchase contract provided by Ministry of Industry and Trade.
3. Within 30 days after the seller completes the documents and submit an offer to sell electricity, the seller and buyer shall sign a power purchase contract in accordance with regulations.
4. The effective period of a power purchase contract may not exceed a term of 20 years from the date of commencement of commercial operation. After a term of 20 years, both parties may extend the contract or sign a new contract in accordance with effective law.

Article 10. Tax and investment incentives

1. Raising capital: Organization and individuals involved in the development of solar power projects may raise domestic and foreign capital to carry out solar power projects in accordance with effective law.
2. Import duties: Solar power projects are eligible for exemption of import duties on goods imported as fixed assets in accordance with effective regulations on import and export duties on materials, components and semi-finished products that cannot be domestically manufactured and are imported to serve domestic production.
3. Corporate income tax: Corporate income tax exemption and reduction granted to solar power projects shall be the same as those granted to projects eligible for investment incentives in accordance with effective regulations

Article 11. Land incentives

1. Grid-connected solar power projects, transmission lines and substations shall be eligible for exemption or reduction land levy, land rent, water surface rent in accordance with current regulations on investment incentive programs.

2. Depending on plans approved by competent authorities, People's Committees of the provinces shall facilitate land arrangements for investors to execute solar power projects. Provision of compensation and site clearance shall be carried out in accordance with effective regulations on land.

Article 12. Feed in Tariff

1. Regarding grid-connected project

The buyer has the responsibility to purchase all generated energy from grid-connected projects at 2,086VND/kWh (excluding VAT, equivalent to 9.35 Uscents/ kWh, according to the exchange rate between VND and USD by the State Bank of Vietnam announced on 10 April 2017 which is 22,316 VND/USD) The price is adjusted to the exchange rate between VND and USD. This price is only applicable to grid-connected projects with the efficiency of solar cells greater than 16% or efficiency of the module greater than 15%.

The electricity purchase price applied to grid-connected projects shall be adjusted to the exchange rate of VND/USD in accordance with model power purchase contract promulgated by Ministry of Industry and Trade

2. Regarding rooftop project

Rooftop projects shall be implemented in net-metering with two-way electricity meters. In a trading cycle, if the amount of electricity generated from rooftop projects is greater than the consumed amount, the surplus will be carry forward to the next trading cycle. At the end of the year or when the contract is terminated, the surplus amount of energy will be sold to the buyer at the price specified in Clause 1 of this Article.

Annually, according to the previous year's latest exchange rate between VND and USD announced by the State bank of Vietnam, the Ministry of Industry and Trade shall impose prices for rooftop solar power for the following year.

3. Costs incurred in connection with purchasing energy from solar power projects specified in Clause 1, Clause 2 of this Article shall be calculated and fully included in the input parameters of the electricity pricing scheme of the EVN.

4. Ministry of Industry and Trade shall monitor and suggest adjustments to the price specified in Point a Clause 1 of this Article and request the Prime Minister to consider and decide if needed.

Chapter IV

IMPLEMENTATION CLAUSE

Article 13. Responsibilities of regulatory bodies

1. Ministry of Industry and Trade shall

Provide instructions and cooperate with People's Committees of provinces to supervise the implementation of this Decision.

Promulgate the model power purchase contract for rooftop projects and grid-connected projects and provide instructions on the implementation of this model contract.

Promulgate the method of calculating loss on grid in the cases where the measurement point does not coincide with the connecting point.

Promulgate technical regulations on solar power, regulations on measurement of energy of solar power projects and provide instructions on the connection, installation of electricity meters and the calculation of net-metering mechanism applied to rooftop solar power project.

Research the process for bidding for execution of solar power projects and apply it with an appropriate roadmap to improve efficiency and reduce the costs of solar power projects.

Propose a mechanism for encouragement of development of solar power applicable after 30 June, 2019.

Cooperate with People's Committees of provinces to reach an agreement on land area dedicated to development of solar power projects, ensure the punctuality of the projects according to the approved plan.

Impose prices for solar power projects in accordance with the exchange rate between VND and USD for the following year.

Regarding solar power projects that are not included in any solar power development plan or electricity development plan that has been approved, the Ministry of Industry and Trade shall consider including them in the plan provided their capacity does not exceed 50 MW; request to Prime Minister to consider approving the addition of such solar power projects whose capacity exceed 50 MW in the plan.

2. Ministry of Planning and Investment shall

Take charge and cooperate with the ministries in formulating policies on encouraging investment and production of solar power equipment in Vietnam and submit them to the Prime Minister for approval.

3. Ministry of Finance shall

Consider amending regulations on exemption of taxes and fees incurred by rooftop projects (the nameplate capacity of which must not exceed 50kW) and submit them to competent authorities for approval.

4. People's Committees of provinces

Cooperate with and assist investors in terms of compensation, ground clearance, infrastructure, human resources for investment and execution of solar power projects in their provinces.

Prepare land areas for solar power projects and include them in their land use plans and publish information thereon.

Monitor and supervise the execution of solar power projects in their provinces.

Perform the tasks of state management on activities involved solar power in the provinces in accordance with effective regulations.

Before January 31 annually, People's Committees of provinces shall report the total amount of nameplate capacity of grid-connected projects and rooftop projects built in their provinces as of December 31 of the previous year to the Ministry of Industry and Trade.

Article 14. Responsibilities of relevant organization and individuals

1. EVN or member units authorized by EVN shall

Negotiate and sign electricity purchase contracts with the seller in accordance with the model electricity purchase contract and electricity prices specified in Article 12 of this Decision if the seller satisfies the conditions for investment in solar power projects specified in Article 7 of this Decision.

EVN is responsible for calculating the full cost incurred in connection with purchasing energy from solar power project and including such price in the input parameters of the electricity pricing scheme of EVN and submit them to competent authorities for approval.

Before January 31 annually, Vietnam Electricity Group shall report the total amount of nameplate capacity of grid-connected projects and rooftop projects built in their provinces as of December 31 of the previous year to the Ministry of Industry and Trade.

2. Electricity sellers shall

Negotiate and sign electricity purchase contract with the buyer in accordance with the model electricity purchase contract and electricity price specified in Article 12 of this Decision.

Install the electricity meters in accordance with effective regulations on measuring consumed energy to prepare electricity bills.

Send 01 copy of the signed electricity purchase contract for execution of the grid-connected project to the Ministry of Industry and Trade within 30 days from the day on which it is signed.

Comply with regulations and law on operating the electricity system, the electricity transmission system, the electricity distribution system, the metering system and other relevant regulations promulgated by the Ministry of Industry and Trade.

Article 15. Transition clause

For grid-connected projects and rooftop projects, the contracts for which are signed before the effective date of this Decision, the parties are responsible for signing contract revisions in accordance with this Decision.

Article 16. Effect

1. This Decision takes effect from 01 June, 2017 to 30 June, 2019

2. The Ministers, heads of ministerial-level agencies, heads of governmental agencies, Presidents of People's Committees of provinces, heads of agencies, units and organizations involved in the development of solar power projects in Vietnam are liable to execute this Decision.

PRIME MINISTER

Nguyen Xuan Phuc