

Vietnam Power Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Vietnamese power market is expected to record a CAGR of more than 4.5% during the forecast period of 2022-2027. In Vietnam, the power market is undergoing significant transformation owing to the efforts taken by the government to improve electricity access in the country, along with its plans to increase the share of renewables in the country's power generation mix. The COVID-19 pandemic negatively impacted the power market in Vietnam in Q1 2020 as lockdown measures imposed by the government in the country caused a reduction in immediate electricity demand in commercial and industrial categories. Also, the wind power industry was heavily affected, especially with the October 31, 2021, deadline for the Feed-in Tariff (FiT) application rapidly approaching. Factors such as population growth in Vietnam, which reached 98.51 million in 2021, are expected to propel the development of the power market in the country. The degree of urbanization in the country will also have significant implications on the trend of energy consumption because of the increase in demand from industries that use energy for construction and manufacturing, which is also expected to drive the power market in Vietnam during the forecast period. However, huge investments are required to set up and modernize power generation, transmission, or distribution networks, and weak private sector investments are restraining the power market in Vietnam.

□ Thermal sources such as coal, oil, and natural gas, which constitute more than 66% of the total power generated in Vietnam in 2020, are likely to dominate the Vietnamese power market.

□ Vietnam has some of the most significant wind resources, with a potential of 311 GW. This has created enormous opportunities to exploit wind energy for power generation. The factors above clubbed with foreign investment and extensive R&D projects, offer an opportunity for growth of the power market in Vietnam.

□ Government initiatives for electricity generation are likely to drive the market during the forecast period. Also, heavy investments

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in the transmission network are being made, further driving the power market in Vietnam.

Vietnam Power Market Trends

Thermal Power Generation Sector to Dominate the Market

□ Power generation uses a variety of sources ranging from fossil fuels like coal and oil to renewable sources like wind and solar. The energy mix for electricity generation is dominated by fossil fuels like coal, oil, and natural gas, constituting almost 65% of the global energy mix.

□ In 2020, more than 66% of electricity in Vietnam was generated through thermal power sources like coal, natural gas, and oil.

□ The power generation mix is heavily skewed toward coal with a significant contribution because of cheaper domestic fuel availability. Its share in the mix has increased due to constraints in adding other conventional generation sources like hydro, nuclear, and natural gas.

□ Electricity generation from coal in the Southeast Asian country is expected to reach around 177.7 terawatt-hours by 2030, accounting for almost 39% of its total power generation. Owing to this, the country is likely to have a significant number of thermal power plants over the coming years.

□ In December 2021, Mitsubishi and Korea Electric Power announced plans to begin construction of the USD 2.2 billion Vung Ang II coal-fired power plant. The 1,200MW project is likely to start commercial operations in the third quarter of 2025. Further, there are projects like the 1200 MW Quang Trach project and upgradation project of 3900 MW Phu My Power Complex, which are likely to be commercialized during the forecast period.

□ Owing to these factors, thermal power generation is expected to be the dominating segment in the market studied during the forecast period.

Government Initiatives Expected to Drive the Market

□ Government policies and support for electricity generation and the increase in investments in electricity transmission are expected to drive the Vietnamese power market during the forecast period.

□ Vietnam has adequate power generation capacity, but some proportion of the population has limited access to electricity because of a lack of proper grid network and infrastructure. To ensure the supply of reliable electricity for all, the demand for transmission networks is growing. Thus, investments have been made to increase the transmission network in Vietnam.

□ As per Vietnam's Eighth Electricity Plan Draft, it is estimated that during the 2021-2030 period, Vietnam needs to build additional 500 kV substations with a total capacity of 86 GVA and approximately 13,000 kilometers of transmission lines.

□ Additionally, Vietnam's electricity capacity is expected to increase by an annual average of 5.7% between 2021 and 2030, reaching 129.5 GW by 2030. Also, USD 148 billion worth of investments are planned to increase power generation and develop the electricity network, of which 74% will be directed to power sources and 26% to grid development for 2021-2030.

□ In recent years, the Vietnamese government has also funded various transmission projects to ensure a reliable electricity supply in multiple locations. Vietnam's Ministry of Industry and Trade (MOIT), under its draft PDP8, estimated the need for USD 32.9 billion to develop its power grids between 2021-2030. The plan proposes expanding a 500 kV transmission system to transmit

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power from power source centers in the central and southern regions to larger load centers in the Red River Delta and Ho Chi Minh City.

□ In 2020, Vietnam generated 234.5 Terawatt-hours (TWh) of electricity, up from 157.9 Terawatt-hours (TWh) in 2015. The power generation capacity is expected to increase from conventional and renewable sources over the coming years. The country has made significant strides in improving access to power among communes and rural communities through various government-led schemes.

□ In 2020, the Prime Minister of Vietnam approved the extension of feed-in tariffs (FiTs) for wind power projects. The FiTs, applied initially to wind projects scheduled to enter commercial operations before November 2021, are likely to be extended until the end of December 2023.

□ Therefore, government support and policies to ensure power distribution and allocation of investments to develop transmission lines and towers to cater to consumers are expected to drive the power market in Vietnam during the forecast period.

Vietnam Power Market Competitor Analysis

The Vietnamese power market is moderately consolidated. Some of the key players in this market include Vietnam Electricity, Jera Co. Inc., AES Mong Duong Power Company Limited, General Electric, and Mekong Energy Company Ltd, among others.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

1.1 Scope of the Study

1.2 Market Definition

1.3 Study Assumptions

2 EXECUTIVE SUMMARY

3 RESEARCH METHODOLOGY

4 MARKET OVERVIEW

4.1 Introduction

4.2 Market Size and Demand in USD billion, till 2027

4.3 Recent Trends and Developments

4.4 Government Policies and Regulations

4.5 Market Dynamics

4.5.1 Drivers

4.5.2 Restraints

4.6 Supply Chain Analysis

4.7 PESTLE Analysis

5 MARKET SEGMENTATION

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- 5.1 Generation Source
 - 5.1.1 Thermal
 - 5.1.2 Hydro
 - 5.1.3 Renewable
 - 5.1.4 Other Generation Sources
- 5.2 Transmission and Distribution

6 COMPETITIVE LANDSCAPE

- 6.1 Mergers and Acquisitions, Joint Ventures, Collaborations, and Agreements
- 6.2 Strategies Adopted by Leading Players
- 6.3 Company Profiles
 - 6.3.1 Vietnam Electricity
 - 6.3.2 Jera Co. Inc.
 - 6.3.3 AES Mong Duong Power Company Limited
 - 6.3.4 General Electric
 - 6.3.5 Mekong Energy Company Ltd
 - 6.3.6 Vietnam Sunergy Joint Stock Company
 - 6.3.7 Sharp Energy Solutions Corporation

7 MARKET OPPORTUNITIES AND FUTURE TRENDS

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