

PRIME MINISTER

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

No.: 24/ 2014/QĐ-TTg

Hanoi, 24 March 2014

DECISION

on the support mechanism for the development of biomass power projects in Vietnam

Pursuant to the Law on Government Organization dated 25 December 2001;

Pursuant to the Law on Electricity dated 3 December 2004; the Law on the Amendment of and Supplement to several articles of the Law on Electricity, dated 20 November 2012;

Pursuant to the Law on Investment dated 29 November 2005;

Pursuant to the Law on Construction dated 26 November 2003;

In response to the request made by the Minister of Industry and Trade (MoIT);

The Prime Minister promulgates the Decision on the support mechanism for the development of biomass power projects in Vietnam,

Chapter I

GENERAL PROVISIONS

Article 1. Scope of Regulation and Subjects of Application

1. This Decision regulates the support mechanism for the development of power generation projects using biomass energy in Vietnam.

2. The subjects of application in this Decision include organizations, individuals participating in electric power activities related to the development of biomass power projects in Vietnam.

Article 2. Interpretation of Terms

In this Decision, the following terms shall be construed as follows:

1. Purchaser means the Electricity of Vietnam or its authorized subsidiary (for grid-connected power projects).

2. Seller means organizations, individuals who have permission electricity activities in the field of electricity generation from power plant using biomass energy.

3. Biomass energy used to produce electricity shall include: by-products and residues in agriculture production and agro-forestry processing, and other types of crops that may be used as fuel for electricity production.

4. Biomass power project is a power generation plant project that mainly uses biomass fuel for electricity production.

5. Grid-connected biomass power project is a biomass power plant project that is connected into the national electricity grid system for partial or whole provision of electric power for the national electricity grid.

6. Connection point is where the Seller's electric grid is connected into the Purchaser's electric system.

7. Electricity delivery point is where the electric measurement/counting equipment is installed as stipulated in the Power Purchase Agreement in order to determine the Seller's power output sold.

8. Off-grid biomass power project is a biomass power plant project built to provide household users in the relevant area with all electric power that is not connected into the national electricity grid.

9. Standardised Power Purchase Agreement for grid-connected biomass power projects means the MoIT-promulgated Power Purchase Agreement between the Seller and Purchaser, applicable to the selling and purchasing of electricity produced by grid-connected biomass power projects.

10. Avoided cost of the national electricity system is the production cost per one (01) kWh of thermal power generation using imported coal in the national electricity system, which would be avoided if the Purchaser buying one (01) kWh of electricity from a substitute biomass power generation plant.

11. Avoided cost tariff applying for biomass power project is the electricity tariff calculated by avoided cost of the national electricity system when one (01) kWh from power plant using biomass energy is generated to the national electricity system.

10. Main items of grid-connected biomass power plant projects include boiler, turbine, generator and transformer.

11. Combined heat and power (CHP) project means a biomass power project that produces and supplies both heat and electric power.

Chapter II

PLANNING AND DEVELOPMENT OF BIOMASS POWER

Article 3. Biomass Power Development Planning

1. Biomass power development master plan is one of contents of biomass energy utilization and development master plan. The biomass energy utilization and development master plan includes national and provincial biomass energy utilization and development master plans. The biomass energy utilization and development master plan is the basis for investment activities in development and utilization of biomass energy source, which is adjusted suitable for studies and assessment of biomass energy resource potential in each stage.

2. The national and provincial biomass energy utilization and development master plans are prepared once for the period of 2020 with the vision to 2030, and shall be adjusted and supplemented if necessary. In next periods of master plan, biomass power development master plan shall be integrated in the national and provincial power master plans.

Article 4. Preparation, Appraisal, Approval, Promulgation and Adjustment of the Biomass Energy Utilization and Development Master Plan

1. The MoIT shall be responsible for preparing the national biomass energy utilization and development master plan and submitting for the Prime Minister's approval; be responsible for promulgating and guiding, monitoring, verifying the implementation of approved biomass energy utilization and development master plan.

2. People's Committees of provinces and municipalities (hereinafter referred to Provincial People's Committee) are responsible for preparing the provincial biomass energy utilization and development master plan and submitting for the Minister of MoIT approval.

3. The promulgation and adjustment of the master plan shall be implemented according to current regulation.

Article 5. Expenditures for Preparation, Appraisal, Approval and Promulgation of the Biomass Energy Utilization and Development Master Plan

1. State budget shall guarantee the expenditures for the preparation, appraisal, approval and promulgation of the biomass energy utilization and development master plan.

2. Encourage mobilize other legitimate budget sources for the preparation of the biomass energy utilization and development master plan.

Article 6. Investment in the Development of Grid-connected Biomass Power Projects

1. Investment in the development of biomass power project must be in accordance with the biomass energy utilization and development master plan and the power development master plan at governmental levels which have been approved by competent agencies.

2. For biomass power projects which are not included in approved national biomass energy utilization and development master plan and national power development master plan, the investor shall be responsible for preparing Documentation requesting for project inclusion into the master plan and send to the MoIT's appraisal, then submitting to the Prime Minister for consideration, making decision.

3. While the biomass energy utilization and development master plan have not approved yet, the investment of biomass power projects must be approved by the Prime Minister.

4. The investment in the development of biomass power projects shall be in compliance with legal regulations on construction, fire protection and environment protection as well as other relevant regulations.

Article 7. Connecting Biomass Power Projects into Electricity System, and Load Dispatch and Operation of Biomass Power Plants

1. Connecting biomass power projects into the national electricity grid must be in accordance with the approved provincial power development master plan. The connection point shall be agreed upon by the Seller and Purchaser on the principle that the Seller shall be responsible for investing on transmission lines into the nearest connection point to the existing the national electricity grid in accordance with the provincial power development master plan. If the point connected into the national electricity grid is not prescribed in the provincial power development master plan, the investor shall be required to reach a connection point agreement with the electricity distribution or transmission entity, forming the basis for a supplemented provincial power development master plan under the provisions of existing regulations. In case of the Seller and the Purchaser cannot agree on the connection point, the Seller shall be responsible for submitting to the MoIT for consideration, making decision.

2. The investor of a biomass power project shall be responsible for investing, operating and maintaining the transmission line and transformer station (if any) from the Seller's power plant to the connection point as agreed with the Purchaser.

3. Depending on the connected voltage levels, the Electricity Distribution or Transmission Entity shall be responsible for investing in the transmission line from the point connected to the national electricity grid as prescribed in the approved electric power development master plan and signing connection agreement(s) with investors of biomass power projects.

4. Upon the completion of investment and hand-over for commercial operation, the Load Dispatch/Electricity Market Operations Entity shall be responsible for mobilizing the biomass power plant in compliance with the principle that priority shall be given to exploiting its full capacity and electric power generated in accordance with the supply capacity of biomass fuel within the plant area.

Article 8. Conditions for Launching the Construction of Biomass Power Projects

The investor shall only be permitted to launch the construction of his/her grid-connected biomass power project, beside conditions regulated at Point 72 Law of Construction và other relevant legal regulations, must has: Investment Certificate; the Purchaser's written agreement on electricity purchase; signed the connection agreement with the Electricity Distribution or Transmission Entity (in case of the grid-connected biomass power project); verifications on the design from competent state agenci(es) in accordance with legal regulations on the management of and investment in works construction.

Article 9. Termination of Project Implementation

If the investor fails, within 12 months from the issuance date of the Investment Certificate or maximum 24 months from the committed date of operation as prescribed in the Investment Certificate, to put the biomass power project into operation, the Provincial People's Committee shall be responsible for taking the revoking of the Investment Certificate following current regulations, reporting to competent state agenci(es) on giving the project to another investor. Exception for the case in which valid justifications are provided and the suspension or rescheduling of the project implementation is approved by the competent authority.

Article 10. Reporting on Project Implementation

1. The investor shall be responsible for, no later than 5 working days from the issuance date of the Investment Certificate, sending a certified copy of the Investment Certificate to the MoIT for monitoring and management purposes.

2. During the construction of the biomass power project, the investor shall be required, no later than the 15th day of the first month of each quarter, to report on the project implementation in the previous quarter and implementation plan for the following quarter. The investor shall be required, no later than 15 January each year, to report to the Provincial People's Committee, MoIT and Purchaser, for performance management and monitoring purposes, on the project implementation in the previous year and implementation plan for the following year.

Chapter III

SUPPORT MECHANISM FOR DEVELOPMENT OF BIOMASS POWER PROJECTS

Article 11. Obligation of Power Purchase from Grid-connected Biomass Power Projects

1. The Purchaser shall be responsible for purchasing all electric power produced by the grid-connected biomass power generation plant under its jurisdiction.

2. The selling and purchasing electricity shall prescribe via power purchase agreement which is the MoIT-regulated Standardized Power Purchase Agreement applicable to grid-connected biomass power projects.

2. The Purchaser shall be required, no later than 6 months from the issuance of the written request for electricity sale by the biomass power project investor, to sign the power purchase agreement with the Seller in accordance with regulations.

3. The duration of the power purchase agreement applicable to biomass power projects is twenty (20) years from the date of commercial operations. After 20 years, the two sides may choose to extend the existing agreement or sign a new agreement with the price accepted by both sides in accordance with existing legal regulations.

Article 12. Preferences for Investment Capital and Taxes

1. Mobilization of investment capital:

a) Investors shall be permitted to mobilize capital from domestic and foreign organizations/individuals for the purpose of investing in the implementation of biomass power projects under the provisions of existing laws.

b) Biomass power projects shall be entitled to incentives on investment credits as prescribed in current legal regulations on State investment and export credits.

2. Import duties: biomass power projects shall be exempt from import duties for goods imported to establish project fixed assets; goods imported as raw materials, materials and semi-finished products that are not domestically produced and imported for project's production purposes under the provisions of the existing laws on export and import taxes.

3. Corporate income tax (CIT): the CIT exemption and reduction applicable to biomass power projects shall be the same as to projects in the fields of investment priorities as stipulated in the existing laws on taxes.

Article 13. Preferences for Land

1. Biomass power projects, and transmission line and transformer station projects for connection to the national electricity grid shall be entitled to the

exemption/reduction of land use/rental costs as prescribed in the existing laws applicable to projects in the fields of investment priorities.

2. On the basis of the plan approved by the competent authority, the Provincial People's Committee shall be responsible for allocating adequate land for the investor's implementation of biomass power project(s). The compensation and support to site clearance shall comply with the provisions of existing laws on land.

Article 14. Electricity Selling Price of Grid-connected Biomass Power Projects

1. For combined heat and power projects: the Purchaser is obligated to purchase entire redundant electricity generated from combined heat and power projects using biomass energy at the delivery point at 1,220 VND/kWh (excluding VAT, equivalent to 5.8 US cents/kWh). The electricity purchase price shall be adjusted to the fluctuations in VND/USD exchange rate.

2. For other biomass power projects

a) Power projects using biomass energy generate electricity, which are not combined heat and power projects: The electricity purchase price shall apply the avoided cost tariff for biomass power projects.

b) Annually the MoIT develops and issues the Avoided Cost Tariff for biomass power projects

3. Biomass power projects that apply the purchase price as prescribed at Point 1 and 2 in this Article shall not be entitled to any price subsidies for project power output as stipulated in other current legal regulations.

4. The purchase cost from biomass power projects is calculated and taken into account for full input parameters in the scenario of annual electricity selling price made by the Electricity of Vietnam which shall be approved by competent state agency(es).

5. The MoIT is responsible for monitoring, proposing an adjustment of electricity purchase price regulated at Point 1 in this Article, reporting to the Prime Minister for consideration, making decision.

Article 15. Preferences for and Support to Off-grid Biomass Power Projects

1. Off-grid biomass power projects shall be provided with preferential treatment and support as prescribed in Articles 12 and 13 of this Decision.

2. The investor shall develop the electricity price proposal and determine the total level of required state budget support before submitting to the MoIT for appraisal and reporting to the Prime Minister for approval. The total level of required state budget support shall be financed by the Vietnam Environmental Protection Fund (VEPF).

Chapter IV

IMPLEMENTATION ARRANGEMENTS

Article 16. Responsibilities of Ministries, local authorities for Biomass Power Projects

1. The MoIT shall be responsible for:

a) Guiding detailed provisions for contents, sequence and procedures of the preparation, appraisal, approval, adjustment and promulgation of the Biomass Energy Utilization and Development Master Plan.

b) Making arrangements for, and facilitating and coordinating with the People's Committees of provinces in supervising and monitoring the implementation of this Decision.

c) Promulgating the Standardized Power Purchase Agreement applicable to grid-connected biomass power projects.

d) Establishing and promulgating national technical standards for biomass power.

e) Issuing, on annual basis, the avoided cost tariff for biomass power projects.

2. The Ministry of Finance (MoF): shall take lead and coordinate with the MoIT and Ministry of Natural Resources and Environment (MoNRE) in prescribing mechanisms to provide VEPF-funded financial support to off-grid biomass power projects in accordance with current regulations.

3. The People's Committees of provinces and centrally-run cities shall be responsible for:

a) Coordinating and providing investors with support to compensation, site clearance, infrastructure and human resources for investment in, implementation and development of locally-based biomass power projects.

b) Monitoring, supervising and checking, within their capacities, the implementation of locally-based biomass power projects.

c) Exercising the task of state management on various locally-based activities related to biomass power in accordance with the provisions of existing laws.

d) As for off-grid biomass power projects, the Provincial People's Committee shall apply preferential treatment as stipulated in Articles 12 and 13 of this Decision and be responsible for management/supervision in order to make sure the effective investment in local biomass energy sources.

Article 17. Effectiveness

1) This Decision shall take effect from date 10 May 2014.

2) Ministers, Heads of Ministerial-level agencies, Heads of Government-dependent agencies, Chairpersons of the People's Committees of provinces and centrally-run cities; Heads of agencies, entities and organizations that involve in the development of biomass power projects in Vietnam shall be responsible for executing this Decision./.

Recipients:

- Central Communist Party Secretariat;
- Prime Minister, Deputy Prime Ministers;
- Ministries, Ministerial-level agencies, Government-dependent agencies;
- Central Office of Steering Committee on Anti-Corruption;
- People's Councils and Committees of provinces and centrally-run cities;
- Central Office and Committees of the Communist Party;
- State President Office;
- Ethnic Minority Council and National Assembly Committees;
- National Assembly Office;
- People's Supreme Court;
- People's Supreme Procuracy;
- State Audit;
- National Financial Monitoring Committee;
- Social Policy Bank;
- Vietnam Development Bank;
- Central Committee of Vietnam Fatherland Front;
- Central Agencies of Mass Organizations;
- Government Office: Minister-Chairperson, Vice Chairpersons, E-Portal, dependent Departments, Official Gazette;
- For filing: Clerical section, KTN (5 copies).

PRIME MINISTER

Nguyễn Tấn Dũng