

**2025F outlook for power sector: policy choke points are being eliminated**

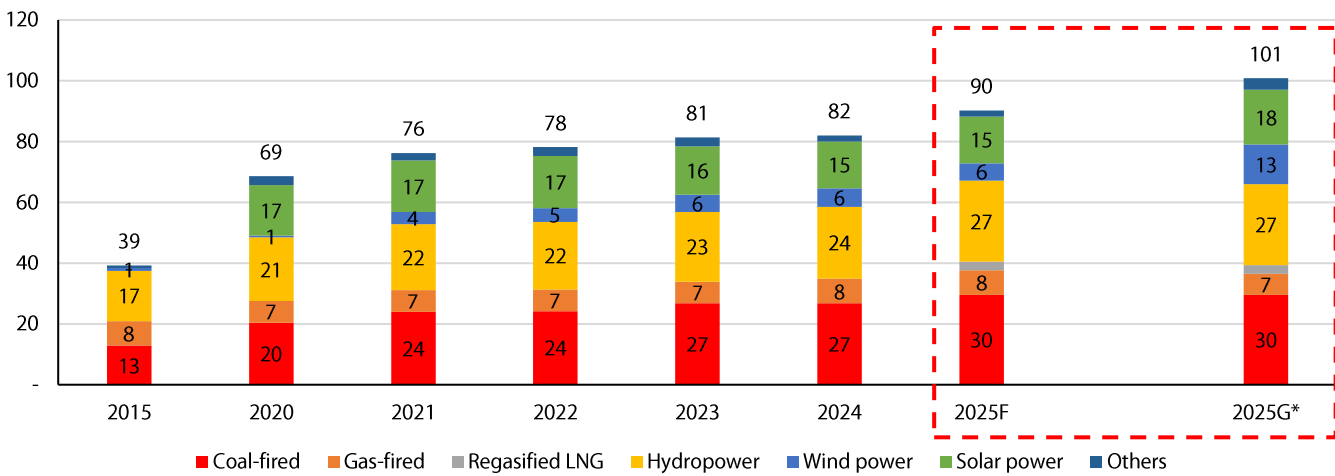
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- Electricity supply continues to be tightened in the period of 2024-2025. While electricity demand is still increasing, electricity supply growth slowed down during the absence of investment attraction policies in the 2022-2024 period.
- We see policy bottlenecks of power sector are being removed to ensure the electricity supply targets for the 2026-2030 period. However, there are still some challenges to the development of new power sources, especially LNG power and offshore wind power.

**Status: Electricity supply is tightened in the period of 2024 – 2025, and the risk of existing electricity shortage in 2026**

Vietnam's electricity industry in the period of 2022 – 2024 has faced many policy problems, leading to stagnant capacity growth and tight electricity supply.

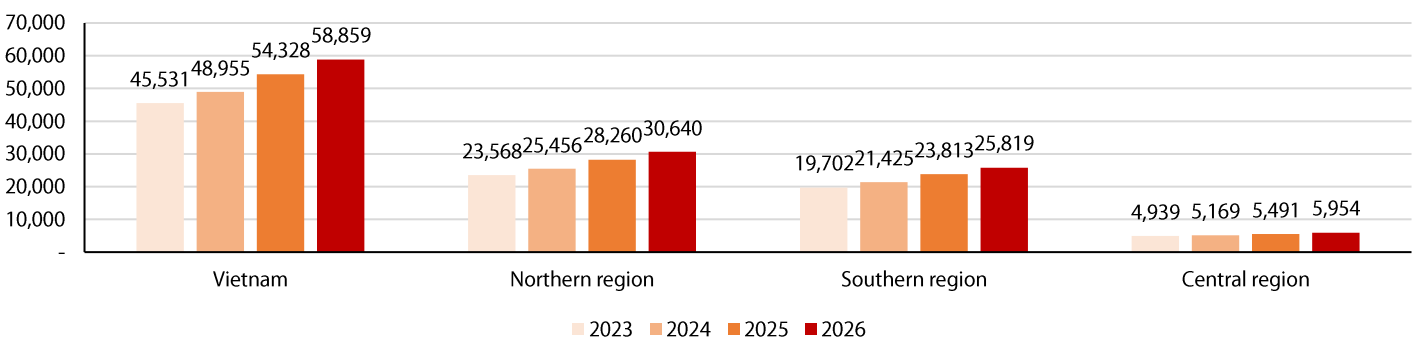
**Figure 1: 2025F installed generation capacity would trail the original master plan (GW)**



Source: EVN, Rong Viet Securities. (\*) According to Decision 500/Power Plan VIII

In 2024, new capacity was only approx. 1.5 GW. Meanwhile, peak demand grew by 8% YoY to 49GW in 2024, and is expected to increase by 11% YoY to 54GW in 2025F. This leads to the challenge of electricity supply capacity, especially in the period from 2026 onwards.

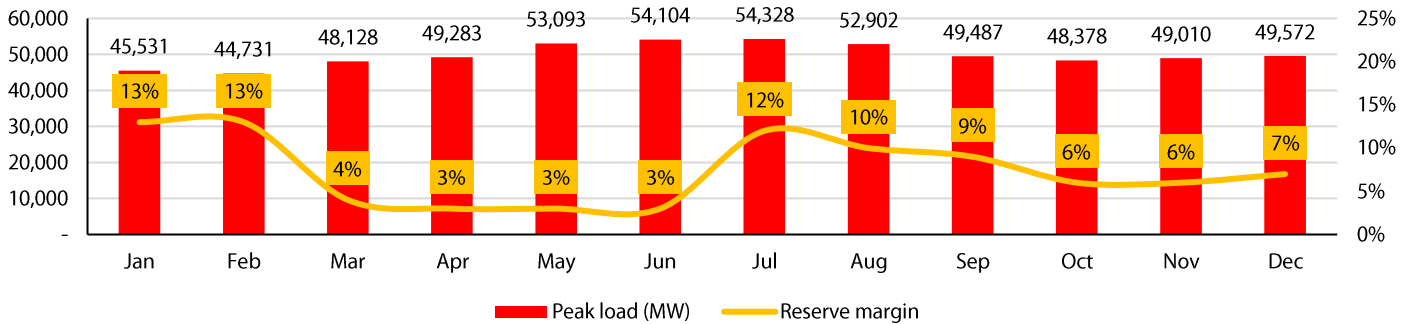
**Figure 2: Forecast of 2025F peak demand (MW)**



Source: NSMO's 2025 power system operation plan, Rong Viet Securities

According to the 2025F guidance of the National Electricity System and Market Operation Company (NSMO), reserve margins during the dry season are low compared to the standard level of 15%, fluctuating at 3-4% from March to June 2025.

**Figure 3: Forecast of 2025F monthly peak demand and reserve margin**



Source: NSMO's 2025 power system operation plan, Rong Viet Securities

**Government's resolves: Updating the power plan VIII and promulgating a new price mechanism to continue developing power sources and ensuring electricity supply**

In order to ensure the target of electricity supply from the 2026-2030 period, on December 28, the Prime Minister issued [Decision 1682/QĐ-TTg](#) approving the supplementation and update of the Power Plan 8. Accordingly, a number of hydropower projects have been adjusted earlier than expected, to ensure electricity supply requirements in the 2026-2030 period.

Along with that, in November 2024, the Power Trading Company (EPTC) submitted to EVN a new power generation price bracket for onshore and nearshore wind power projects. We believe that it is necessary to promulgate an additional price mechanism for renewable energy projects, in addition to applying the direct electricity purchase and sale (DPPA) mechanism between large electricity consumers (over 200,000 kWh/month) and electricity producers.

**Table 1: New ceiling tariff for wind power**

Power Supply	Ceiling price of electricity generation (VND/kWh)
Onshore wind power	1,611
Near shore wind power	1,891 – 1,902

Source: Document No. 8475/EPTC-KDMĐ

**However, challenges still exist in the short term for LNG power investors**

Currently, LNG power and offshore wind power are the two power sources with the highest power generation prices in the system at 2,590 VND/kWh (according to [Decision 1260/QĐ-BCT](#), excluding the cost of transportation – storage – regasification) and 3,185 VND/kWh (or 13 US cents/kWh, according to our own estimates) due to high input costs. and higher than the average retail electricity price 2,103 VND/kWh.

**The development of LNG power is necessary in the context of the increasingly scarce supply of natural gas in the Southeast region, but specific decrees on calculating contract electricity (LNG) prices still need to be improved.** In addition, in the early stage of operation, LNG power projects will not be financially efficient, because the high price of LNG power will make the output of LNG power projects almost completely dependent on contract negotiation with EPTC through the minimum contract output mechanism. because market power generation will not be as efficient as the rest of the power sources with lower costs.

**For offshore wind power, capacity expansion will also face challenges.** The above projects will need large resources from state-owned corporations, typically PVN and Genco3. In addition, the output of offshore wind power projects is also a problem when in terms of buyers, EPTC, the power purchase price is higher than the electricity selling price. Therefore, we believe that the development of domestic offshore wind power will face great challenges because of the above problem, until investment costs are lower and the retail electricity price approaches 13 US cents/kWh.

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