



# WHITEBOOK 2016

**TRADE/INVESTMENT ISSUES  
& RECOMMENDATIONS**

**8<sup>th</sup> edition**

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## CHAPTER 3 GREEN GROWTH

### OVERVIEW

Recognising the increasingly serious effect of climate change and its threat to modernisation and economic growth in Vietnam, the Government of Vietnam has positioned sustainable urban development as an important policy item in the National Strategy on Climate Change and the Green Growth Strategy 2012. Among other things, the Green Growth Strategy and Action Plans (2014) address the advancement of greener urban development master plans as vital targets.<sup>1</sup>

These policies and strategies are developed in a context where more information and policy guidance (and enforcement) towards 'eco' cities are needed. Nevertheless, the slow speed of practical implementation, or lack of it, is colliding with the rapid growth of urban development throughout the country. This remains an issue especially when it comes to the real impact of areas including waste treatment, low carbon development, resource efficiency, urban infrastructure, energy and energy efficiency measures. For instance, energy and electricity are essential issues but a strategy for sustainable power supply without devastating health and climate change effects is not apparent at the moment.

Despite available technologies, know-how and willingness to invest in clean technology and green growth sector, the application of business solutions remain marginal. Our view is that lost opportunities are due to a set of reasons with the major ones addressed below:

#### **Lack of indirect measures to create a sustainable power sector, e.g. by increasing energy efficiency**

Energy efficiency in (green) buildings: enforcement and implementation of relevant building codes. Many of the further below stated subsectors and issues are being focused and affected by the broad term green buildings, if implemented properly. Thus, a separate sub-chapter is dedicated for sustainable buildings.

Energy efficiency in industrial processes: most industrialists expect energy prices to remain low and for supply to be guaranteed due to government reassurances. Therefore, there is no or little incentive to invest in energy efficient measures that would be standard in other countries where power prices are higher.

For instance, current regulations requiring waste heat recovery in the cement industry is a clear example of a common discrepancy between policy, policy enforcement and implementation.<sup>2</sup> While all cement plants should have a Waste Heat Recovery System (WHR) a recent study of the International Finance Corporation (IFC) shows that only 4 cement plants have installed WHR thus far.<sup>3</sup>

#### **Fresh water supply and wastewater discharge system**

Fresh water supply is currently still affected by a tremendous water-loss-rate of 37%<sup>4</sup>, which experts recommend should be reduced to 15% ideally by 2025. This would still remain too high given the upcoming climate change challenges with respect to stable fresh water supply.

On the side of wastewater treatment, plans and implementations for waste water treatment in a larger scale are currently not sufficient to meet current demand, with experts estimate that only 10% of the household wastewater is treated.<sup>5</sup>

<sup>1</sup> 'Vietnam National Green Growth Strategy', 2012. Available at <<http://www.greengrowth-elearning.org/pdf/VietNam-GreenGrowth-Strategy.pdf>>

<sup>2</sup> Decision 1488/QĐ-TTg dated 29 August 2011 signed by DPM Hoang Trung Hai requires that all new cement plant projects with 2,500 ton of clinker per day must install WHR while other operational cement plants must install the same system by 2015.

<sup>3</sup> 'Waste Heat Recovery for the Cement Sector: Market & Supplier Analysis', *International Finance Corporation (IFC)*, 06/14, p.68. Available at <<http://www.ifc.org/wps/wcm/connect/a87be50044581e9889678dc66d9c728b/IFC+Waste+Heat+Recovery+Report.pdf?MOD=AJPERES>>

<sup>4</sup> 'Vietnam Urban Wastewater Review', *World Bank and Australian Aid*, 2013, p.7. Available at <<http://www.worldbank.org/content/dam/Worldbank/document/EAP/Vietnam/vn-urbanwastewater-summary-EN-final.pdf>>

<sup>5</sup> *Ibid.*,

Recent reports also indicate that industries around the country generate more than 1 million cubic meter of wastewater every day. 75% of this wastewater is being discharged untreated into Vietnamese water bodies.<sup>6</sup> In other countries these companies would not be able to operate.

### Environmental technologies – Air quality

There is an urgent need for an air quality control, as Yale University has listed Vietnam among the top 9 countries with the worst air quality in the world.<sup>7</sup> In addition, Vietnam's greenhouse gas emissions are growing rapidly and will likely triple by 2030.<sup>8</sup> Sulfur dioxide, dust, dioxide, carbon monoxide and nitrogen dioxide are emitted from transportation, industry and construction. The current lack of clarity on government policies with specific policy targets on air quality control have to be urgently addressed.

## SUSTAINABLE BUILDINGS AND ENERGY EFFICIENCY

Relevant Ministries: Ministry of Industry and Trade (MOIT), Ministry of Planning and Investment (MPI), Ministry of Finance (MOF), Ministry of Construction (MOC)

### Issue description

Buildings are and will remain the largest consumers of electricity. The rapid development of the middle class and its associated lifestyle, which includes air conditioning use, accounts for a considerable proportion of the energy consumption growth in the main cities of Vietnam. Proper building design can reduce this growth for the next 25 years of a building's lifetime. The development of green buildings in Vietnam is still at an infancy stage with approximately 40 buildings certifications in Vietnam, the majority of these being in the industrial sector. Due to a lack of enforcement of regulations, global corporate guidelines seem to currently be the only drivers. As there is no need to reduce operating expenses due to low energy prices, the green building investments remain far too low to address the current environmental concerns.

### Potential gains/concerns for Vietnam

The recent pickup of the real estate market is a great opportunity to take act on the design of future buildings, while limiting the growth of energy demand. The Energy Efficiency Building Code (EEBC), published in 2013 by the Ministry of Construction (MOC)<sup>9</sup>, is a positive move. However, its application is challenged by the lack of enforcement. Office buildings and the hospitality sector would attract premium rates and stand out in the saturated markets if following a Green Building Code.

### Recommendations

Our recommendations are based on four actions:

- › Educate building designers to sustainable building design.
- › Integrate sustainability work at concept stage of building design.
- › Implement a reward/sanction based electricity price policy; and
- › Create showcases.

<sup>6</sup> 'Over 1 mln cu.m of industrial wastewater dumped every day in Vietnam', *VietNamNet*, 03/12/15. Available at <<http://english.vietnamnet.vn/fms/environment/148243/over-1-mln-cu-m-of-industrial-wastewater-dumped-everyday-in-vietnam.html>>

<sup>7</sup> Air Quality, Environmental Performance Index', *Yale University*, 2014. Available at <<http://epi.yale.edu/epi/issue-ranking/air-quality>>

<sup>8</sup> 'Reduction of Greenhouse Gas Emissions in Vietnam to improve lives of rural farmers', *International Food Policy Research Institute (IFPRI)*, 26/03/12. Available at <<http://www.ifpri.org/news-release/reduction-greenhouse-gas-emissions-vietnam-improve-lives-rural-farmers>>

<sup>9</sup> 'MOU aims to boost energy efficiency', *Vietnam News*, 25/05/2013. Available at <<http://vietnamnews.vn/economy/239852/mou-aims-to-boost-energy-efficiency.html>> and National Technical Regulation on Energy Efficiency Buildings, QCVN 09:2013/BXD, Available at <[http://www.vgbc.org.vn/index.php/resources/download/QCVN\\_09-2013\\_BXD%20-%20ENG.docx](http://www.vgbc.org.vn/index.php/resources/download/QCVN_09-2013_BXD%20-%20ENG.docx)>.

### 1. Education

Education and awareness have to be improved in order to improve capacities towards green buildings but also change habits and waste-of-resources behaviour. Europe has a worldwide leading position in the field of sustainable buildings and human comfort. This know-how can be shared with Vietnamese counterparts, adapted to the Vietnamese market and climate, and spread to the community. It includes building related faculties in the field of architecture, urbanism, mechanical and civil engineering such as the Institute of Tropical Architecture University in Hanoi, the Vietnam National Institute of Architecture, the Vietnam Institute for Urban and Rural Planning, the Vietnam Association of Civil Engineering Environment.

### 2. Integrated building design

Closely linked to the educational point, it is important to highlight that the building design method currently applied in Vietnam is outdated. A sustainable building cannot be designed after a building has been approved by the authorities or by the client. Architects, engineers and the client should work as a team from the first day in order to optimise the design at concept stage. The ideal and most economical results are not obtained by efficient machines, but by buildings that do not need those. For instance, buildings that produce little spoiled water need little water treatment afterwards. Buildings consuming little energy will not need much outside energy either, whether it is renewable or not. Such integrated building optimisations have a double positive impact both on the green growth and on a resource efficient economy.

### 3. Supportive electricity price policy

The current low electricity prices are a disincentive in promoting energy efficiency. Electricity of Vietnam (EVN) could impose a tariff scheme that rewards low energy consumption buildings with lower prices and impose higher prices to high consumption buildings to new commercial and residential building. The policy could be established on benchmarks based on climatic environment, type of building usage, quality grade and occupation. It would create a bottom-up and large scale movement that will naturally create more interests in sustainable buildings.

### 4. Showcase

The priority for EEBCs should be put on the construction in every main city and thus reducing electricity use as much as possible, while offering the same or a better comfort level but allowing longer durability and higher rents or revenues. Government or State Owned Enterprise (SOE) buildings should also be considered as they would directly affect the current and future constant expenses.

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