

BENEFIT SHARING FROM HYDROPOWER PROJECTS IN VIETNAM

ERAV

Electricity Regulatory
Authority of Vietnam

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Main content

- Rationale of Benefit Sharing
- Legal framework related to Benefit Sharing Mechanism
- Guidelines of Benefit Sharing Mechanism in Vietnam
- Implementation

1. Rationale of Benefit Sharing

- Priority is given to hydropower development in Viet Nam's legislation: 18,000MW by 2015
- Location of Hydro Power Plans (HPPs):
Mountainous areas
- Beneficiaries from HPPs: citizens
- Awareness is growing, where:
 - All people adversely affected by hydropower projects need support in long term.
 - Local actions (by affected communities) can help to sustainably manage hydropower assets over the longer-term.
 - Benefit Sharing Mechanism for Adversely Affected People by Hydro Power Projects

1. Rationale of Benefit Sharing (cont)

Construction Phase

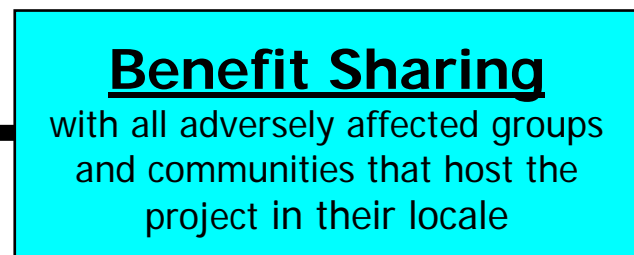


Short-term

Covered by Decree 197
+ Any future revisions

**Financed by the
Project Capital Budget**

Operation Phase



Long-term

Covered by a new Decree
for benefit sharing

**Financed by
Share of Project Revenue
(i.e. from tariff)**

Project Commissioning

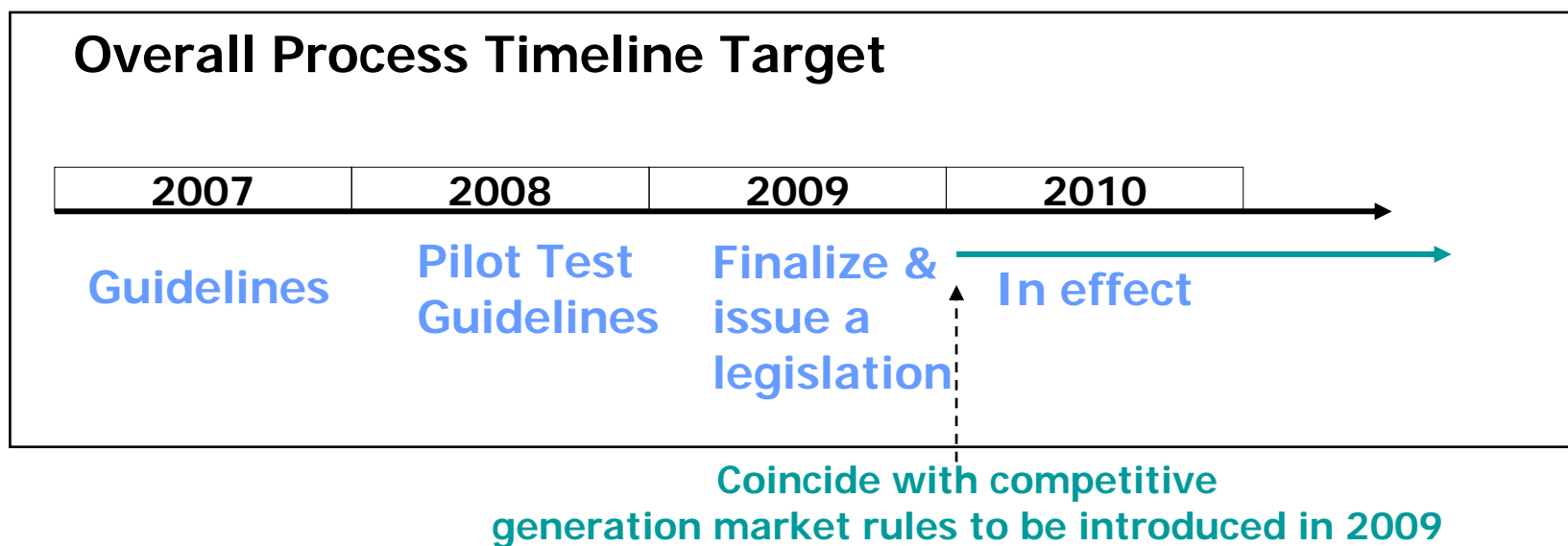
2. Legal Framework

1. To advance sustainable development of hydropower
“Development meeting needs of the present generation without compromising the ability of future generations to meet their own needs, on the basis of a close and harmonized combination of economic growth, assurance of social advancement and environmental protection”.
(LoEP, 2005, Article 3)
2. Three generic forms of benefit sharing reflected, to varying degrees, in primary and secondary laws in the power, water, forestry, and environment sectors:
 - Equitably sharing of electricity access & services
 - Entitlements for enhancing resources access
 - Revenue sharing

2. Legal Framework (cont)

1. Key social policies for priority development of minorities and communes and areas of difficult or extremely difficult socio-economic conditions.
2. To treat local communities as long-term partners
 - Incentive for local action to sustainably manage hydro assets, and:
 - Help maintain long term revenue flows from the project
3. To have other comparative advantages (e.g.)
 - Risk reduction for all stakeholders including investors
 - Mobilizing capital - enhanced access to international finance

3. Guidelines



3. Guidelines (cont)

1. State encourages 3 forms of benefit sharing
2. Project-specific revenue sharing fund
3. Benefit sharing council
4. Eligible parties defined for benefit-sharing
5. Grant application procedure for revenue-sharing investments

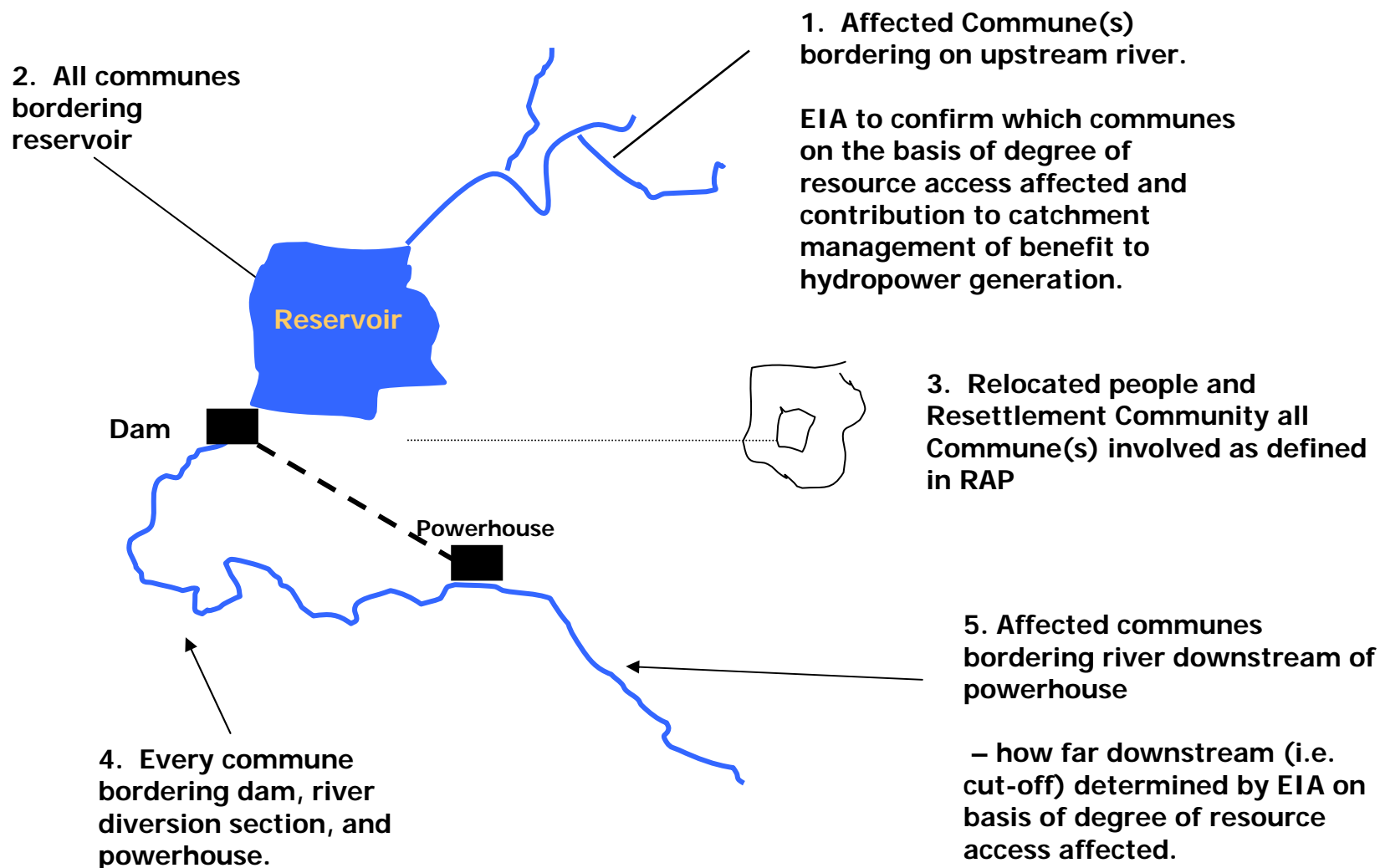
3. Guidelines (cont)

Revenue sharing: a relationship between groups of electricity consumers

- **is reflected in the tariff**
- **is a pass-through in respect to the hydropower entity**

- Revenue sharing is NOT between the hydropower entities and affected people.
- **except to extent investments made by revenue sharing help stabilize long-term generation and revenue (mutually beneficial)**
 - **and can not be profit sharing based.**

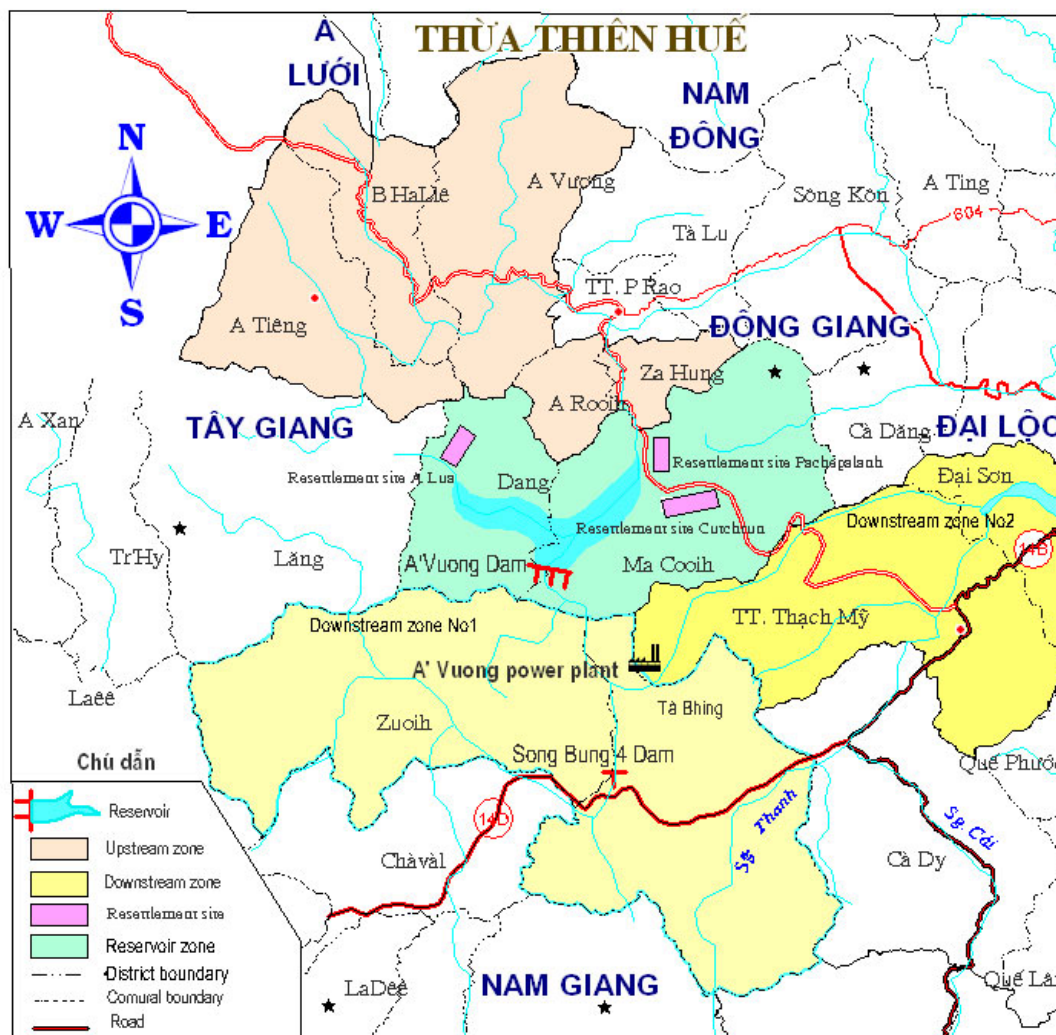
Definitions include who is adversely Affected – “Eligible parties” in project impact zone



4. Implementation

- ✓ Pilot Project in A'Vuong
- ✓ Start by third quarter of 2008

SKETCH OF STUDY AREA LOCATION A'VUONG HYDROPOWER PROJECT



4. Implementation (cont)

Purposes of the pilot program

- ✓ To field test the draft guidelines;
- ✓ To develop capacity building tools to scale-up the introduction of benefit sharing mechanisms;
- ✓ To contribute to the sustainability of the A'Vuong hydropower project.

4. Implementation (cont)

- In Quang Nam province
- Wide affected Area



- Ethnic minorities
- Base on agriculture

**THANK YOU FOR
YOUR ATTENTION**

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