

TARIKH	RABU, 7 JUN 2023
AKHBAR	THE STAR
TAJUK ARTIKEL	VIETNAM'S POWER PAINS HARD TO FIX DESPITE CLEAN ENERGY PUSH
M/S	4
BIDANG	ENERGY
KATA KUNCI	CLEAN ENERGY, VIETNAM

Vietnam's power pains hard to fix despite clean energy push

By GAVIN MAGUIRE

SURGING air conditioner demand during a protracted heat wave has caused rolling power cuts in Vietnam, hitting key electronics production lines and sparking calls from trade bodies for urgent measures to fix the crisis.

But resolving power shortages is easier said than done in such a fast-growing economy, where electricity demand has sharply outpaced that of key peers across South-East Asia due to the boom in Vietnam's export-oriented manufacturing capacity.

To try to keep pace with the steep climb in energy use from factories, the country's electricity generation capacity has been rapidly increased in recent years, and again has sharply outgrown the capacity elsewhere in the region.

Vietnam has also more than doubled clean energy generation capacity since 2018, in an effort to meet rising demand from global manufacturers for low-emitting power sources.

Under strain

Even so, the country's power system remains under nearly constant strain from both factory and household demand, and will likely remain prone to outages during periods of extreme weather until overall generation capacity growth consistently exceeds total electricity demand growth.

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A major swell in Vietnam's export-oriented manufacturing capacity, much of it outsourced from China, has been a key driver of this energy demand growth.

The World Bank's export volume index showed that Vietnam's export volumes grew by more in percentage terms than any other large South-East Asian nation from 2015 to 2020, and far exceeded China's export volume pace during that period.

New production lines have been a key driver of this export growth, as Vietnam offers lower wage and operating costs than China, and is viewed as a preferable alternative by several Western manufac-

turers who want to maintain hubs in Asia.

As many of these production lines – including facilities of Samsung Electronics, Foxconn, Canon Inc and others – need to run around the clock, there is little slack in Vietnam's electricity system even when the normal workday ends.

Clean power ups and downs

To ensure sufficient levels of baseload power for electricity generation, Vietnam is a heavy coal user, and sources over 40% of its electricity from coal.

However, the country secured more than half of its electricity from clean sources in 2022 – the highest proportion in over 20 years – and looks set to further extend clean capacity in the years ahead.

Total clean electricity generation capacity has climbed by over 140% since 2018, thanks to a more than 18,000% jump in solar power capacity and a 1,800% rise in

wind capacity over that period, Ember data showed.

Hydro power, which remains Vietnam's largest single source of clean electricity, expanded by 22% from 2018 to 2022, and is a critical component of the country's power system by providing dispatchable clean energy even when the sun doesn't shine and the wind stops blowing.

Falling hydro generation

However, the hot and dry conditions seen so far in 2023 have resulted in Vietnam's hydro generation dropping sharply from year-ago levels.

The lower reservoir levels remain a major concern for power firms heading into the hottest part of the year when air conditioner demand is at its highest.

Utilities will be able to generate more clean power from new solar and wind capacity, which saw double-digit growth in 2022 alone.

But with the current heat wave boosting power demand overnight when solar power generation drops off, and hydro power generation below potential due to low reservoirs, the overall grid in Vietnam looks set to remain close to breaking point until demand rates fall again. – Reuters

Gavin Maguire is a columnist for Reuters. The views expressed here are the writer's own.

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