

June 15, 2012

**Comments from Germany on Approval by mail: Vietnam Distribution Efficiency Project (IBRD)**

Dear friends,

Enclosed I would like to send you Germany's comments on the Component of the Vietnam Distribution Efficiency Project proposed for CTF funding.

Best regards

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**Vietnam Distribution Efficiency Project (IBRD) - Project ID XCTFVN094A**

**German Comments**

Component B of the project proposed for CTF funding addresses the important aspect of supporting efficiency improvements in the distribution system and business operations of the five Power Corporations responsible for major parts of the distribution systems. The efficiency gains will lead to a relative reduction in energy demand and will support a better grid integration of fluctuating renewable energies. This may, in the long term, lead to further GHG emission reductions.

Whereas we do not question the significant impact by the proposed project to facilitate distribution efficiency gains, we are still unclear about its projected impact on reducing GHG emissions. In particular, we see the need to further clarify the underlying assumptions about the potential for GHG emission savings before being able to recommend the proposal for CTF funding.

**General Comments and Questions**

1. The actual impact of the approach of the IBRD programme is highly dependent on the sector context, including the physical structure of the network, demand and supply structure, and acceptance of the technology by customers. As stated in the proposal, losses in the distribution network as well as at larger customers are currently comparatively small in Vietnam. At the same time, we assume there is low

redundancy in the distribution grid (i.e. very few degrees of freedom for “optimising system configuration”).

**This raises the question whether there is any room for loss reduction through AMI implementation and whether it makes sense to prioritise this approach over other possible interventions.**

2. Project-related emission savings are estimated at 2.37 - 4.75 Mtons CO<sub>2</sub> over the 10 year project life time; 2.76-5.54 Mtons taking into account the effect in Central PC area (financed by IBRD w/o CTF co-financing). The reductions cannot be achieved by the AMI implementation alone; they at least partly require significant behavioural change.

**We note the uncertainty of these estimates and ask the CIF Admin Unit to seek further clarification about their underlying assumptions.**

3. The expected impact on the demand side depends strongly on the type and structure of the large customers, as well as their acceptance of demand side management. The problem is stated, but it is not commented on for the Vietnamese context.

**We would like to see some clarification.**

4. According to the proposal, AMI – while proven elsewhere – is an innovative approach in Vietnam. We understand that a detailed feasibility study for Component B and specifically the CTF-AMI sub-component has not been undertaken. Consequently, the described impact of this component (in terms of power and emission savings) is highly assumption-based (taking into account the two above mentioned points).

**We would like to learn to what extent the feasibility of the AMI approach in the Vietnamese context has so far been looked at.**

5. The financing plans on p. 17 and p. 81 of the proposal are not consistent. The total cost of the IBRD programme seems to be USD 800 m. It is not clear what the total cost quoted in Annex 7 (CTF) incorporates, since the total cost of Component B is stated as USD 80 m. on page 17.

**This should be clarified.**

As a background information, we would like to inform that German Development Cooperation (through KfW) is also engaged in upgrading and reinforcing the Vietnamese distribution network. If approved, both initiatives should be well coordinated.

Gottfried von Gemmingen