

## Power tariffs to rise 9.5 per cent

Electricity tariffs will be hiked up to 9.5 per cent in 2015, according to the Ministry of Industry and Trade.

The ministry said it has received proposals for an adjustment in power tariffs from the ministries of Finance, Planning and Investment and the State Bank of Viet Nam.

The ministries all strongly support the rise in tariff to 9.5 per cent, which is the only proposed change since August 2013.

 Chairman of the Viet Nam Energy Association Tran Viet Ngai said the current power tariff is much lower than the market price. The average price of VND1,537 (7.2 US cents) per kWh is equivalent to only 75 to 80 per cent of the market price. The electricity industry's profit margin is still low at 2 to 3 per cent, resulting in power enterprises being unable to meet the requirements of financial institutions.

Pham Le Thanh, general director of the Electricity of Vietnam (EVN) , said the group is targeting profits to pay off loans of VND30.8 trillion (\$1.43 billion) this year. The retail power tariff for the 2015 to 2019 period should be 9 cents per kWh and the sector will need \$8 billion each year for investment by 2020.

This is the reason that the power tariff sold under the market mechanism will be a key factor for the electricity development investment.

The World Bank (WB) has said Viet Nam's power consumption is forecast to be high at 12 per cent during the 2015 to 2020 period . The total investment for the sector has been pegged at \$7.5 billion a year and 70 per cent of the capital will depend on the private sector through the Independent Power Producers (IIP) projects.

However, the WB said the target cannot be achieved if electricity prices do not appreciate.

It added that the country should boost power tariffs till the second half of 2016 to a highest possible level of 10 per cent.

Echoing these ideas, the Deputy Minister of Industry and Trade Do Thang Hai, told a press meeting earlier this week that if retail power tariffs are still lower than production costs, along with EVN's debts, the sector will not be able to bear this for a long time and might even go bankrupt.

Reports from EVN showed that the group reported a loss of more than VND8 trillion (\$373.8 million) due to foreign exchange fluctuations in 2009-10. In addition, Prime Minister Nguyen Tan Dung has directed EVN to balance its finances this year.

Hai said the power tariff hike will not only offset losses, but also follow the Government's move to make the sector operated under market mechanism.

However, Ngai said the Government will be careful about adjusting power tariffs as the average people's income is still low, especially low-income earners.

In addition, a higher electricity price will also drive up businesses' production and service costs, thus reducing their competitiveness.

Calculations from the Ministry of Planning and Investment showed that if the expected increase to 9.5 per cent is approved, production costs will rise by 0.55 per cent and reduce the GDP growth rate by 0.45 per cent.

An official from the ministry said they had asked EVN to calculate new power tariffs based on input factors.

Le Hai Yen, who lives in Ha Noi's Hoang Mai District, wondered why people bear the electricity industry's losses, even though its operations are far from effective.

"In the context of economic difficulty, a higher power tariff will exert more pressure on people, especially low-income earners like us. Everything (other costs) else will also increase," Yen said.

She added that most people wanted the sector to provide more efficient solutions for improving businesses and compensating for losses, instead of further burdening the public.

Source: VNS