**Market failures in the Vietnamese energy market**

**Extract 3: Vietnam faces an energy dilemma**

Vietnam plans to rely more heavily on coal-fired power plants by 2030. The country’s current energy plan calls for more than 50% of its electricity production to come from coal by 2030, as compared with roughly a third in 2015. Unless this plan can be reversed, it is not only bad news for the Southeast Asian nation already suffering from severe air pollution but also for international efforts to battle climate change.

Only a few years ago, Vietnamese officials held out great hope for nuclear power plants that were to be built by the Russian state company Rosatom, but the Vietnamese government decided that the costs were too high. As a result, nuclear power seems out of reach. In addition, Vietnam’s hydropower has now reached its maximum capacity with no room for further growth. The renewable energy sector remains undeveloped. These factors have led Vietnam to plan to use more coal-fired power to keep up with growing demand for energy.

Vietnam’s Deputy Prime Minister has stated that coal-fired power will remain the country’s main source of electricity until 2030 and possibly even longer. The Deputy Director of Electricity of Vietnam (EVN), the state-owned electricity company, said in the same report that coal-fired power plants’ emissions will be ‘minimised by the application of modern technology’. EVN, however, could be part of the problem. A former US diplomat and Vietnam expert has written that EVN has been at least until recently ‘bloated and inefficient, dependent on old methods, and overly fond of yesterday’s technology’. Long after Vietnam introduced economic reforms in other sectors, Soviet-style planning survived at EVN and also at state-owned Vinamcom, which is a powerful monopoly in the market for coal.

This raises questions about how the notoriously inefficient EVN would be able to handle an expansion of Vietnam’s electricity infrastructure as it moves to accommodate increased power demands. EVN itself has reported that its productivity was only a tenth of Singapore’s electricity industry, three quarters of Malaysia’s, and less than half of Thailand’s. It is predicting however that Vietnam’s productivity can be boosted to the point where it will reach Malaysia’s level by 2020.

It was noted in a scientific journal earlier this year that until now Vietnam has failed on a wide scale to enforce environmental protection laws. A recent study concluded that pollution from coal had led to some 4300 premature deaths in Vietnam in 2011. In the latest development, it was reported that Vietnam had cancelled a controversial plan to dump some one million cubic metres of a mix of sediment, silt, and sand from a power plant into the sea. The plan had been met with strong opposition from local residents and fishing industry workers, who argued that waste would destroy coral reefs and fishing grounds.

On a potentially positive note, Hanoi, the capital city of Vietnam, has produced a plan to reduce another source of air pollution – an estimated five million motorbikes spewing so much gas into the air that breathing can often be difficult. Under the new plan, city residents would gradually switch to public transportation, with a ban on motorbikes coming into effect by 2030.

But Hanoi residents express doubts that the city can be put into place a public transport that would enable the switch away from motorbikes. In addition, some complain that the plan would be unfair to the majority who cannot afford to buy cars. Currently, Hanoi has limited bus transportation, with fewer than 10% of residents using buses, and there is no metro or underground system. An alternative policy is ‘road pricing’ where motorists would be charged to use busy roads at certain times.

*Source: Asia Times, 17 August 2017*

(e) Discuss whether the Vietnamese government’s plan to ban motorbikes and switch travel to public transport is likely to be better than a policy of road pricing in improving air quality in Hanoi. [8]