

**ADAPTING AND TAKEING ADVANTAGES OF ENERGY
TRANSITION TREND
ORIENTATION OF THE VIET NAM NATIONAL COAL -
MINERAL INDUSTRIES HOLDING CORPORATION LIMITED
(VINACOMIN)**

Ha Noi, 15 December 2021

CONTENT



OVERVIEW OF VINACOMIN



CURRENT STATE OF VINACOMIN'S COAL AND ELECTRICITY PRODUCTION AND TRADE



ENERGY TRANSITION TREND IN VIET NAM AND ITS IMPACTS ON VINACOMIN



VINACOMIN'S DEVELOPMENT ORIENTATION ADAPTING WITH ENERGY TRANSITION



PROPOSALS, RECOMMENDATIONS

I. OVERVIEW OF VINACOMIN

- ❖ Vinacomin is a 100% State-owned enterprise operating in 04 main industries and trades, including:



Coal



Mineral - metallurgical



Electricity

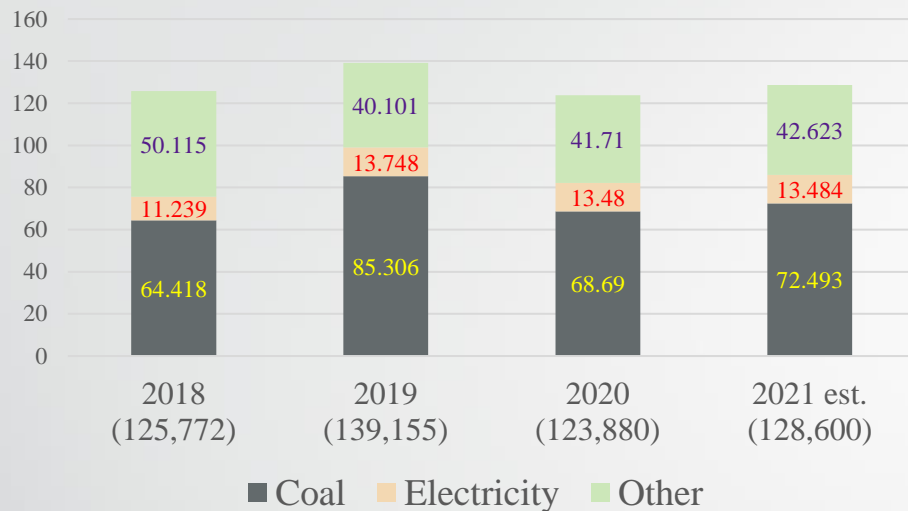


Industrial explosives

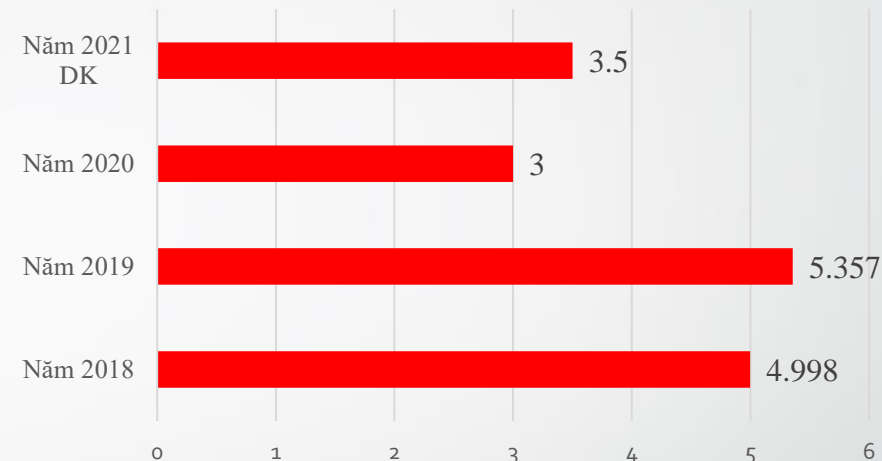
- ❖ Also, Vinacomin develops a number of auxiliary industries to serve the needs of production and trading in and out of its industries, such as: mechanical engineering, building materials, environment

I. OVERVIEW OF VINACOMIN

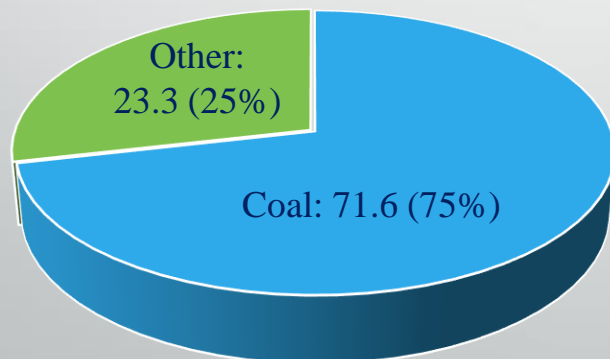
❖ Revenue of Vinacomin (trillion VND):



❖ State budget submission (Trillion VND)



❖ Total employees: 94.9 thousand



❖ Profit before tax (trillions)



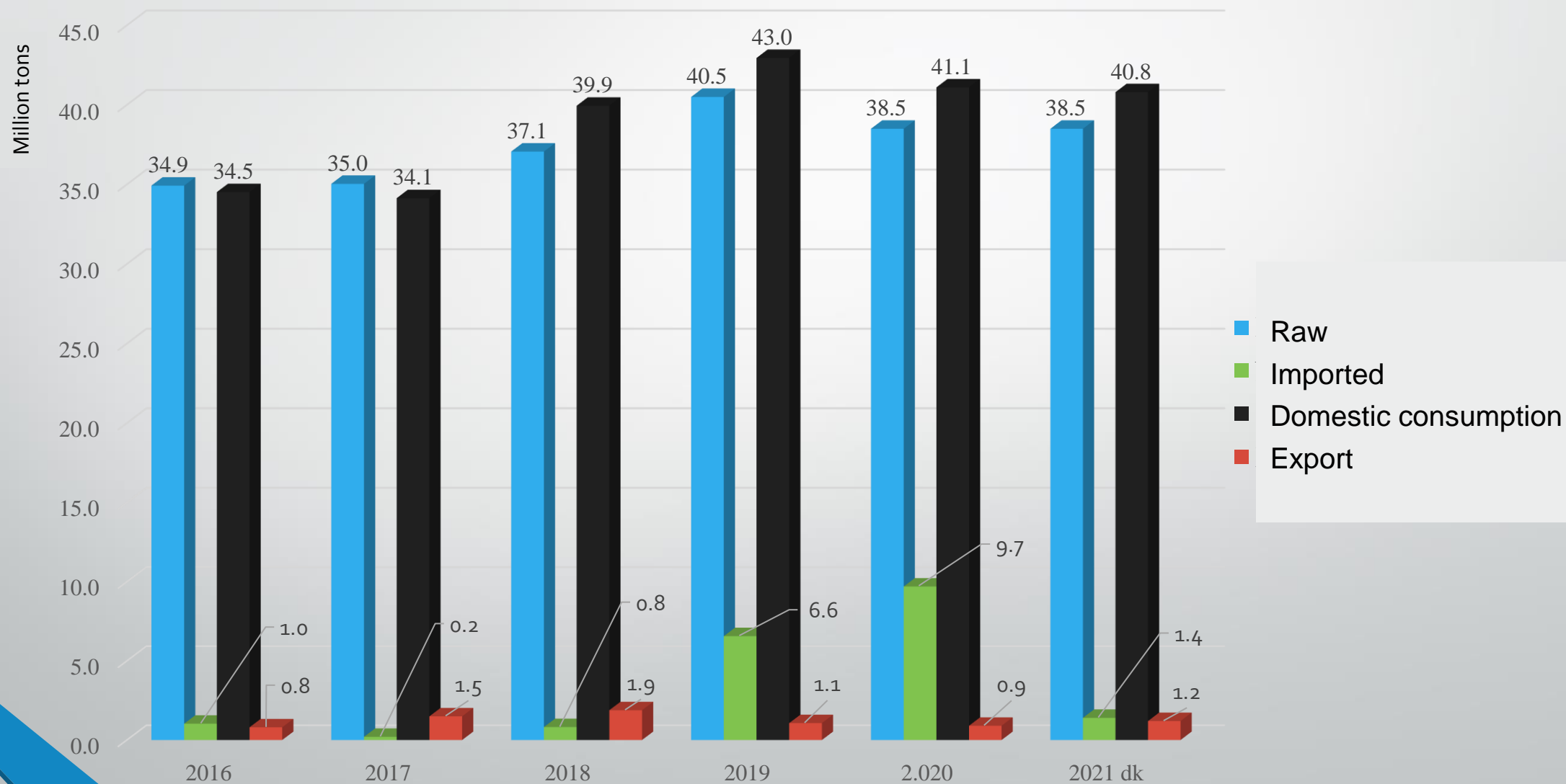
II. SNAPSHOT OF VINACOMIN'S COAL PRODUCTION AND TRADE

Vinacomin is the biggest coal production company, assigned to manage and exploit 40 coal mines in accordance with the master plan, of which: 34 coal mines under operation and 06 new ones

Domestic production reaches around 35- 40 million tons of raw coal, accounting for about 85% of total domestic coal mined

In recent period, Vinacomin always ensured the sufficient coal supply for domestic consumers that the Corporation had signed covenants with, especially the coal-fired thermal power plants, contributing to ensuring national energy security

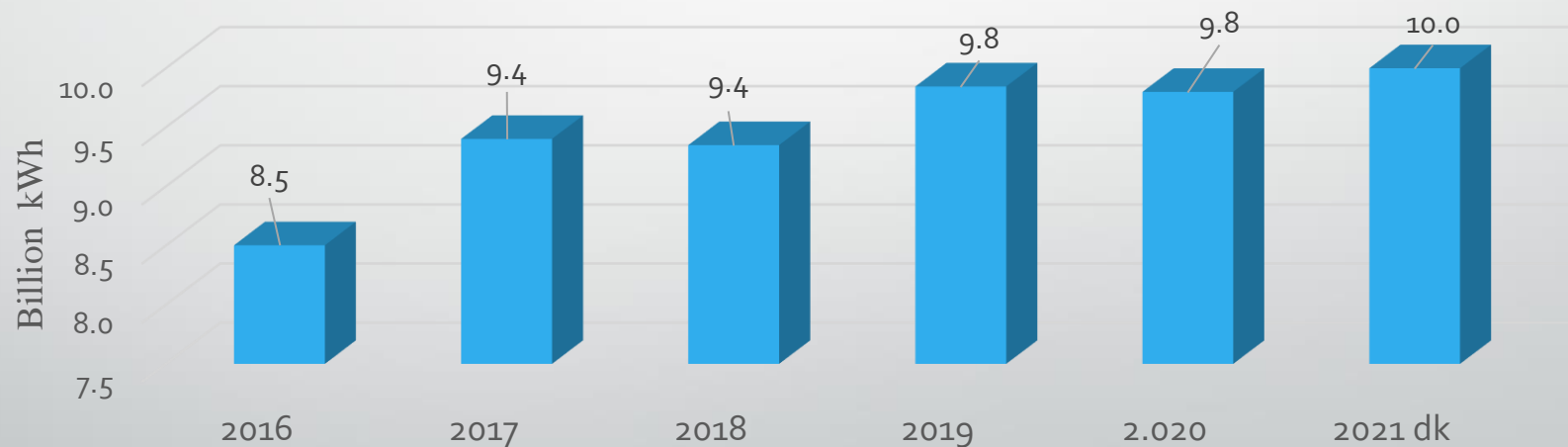
II. SNAPSHOT OF VINACOMIN BUSINESS COAL PRODUCTION 2016-2020



II. SNAPSHOT OF VINACOMIN BUSINESS AND ELECTRICITY GENERATION

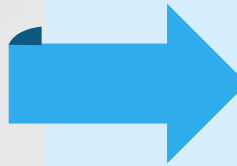
- ❖ Vinacomin is currently managing and operating **07** power plants with a total installed capacity of **1,735 MW**. The average power output reaches **9-10** billion kWh per year, accounting for about 4% of the country's generated power.
- ❖ Vinacomin's coal-fired power plants apply circulating fluidized bed boiler, use domestic coal. All plants are operating stably and meeting all current environmental standards.

Electricity generation 2016-2020



III. ENERGY TRANSITION TREND IN VIET NAM AND IMPACTS ON VINACOMIN

Viet Nam's status:



Orientation

Shifting from highly depending on fossil fuels to developing and applying renewable energy and promoting energy efficiency



Market

Transitioning from a monopoly energy market to a competitive market with the participation of all economic players.

III. ENERGY TRANSITION TREND IN VIET NAM AND IMPACTS ON VINACOMIN

Resolution No. 55-NQ/TW of the Politburo:



Quickly establish synchronous, competitive, transparent energy market with diversified ownership and business model; applying market prices for all types of energy



Prioritize deploying renewable energy, new energy and clean energy resources; rationally exploit and use of domestic fossil fuel resources.



Promote energy efficiency, and environment protection

III. ENERGY TRANSITION TREND IN VIET NAM AND IMPACTS ON VINACOMIN

Resolution No. 55-NQ/TW defined goals:

01

RE resources shares 15-20% by 2030; 25-30% by 2045 in the total primary energy supply

02

The ratio of energy saving in the total final energy consumption compared in business-as-usual (BAU) will be around 7% and 14% in 2030 and 2045, respectively.

03

Greenhouse gas emission from energy activities compared with BAU reduce 15% by 2030 and 20% by 2045



III. ENERGY TRANSITION TREND IN VIET NAM AND IMPACTS ON VINACOMIN

OPPORTUNITIES FOR VINACOMIN

1

Promoting scientific research, innovation to increase productivity, reduce costs, as well as enhance competitiveness and efficiency in order to maintain, develop, and adapt to the energy transition trend

2

Encourage research and development of RE projects such as floating solar power project on the reservoir of Dong Nai 5 hydropower plant; developing wind power in coal and mineral mining fields to utilize potential resources and land availability during and after the exploitation

3

As completing fully competitive energy market, it bring benefits in planning and managing business activities to improve efficiency and sustainable development of Vinacomin.

III. ENERGY TRANSITION TREND IN VIET NAM AND IMPACTS ON VINACOMIN

CHALLENGES FOR VINACOMIN:

01

The competition between economic sectors will decrease the market share of Vinacomin in domestic coal and electricity supply; as a result, the role and position of Vinacomin in Viet Nam's energy market will also be weakened

02

The public and some local governments concerns about environmental issues; therefore, they do not support further development of coal exploration and mining projects as well as coal-fired power projects

03

The energy transition trend also affects employees' mindset, causing difficulties in Vinacomin's recruitment, especially miners and electro-mechanical workers for planned coal and electricity production and trade

04

Tax and fee policies, including environmental taxes and fees, charged on coal production and trading activities tend to increase sharply (total taxes and fees currently account for 16-17% of the mining cost);

III. XU HƯỚNG CHUYỂN DỊCH NĂNG LƯỢNG TẠI VIỆT NAM VÀ TÁC ĐỘNG ĐẾN TKV

CHALLENGES FOR VINACOMIN:

05

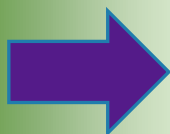
The pressure on investment and technology innovation, especially for Vinacomin's power plants (most of them have been operating for over 10 years) to meet the increasing requirements of environmental protection policies, causing the increase in production costs and products price

06

There are no state-guaranteed loans and limited loan accessibility to domestic and foreign financial institutions leading difficulties in financial arrangement for a new coal-fired power projects.

07

The energy transition trend could be a reason for some localities' request to close coal mines and coal-fired power plants earlier than planned and their lifetime in order to recover land for socio-economic development.



Cause difficulties for Vinacomin to implement its production and trade activities to ensure national energy security as directed by the Government, decrease economic efficiency of projects, cause possible losses of state capital in Vinacomin, and affect the employment and income of Vinacomin's employees (tens of thousand) ...

IV. VINACOMIN'S DEVELOPMENT ORIENTATION

1. Orientation on coal production

01

Promoting the domestic coal mining on the basis of ensuring safety, efficiency and conservation of natural resources; improving the recovery coefficient of clean coal exploited from the pit

02

Maximizing mining of open natural resources assigned, including the natural resources in the bottom protection pillar of the construction and the natural resources remained after pit mining, etc.; Focus on developing large-capacity underground mining pit, following the criteria: "Green mine, modern mine, high yield mine".

03

Synchronously renovating and modernizing equipment used for mining, transport, pit excavation and shoring technology, etc. in the direction of increasing the mechanization, automation, and computerization; synchronously implementing solutions to increase the labor productivity, reducing production costs, enhancing safety level, improving working conditions for employees and minimizing impacts of coal mining activities on the environment

IV. VINACOMIN'S DEVELOPMENT ORIENTATION

1. Orientation on coal production

04

Continuing to transform from the "Coal production" model to the "Coal production-trading" model; increasing coal import and mixing of coal; seeking opportunities for cooperation and investment in coal mining in foreign countries as well as import coal to Viet Nam to meet the increasing domestic demand as forecasted in the Master plan

05

Improving the recruitment and training of managers and technical workers, including miners; providing appropriate incentive policies on salary, bonus, accommodation... so that employees can feel secure and have a long-term commitment to their profession and to Vinacomin

06

Implementing interconnection, consolidation, merge and dissolve of appropriate mines and production units. Seeking solutions to stabilize the production and trade activities, supporting jobs change for employees upon terminating the mining work

IV. VINACOMIN'S DEVELOPMENT ORIENTATION

2. Orientation on electricity production

01

Sustainably developing electricity production and trade in the direction of safe, stable and efficient operation; studying investments in renovating, upgrading equipment and technology innovation for existing thermal power plants to increase their efficiencies

02

Conducting treatment solutions for ash and slag from operating coal-fired power plants

03

Studying investments in building new power source projects in line with energy transition trend, with modern and environmentally friendly technologies such as solar, wind, etc. to take advantage of the potential and available resources

04

Preparing technical infrastructure to be ready to participate in and effectively as both the seller and buyer in the competitive retail electricity market

V. PROPOSALS AND RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

1

Code of Corporate Governance

Develop and issue a Code of Corporate Governance for State-owned enterprises, in accordance with the Vietnamese regulations and international standards such as “*Principles of Corporate Governance*” of the OECD/G20 that many international economic and financial organizations have applied

2

3

4

5

V. PROPOSALS, RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

2

3

4

5

2

Circular Economy

Promulgate policies on sustainable production and consumption, develop circular economy to implement the National Action Program on sustainable production and consumption for the 2021-2030 period approved by Prime Minister in Decision No. 889/QD-TTg dated June 24, 2020

V. PROPOSALS, RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

2

3

4

5

3

Authorization, Decentralization

Consider the promulgation of regulations, authorization, decentralization and guidance to enable Vinacomin to proactively implement its long-term development strategic goals when approved by the Prime Minister :

- ❖ Allow Vinacomin to actively adjust its industries and trades in accordance with the provisions of the law, following orientations and development goals in the long-term development strategy of Vinacomin, as approved by the Prime Minister.
- ❖ The Government report and could revise Law in the direction that Ministries and branches only manage the planning and basic designs of investment projects under direct line ministries. Project owners could be proactive and responsible for further design steps of investment projects

V. PROPOSALS, RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

2

3

4

5

4

Legal framework

Develop and promulgate legal tools and corridors for governance and manage

- ❖ Shortly enforce a fully competitive coal market to resolve current difficulties of the coal industry and preventing Vinacomin from subsidizing coal price to the electricity industry
- ❖ Speed up the completion time of the competitive wholesale electricity market before 2025, as well as accelerate the progress of establishing and completion of the competitive electricity retail market.
- ❖ Review, summarize and evaluate the implementation of the Directive No. 29/CT-TTg dated December 2, 2019 of the Prime Minister to make appropriate adjustment to serve as a basis for implementation in the coming time

V. PROPOSALS AND RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

2

3

4

5

4

Legal framework

- ❖ It is necessary to specify the role of Vinacomin and other State-owned enterprises in accordance with the Decision 2233/QĐ-TTg dated December 28, 2020 of the Prime Minister on approving the *Project on developing a competitive energy market by 2030, vision to 2045*: "Keep promoting the role of specialized State-owned enterprises in undertaking the core task of coal mining, production and trading in the domestic market", especially their role in importing coal to ensure sufficient supply.
- ❖ Allow Vinacomin to arrange the capital and accounting to implement searching and exploration work for natural resources to ensure the stable and long-term development of Vinacomin as well as the stable output and coal supply to the domestic production and thermal power plants.

V. PROPOSALS AND RECOMMENDATIONS

In order to follow and adapt with the energy transition trend, Vinacomin proposes the State to consider and issue specific solutions and policies as follows:

1

2

3

4

5

5

Project at national level

Consider developing a national project on occupational changes and ensuring social welfare for mine workers. Meanwhile, the State should issue a policy on supporting the coal industry in terms of training, production transformation upon ending the mining activities, merger/dissolve of coal production units, etc. This is the basis as specific roadmap in order to provide guarantee and trust of employees and retain them until completing mining operations, merger/dissolve of units and production transformation, etc



Thank you!