

Talking point

Notes from the field: InfraCo Asia's Ninh Thuan Solar Power Project



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Prabaljit Sarkar, Director of Business Development at InfraCo Asia, was an instrumental part of the team that developed the recently commissioned 168MWp Ninh Thuan Solar Power project in Vietnam. Here, he shares his perspective on bringing one of the country's first utility-scale solar power plants to life.

Vietnam is a fossil fuel-intensive economy that derives nearly two-thirds of its energy generation from oil

and gas. Increasing demand for electricity has led the country to be a net importer of coal since 2015. What's more, despite tremendous renewable energy potential, renewable power generation has traditionally been low, with under 4% of power generation coming from renewable sources (mainly hydro) as of 2015.

When the Sunseap – InfraCo Asia Joint Venture 168MWp Ninh Thuan Solar Power project achieved financial close in the fourth quarter of 2018, I reflected on how far Vietnam has come – and what it will take to mobilise the \$10 billion investment that's needed each year until 2030 to fulfill the country's energy demand.



Ninh Thuan Solar Power Project

Financing one of the first: What it takes to bring a large utility-scale solar project online in Vietnam

Prior to my time at InfraCo Asia, I spent a significant period in Vietnam working to develop and raise debt finance for a 1,240MW power project in the northeastern part of the country. Coupled with InfraCo Asia's investment, development, and 2018 divestment of the 29.7MW Coc San Hydro Power project in Lao Cai Province, experience told me that financing the Ninh Thuan solar power project would also be an ambitious undertaking given Vietnam's limited access to mainstream financing and high cost of capital due to perceived sovereign risks.

Together with our partner Sunseap International, Singapore's leading renewable energy company, InfraCo Asia managed to overcome Vietnam's significant challenges and go on to create a project that demonstrates how risks can be identified, mitigated and managed in frontier markets and which contributes to the recent crowding-in of private capital in the country's solar photovoltaic (PV) sector.

Many factors contributed to the Ninh Thuan project's success, including InfraCo Asia's work on the financing

of the project. We spent a significant amount of time working with international banks as well as local Vietnamese financial institutions to unpack some of the 'non-bankable' terms in the Power Purchase Agreements (PPAs) so that they would have the comfort level needed to finance on a non-recourse basis. We also offered up innovative credit enhancement solutions aimed at balancing risk for all parties involved.

Ultimately – and alongside the project development work we undertook with Sunseap – these actions instilled confidence in potential lenders, culminating in the provision of limited-recourse project financing by a regional bank which, prior to this project, had not explored the possibility of funding such a large-scale renewable energy project in Vietnam.

On 15 June 2019 – two weeks ahead of schedule – the project was commissioned and has been operating reliably since. Along with being one of the first utility-scale solar power projects in the country, the Ninh Thuan project is also one of only a handful of large-scale solar projects (above 100MW) in Vietnam that was financed with 100% foreign equity investment.

Lifting up the local community

InfraCo Asia projects endeavor to create development impact for the local community. For the Ninh Thuan project, this includes initiatives to ensure that the livelihoods of the people in the surrounding community are protected, through the construction of two rural roads around the project site to facilitate the transport of agricultural livestock and produce for nearby farms.

The project also created up to 2,000 short-term jobs during construction, which provided farmers with employment during low harvest season. In operations, the project has also created long-term employment

opportunities for skilled local workers who look after the operation and maintenance of the solar farm, which generates enough clean energy to power up to 192,000 people in Vietnam.

The project partners have also donated bicycles to schools, providing the schoolchildren with a more efficient means of transport between school and the rural areas where most students reside.

We at InfraCo Asia look forward to developing more projects like Ninh Thuan – projects that demonstrate a sector's potential in balance with the needs of communities, and in turn encourage greater private sector participation in the markets that need it most.