

## VIETNAM

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### CLIMATE OR THE ECONOMY? VIETNAM'S ATTEMPTS TO BALANCE GROWTH AND THE ENVIRONMENT

How do you achieve harmony between economic prosperity and a decisive climate policy? Governments all over the world are facing this dilemma and trying to tackle the serious challenges presented by the reciprocal relationship between economic policy and climate policy. The Vietnamese government, like so many others, is taking the problem very seriously and knows that climate change will affect the country's economic development. With this in mind, Vietnam has spent the past few years successfully constructing a climate policy framework designed to minimise the harm that climate change can do to economic development.

The National Target Program to Respond to Climate Change (NTP – RCC),<sup>1</sup> which is closely aligned with the international regulations of climate legislation, forms the institutional framework for Vietnam's climate policy and was adopted on 2 December 2008. The National Committee for Climate Change was founded on 9 November 2011 and tasked with drawing up a detailed climate strategy. The National Climate Change Strategy<sup>2</sup> was ready and approved by December, and will run until 2050.

### CLIMATE STRATEGY VS ECONOMIC DEVELOPMENT

The current climate strategy contains ambitious targets and takes extensive account of the ways in which climate change can affect economic development. Businesses are to become less energy intensive and greatly reduce their energy consumption. The industrial and construction sectors alone are the focus of targets that aim to make 90 percent of industrial plants more environmentally friendly in terms of energy, fuel and materials consumption by 2020.

The industrial and construction sectors make up some 39 percent of Vietnam's GDP (US\$155.8 billion in 2012)<sup>3</sup> and 52.5 percent of the country's total electricity consumption.<sup>4</sup> This means industry and construction are not just important cornerstones of the Vietnamese economy, but also its most energy-intensive sectors. Another target involves raising the share of renewable energy sources in electricity generation from around 3 percent today to 4.5 percent by 2020 and 6 percent by 2030.<sup>5</sup> Vietnam's climate policy does not, in principle, conflict with the country's socio-economic development strategy up to 2020. Under the strategy, Vietnam has set itself the ambitious task of becoming an industrialised country by 2020. It also says energy consumption should be cut by 2.5 to 3 percent, and that all new companies and their plants should use "clean" technologies.<sup>6</sup> Vietnam's development plans are closely linked to measures designed to protect the climate and save energy.

### ENERGY POLICY: COAL AND NUCLEAR POWER

Although Vietnam has very comprehensive frameworks for its climate and energy policy, there are justified doubts about the practicability of the strategy and its compatibility with economic development. This is reflected in the current climate and energy policy. Right now, it is impossible to consistently pursue the goal of balancing an effective climate policy with a low-carbon economy. This is because the goal is at odds with current developments in Vietnam's energy sector.<sup>7</sup> Germany Trade & Invest says that, in contrast to Germany's energy policy, Vietnam has made the construction of coal-fired power plants a top priority, and this despite the fact that the country has considerable potential when it comes to renewable energies (hydropower, biomass, nuclear energy).

1 | Soc. Rep. Vietnam, Ministry of Natural Resources and Environment, "National Target Programme to Respond to Climate Change (NTP-RCC)", 3 December 2007, <http://bit.ly/1u3Pjdq> [31 July 2014].

2 | Soc. Rep. Vietnam, Government Portal, "National strategy on climate change", 5 December 2011, <http://chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryId=30&articleId=10051283> [31 July 2014].

3 | The World Bank, "Vietnam", 10 May 2014, <http://data.worldbank.org/country/vietnam> [31 July 2014].

4 | Thomas Hundt, "Vietnam leitet 'Energiewende' zur Kohle ein" (Vietnam initiates energy transition to coal), German Trade & Invest, 9 May 2014, <http://bit.ly/1qNx26z> [31 July 2014].

5 | VietnamEnergy, "National Master Plan for Power Development for the 2011 – 2020 Period with the Vision to 2030", 8 March 2014, p. 2, <http://nangluongvietnam.vn/news/en/policy-planning/national-master-plan-for-power-development-for-the-2011-2020-period-with-the-vision-to-2030.html> [31 July 2014].

6 | Soc. Rep. Vietnam, Government Portal, "Vietnam's Socio-economic development strategy 2011 – 2020", 8 November 2011, <http://bit.ly/XkgENO> [31 July 2014].

7 | Hundt, n. 4.

Coal, gas and oil are on track to be covering 72.4 percent of Vietnam's electricity generation by 2020 (they accounted for 53.8 percent in 2012).<sup>8</sup> The idea is that support for fossil fuels will help meet Vietnam's energy demand, which is already high and is set to keep growing. The Ministry of Industry and Trade estimates that electricity consumption will increase by an average of 9.3 percent by 2020. The fact that the share of non-renewable energies in electricity production is rising more than that of renewable energies is a clear indication that the intended climate strategy cannot currently be implemented as planned and that it deviates from the original development strategy. This tallies with the decision to delay, due to a lack of framework and safety conditions, the construction of the Ninh Thuan nuclear power plant, which was planned for 2020. Thirty more nuclear power plants were due to follow by 2030, but it is likely they will also be delayed.

The reason for this lies in the country's economic development over the past few decades. When the doi moi reforms were introduced in 1986, the Vietnamese economy began growing very fast. Up until 2007, growth was always between seven and eight percent. However, things have cooled off a lot since 2008. The country has experienced years of macroeconomic instability, with the banking and financial crisis doing a lot of damage to its economy. Although a recovery has set in over the past two years, economic output is still a long way off Vietnam's original targets. These years of unexpectedly low economic growth, mostly around five percent, have left Vietnam lagging behind the economic targets set out in its development plan. The weak economic development is putting the government under increasing political pressure. As a result, Vietnam's leaders currently have a great deal of interest in helping the country regain its previous economic momentum. The focus for the short and medium term is therefore on economic development. From a political perspective, this is not surprising, given that the legitimacy of the Communist Party of Vietnam derives mainly from Vietnam's economic ascent over the last few decades. In the wake of the economic crisis years, the government not only has to implement effective economic policy measures – it also has to introduce energy policy measures that support the economy, such as providing support for coal. The public are not exerting any pressure on the government with regard to its climate and energy policy, as they, too, are focusing primarily on economic development.



*Acacia trees in the Ba Che district. Reforestation projects are helping to transform monocultures into mixed forests that are used in a sustainable and environmentally friendly way.*

Vietnam's journalist association says that while reporting on climate-related issues is gradually increasing, media and public interest in the topics is still in the early stages. This means the government currently has no incentive to pursue its climate and energy policy persistently enough to actually achieve the targets that have been set. This highlights the weak point in Vietnam's climate strategy. Although the government has recognised the long-term economic opportunities that an innovative climate and energy policy can create, errors of economic judgement have led to overblown expectations and thus to an unrealistic climate strategy. The original plans assumed average economic growth of between 7 and 8 percent up until 2020.<sup>9</sup> However, the past three years saw growth of just 5.6 percent.<sup>10</sup> Yet even at the time that the National Climate Change Strategy was being decided, it was clear that the economy would not recover so quickly and that the country was unlikely to achieve the development strategy's economic target by 2020. Vietnam therefore cannot implement its climate and energy policy as planned because it is based on conditions that are no longer realistic.

9 | N. 6.

10 | The World Bank, "GDP growth (annual %)", <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries> [28 July 2014].

## WHERE NOW FOR VIETNAM'S CLIMATE POLICY?

Given the economic situation and the fundamental faults in the design of the climate strategy, one has to assume that Vietnam is essentially not yet ready for such an ambitious climate strategy. It lacks funding structures for renewable energies and the absolute political will and resolve to pursue the intended climate policy during times of economic crisis. Another, even more important issue is that the current economic conditions do not allow for such an ambitious

climate strategy. As a lower-middle-income country, Vietnam does not yet fulfil the requirements necessary to put this kind of strategy into practice. This is because it needs more than just the political will for implementation (which is undeniably present in the Vietnamese government) – it also has to have the financial resources over the long term. The government could decide to adapt its climate and energy policy so that it fits the current conditions. Whether or not it does so any time soon, however, remains to be seen.

## CENTRAL ASIA (KYRGYZSTAN, TAJIKISTAN, TURKMENISTAN, UZBEKISTAN)

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### OVERVIEW

Even though climate change is given very little consideration in the public's mind and despite it only being discussed by niche players in government and civil society circles, its impact is already making itself felt in central Asia. This primarily affects the region's two main waterways, the Amu Darya and Syr Darya Rivers, which originate<sup>1</sup> in Kyrgyzstan and Tajikistan and once flowed into the Aral Sea. A study conducted as early as 2004 found that climate change was having a great number of effects on central Asia, particularly in the areas of water supply and water quality. The region's water reserves – the mountain glaciers in Kyrgyzstan and Tajikistan – are melting faster and faster and cannot regenerate sufficiently due to the lack of rainfall in winter. The rapidly melting glaciers may result in mudslides and subsequently cause the silting of the rivers, which provide drinking water. According to an Oxfam study,<sup>2</sup> the changing climate is particularly affecting Tajikistan, the poorest of the five central Asian countries. The change in weather conditions is most evident here, and the extreme

poverty of the people of Tajikistan makes the country the least able to adapt to the changes.

When UN Secretary-General Ban Ki-moon visited the former port city of Mo'ynoq in April 2010, he called the drying up of the Aral Sea "one of the world's worst environmental disasters". This is because the Aral Sea's drying is contributing to both central Asian and global climate change. Without the evaporating sea water, the air in summer is becoming even drier and hotter. The Amu Darya and Syr Darya Rivers, which once flowed into the Aral Sea, lose almost 90 percent of their water to farming along their courses. The remaining river water is highly salinated, and is also contaminated with pesticides due to agricultural sewage being dumped back into the river. The wind swirls the dust containing salt and pesticides from the dried-up Aral Sea and the river beds and carries it hundreds of kilometres away. Lung diseases and cancer, also among children, are becoming increasingly common.

These human-induced factors still play a role today in central Asia barely being able to adapt to the new climate conditions. Although experts have been widely aware of the worsening water supply situation for decades, almost nothing has been done to tackle the problem. Water is extremely cheap, which is why people tend to use it liberally. Many water lines and pipes leak, and irrigation systems often run during the daytime causing the majority of the water to evaporate before it even reaches the ground. As a result, Uzbekistan has invested in new technology in recent years, a project supported by funding of around US\$1 million from international donors. Yet the Swiss

1 | Ernst Giese and Ivo Moßig, "Klimawandel in Zentralasien" (Climate Change in Central Asia), Centre for International Development and Environmental Research, University of Giessen, Discussion Papers, No. 17, Giessen, 2006, [http://fss.plone.uni-giessen.de/fss/fbz/zentren/zeu/Forsch/Publi/publi2/disc17/file/DiscPap\\_17.pdf](http://fss.plone.uni-giessen.de/fss/fbz/zentren/zeu/Forsch/Publi/publi2/disc17/file/DiscPap_17.pdf) [28 July 2014].

2 | Anita Swarup, "Reaching Tipping Point? Climate Change and Poverty in Tajikistan", Oxfam International, Research Report, Dushanbe, 2009.