

Energy Demand Management and Investment in Viet Nam

By H.E. Mr Le Duong Quang,

Vice Minister of the Ministry of Industry and Trade of Viet Nam

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Mr. Chairman,
Distinguished Delegates,
Ladies and Gentlemen

It is a great honour for me to have a presentation in this Forum today and to share with you our experience on management of energy demand and investment to ensure energy security.

At present, Viet Nam's commercial energy consumption is estimated about 33 million tons of oil equivalent (Mtoe), of which petroleum consumption is about 15.5 Mtoe. Total commercial energy demand is forecasted to increase at an annual rate of 7.2% in the period of 2010-2025, to 46.7 Mtoe in 2015 and 90.7 Mtoe in 2025; demand for oil and gas products will be 25.8 Mtoe and 51.3 Mtoe in 2015 and in 2025 respectively.

Annually, Viet Nam produces about 15-16 million tons of crude oil, 8-9 billion cubic meter (m³) natural gas and 5-6 million tons of refined oil products. It is forecasted that by 2025 crude oil production will be 18-20 million tons and gas production will be 14-17 billion cubic meter (m³).

In the time of oil price volatility, in order to meet oil and gas demand for socio-economic development and for ensuring energy security, we have been reviewing and actively carrying out different measures, including major ones as follows:

- Firstly, enhancing investments:
 - + Continuing to attract domestic investment, especially in far and deep areas of Viet Nam's continental terrace basing on several policy measures to absorb foreign investment such as simplifying administrative procedure, applying mechanism of tax incentive, etc...;
 - + Taking part in research, exploration and development/investment projects overseas; founding funds for domestic and overseas exploration and exploitation.

Up to now, PetroVietnam has signed 20 contracts for oil and gas exploration and exploitation in a number of Asian, African and Middle Eastern countries. The first achievements are discovery of oil and gas in two fields in Malaysia and Angeri in 2006.

- Secondly: Diversifying energy supply sources from renewable energy resources; pushing up energy efficiency and conservation programs. Viet Nam has set up and issued the Master Plan for Renewable Energy Development and

on the way of setting up the Incentive Mechanism for development of renewable energy resources to reach the target at 3% and 5% of the total electric power generated from renewable energy resources in 2015 and 2020 respectively.

Viet Nam has promulgated the Energy Efficiency and Conservation Law; and is now effectively implementing the National Target Program on Energy Efficiency and Conservation aiming to overcome and improve the current wasteful use of energy in industrial production, civil construction and transportation. Research reports have pointed out that the potential of energy efficiency and conservation in industrial sector can reach to over 20%; and over 30% in civil construction and transportation. The survey has shown that total amount of energy saved in the period of 2006 - 2009 was about 3377 Ktoe or 3.4% of total energy consumption.

- Thirdly: improving crude oil and oil products stockpiling. At present, petroleum products are stockpiled for commercial purpose, with no crude oil stockpiling. The national oil and petroleum stockpiling capacity is still too small, not sufficient to supply strategically for the economy when facing shortage and unstable price challenges. Meanwhile, crude oil and petroleum products stockpiling is one of solutions to ensure stable energy supply and relieve the economic, political and social impacts of interruptive supply or highly fluctuated price. Stockpiling of crude oil and petroleum products would be also a part of solution for stabilizing price against petroleum price crisis.

According to the Master Plan for Crude Oil and Petroleum Products Stockpiling of Viet Nam up to 2015 with vision to 2025, the total capacity of oil stockpiling system will reach the level of at least 90 days of net import, satisfying the criterion of International Energy Agency (IEA), equivalent to 68 consumption days. This stockpiling consists of 2.2 million tons of crude oil and controlled by the Government.

However, we are facing several difficulties due to lack of financing, experiences in both technology and management in building refineries and national crude oil stockpiling system.

- Fourthly: strengthening and extending international cooperation to share information on market development, investment opportunities, establishing and implementing regulations and guidance aiming at reinforcing the energy market toward sustainability and transparency. Viet Nam officially joined the International Energy Forum (IEF) on 22th February 2011, strengthened and extended bilateral cooperation with Middle East countries which have great potential in oil and gas field: Saudi Arabia, UAE, Kuwait, Qatar;

- Fifthly: Implementing the roadmap to establishing energy prices based on market mechanism; reduce and steadily eliminate state subsidy in the energy sector.

Ladies and gentlemen,

At this Forum, Viet Nam expresses our willingness and desire to:

- Cooperate with oil exporting countries in Middle East such as: Kuwait, Saudi Arabia, UAE, Qatar (1) in projects of oil and gas exploration, exploitation, production, crude oil trading, oil products, LPG and supply of services relating to oil and gas; (2) in studying and establishing general legal framework for oil and gas cooperation and investment activities in Viet Nam and Middle East countries; (3) In strengthening information exchange via international stakeholders;

- Cooperate with countries which have high experiences and technology in constructing underground crude oil stocks such as Japan, Korea, etc... for investment in building refineries and underground crude oil stock system in Viet Nam; and

- Reinforcing international cooperation in energy issues, sharing information with a view to relieving impacts of instability of oil supply sources.

Thank you very much for your attention!