Dragoman Digest

Vietnamese president resigns in the wake of corruption allegations

Trong's anti-corruption drive has led to the prosecution of hundreds of senior officials

Vietnam's President **Nguyen Xuan Phuc** resigned earlier this week after being found responsible for "violations and wrongdoing by officials" under his control. The ruling Communist Party of Vietnam (CPV) said the violations took place during his 2016 to 2021 term as Prime Minister. Rumours abound that his wife, Tran Thi Nguyet Thu, is involved in the so-called 'Viet A' scandal, which has led to the dismissal of several senior officials over the past month, including the Minister of Science and Technology Chu Ngoc Anh and Deputy Prime Minister Vu Duc Dam. Medical company, Viet-A reportedly colluded with government officials to sell COVID-19 tests at inflated prices. Notably, Phuc was elevated to President in April 2021 – a move widely mooted as the result of his robust management of COVID-19.

Phuc's resignation is evidence of an intensifying anti-corruption campaign. Secretary-General Nguyen Phu Trong has been the central force behind the highly conspicuous drive. Given Vietnam's emphasis on collective leadership (the Secretary-General of the Party, President, Prime Minister, and Chairperson of the National Assembly make up the four pillars of collective leadership) the appointment of a new President is significant. Minister of Public Security To Lam is a likely candidate. He is a second-term Politburo member and is seen as being favoured by Trong. Nevertheless, while unprecedented, Phuc's resignation is unlikely to detract from Hanoi's future political stability. The CPV will be looking to avoid a messy transition.

Saudi Arabia launches US$15 billion entity to invest in critical mineral supply chains

Riyadh is jostling to rival China's dominance

The **Kingdom of Saudi Arabia** is positioning itself to be at the centre of critical mineral supply chains. Last week, it announced ambitions to become a key player in the extraction, processing and refining of critical minerals, as well as downstream manufacturing. To deliver on its goals, state-owned miner Ma'aden and the country's sovereign wealth fund, the Public Investment Fund (PIF), launched an entity to invest in critical minerals. The vehicle will invest up to US$15 billion globally as a non-operating partner in a bid to secure the supply of iron ore, copper, nickel, and lithium. US$3 billion will be deployed this year. Ma'aden will have a 51 percent stake. Separately, Saudi and the **UK** agreed to "deepen collaboration on critical minerals". While the specifics are yet to be determined, their intention is to "open up new sources" of supply.

Despite its massive cashflows, Saudi's ambitions will not be without challenges. Competition to secure supply is fierce and major economies – including the **US**, **EU** and UK – are already investing heavily to do so. Additionally, the Kingdom has no mineral processing expertise or capabilities. It will need to attract the relevant expertise or invest if it is to build up the required capacity. It may be some time until Saudi can meaningfully challenge **China**'s grip on critical mineral supply chains.

The EU crafting response to the Inflation Reduction Act

Proposals include targeted anti-relocation aid

In response to **Washington**'s US$10 trillion *Inflation Reduction Act* (IRA), the **EU** is weighing up a suite of measures to incentivise strategic investments in clean energy and technology. The package will be named the *Net Zero Industry Act*. The EU is looking to prevent industry relocation brought about by the aggressive tax credits and subsidies contained in the IRA. Some EU companies have already announced plans to pivot to the US. Tesla for example, suspended its plans to manufacture batteries in **Germany** in September and is considering upping production at its Texas plant instead.

Member economies have put forward ideas for what the *Net Zero Industry Act* should contain. For its part, the European Commission suggested introducing tax credits for new manufacturing facilities and targeted aid packages where there is risk of relocation, as well as a 'collective EU fund' financed by joint borrowing. Germany has opposed joint EU borrowing based on the fact the bloc's €800 billion (US$862 billion) pandemic recovery fund has not yet been exhausted. **France** has proposed an emergency 'sovereignty fund' financed by the €365 billion yet to be allocated under the REPowerEU plan. France has also proposed to fast-track approval of "common interest" projects to four-months. Given the package is still in its consultation phase, the EU's *Net Zero Industry Act* may be months away from launch.

China formalises oversight of Alibaba and Tencent

Beijing's move signals a 'new normal' of control over the country's tech giants

In an effort to extend its oversight of tech giants, **China** has acquired so-called 'golden shares' in subsidiaries of tech giants Alibaba and Tencent. Golden shares, typically equivalent to 1 percent of a firm, are used by Chinese Communist Party-backed funds and companies to exert influence over private entities. Last week, an entity established by China's internet regulator, Cyberspace Administration of China (CAC), acquired a golden share in Guangzhou Lujiao Information Technology, a subsidiary of Alibaba. The CAC subsequently appointed a new board member and restricted some video and web content. Beijing has also acquired such shares in TikTok's-parent company, ByteDance and Chinese video-sharing app, Kuaishou.

The deals come after a long-running crackdown on influential Chinese private sector tech companies. Recent interventions including Ant Group's initial public offering in 2020 and record anti-trust fines issued to Alibaba and Meituan have resulted in more than US$1.5 trillion being wiped from the value of Chinese tech firms. Chinese regulators have signalled that the 'special campaign' to rectify 14 internet platform companies,' including Ant Group, is coming to an end. China's crackdowns aim to re-orient its tech sector, as part of President Xi Jinping's primary goal of ensuring 'common prosperity' through income redistribution. While it seems more aggressive measures may be off the table for now, Beijing's recent golden share acquisitions indicate the government is unlikely to completely cede oversight.

The UAE sets out vision for COP28

Abu Dhabi is advocating for a "pragmatic" approach to the role of fossil fuels

The **UAE** has assumed the presidency of the United Nation's COP28. Last week, the Minister for Industry and Advanced Technology, CEO of the state-owned Abu Dhabi National Oil Company (ADNOC) and COP28 President Dr Sultan al-Jaber sketched out the UAE's agenda. Al-Jaber pinpointed accelerating the pace of the transition as a top priority, calling for a tripling of renewable energy by 2030. However, he also emphasised the need for a "pragmatic and realistic" approach, including for the "least carbon intensive producers" to continue to supply fossil fuels.

This has sparked a wave of backlash from climate activists. However, the UAE's commitment to decarbonisation should not be underestimated. Having set a mid-century net zero target in October 2021, it has since earmarked US$160 billion to spend on renewable energy over the next three decades. Further, this year's agenda may be indicative of a changed sentiment toward the role of fossil fuels in the transition. In its *2022 World Energy Outlook*, the International Energy Agency recognised a role for fossil fuels in providing system security, even in a rapid transition to net zero. It also recommended a "scaling back" of fossil fuels, a revision on its 2021 forecast which required a “rapid shift away from fossil fuels.” COP28 is likely to demonstrate the UAE’s critical role in the transition.

South Korea’s electricity generator announces highest price increase in 40 years

High energy prices threaten the competitiveness of the country’s export base

In December, **South Korea**’s state-owned electricity generator Korea Electric Power Corp (Kepco) announced its highest quarterly price increase since 1982. Kepco has a near-monopoly in power generation, transmission, and distribution. It is heavily dependent on imported fossil fuels. As a result of rising coal prices, Kepco’s raised electricity tariffs this quarter by nearly 10 percent (equivalent to about US$0.01/KWh). The increase will deliver an additional 7 trillion won (approx. US$5 billion) in profit this year, which it will use to offset record losses in 2022. Kepco will consider additional price increases next quarter. It noted that the recent increase is not sufficient to account for rising fuel input costs.

Kepco has played a critical role in supplying cheap energy to manufacturers, having underpinned the growth of industrial giants like Samsung, LG, and Hyundai. South Korea’s export competitiveness may be under threat if fuel input costs remain elevated. However, due to geographical constraints, Kepco has few alternatives. In a clear demonstration of the challenge, South Korea last week downgraded its 2030 renewable energy generation targets to 21 percent of its energy mix, down from 30 percent. It plans to increase the share of nuclear to about one third, up from about 24 percent previously. In the long term, energy intensive industries may consider re-locating to jurisdictions with abundant and cheap renewable energy.

Massive Australian solar export project collapses

Sun Cable aimed to supply up to 15 percent of Singapore’s electricity

Last week, one of the world’s most ambitious renewable energy export projects, ‘Sun Cable’, was placed into voluntary administration after an “absence of alignment” among shareholders. Sun Cable is known for the **Australia**-Asia PowerLink project. By 2029, PowerLink aimed to export 1.75GW of electricity from Darwin in northern Australia to **Singapore**, via a 4,200 km submarine cable. It involved around 20GW of solar energy, backed by up to 42GWh of energy storage. The project was expected to cost around A$30 billion (US$20 billion) to deliver. The disagreement was between Australian billionaires Dr Andrew Forrest and Mike Cannon-Brookes over the funding structure and strategic vision for the project

Notwithstanding criticisms that the project was not economic or technically feasible, the collapse challenges PowerLink’s prospects for delivery and the Australian Government’s ambition to become a “renewable energy export powerhouse.” Nonetheless, the project is likely to go ahead in some form. Forrest’s Squadron Energy is considering bidding for Sun Cable but will focus on a domestic energy play, with a view to powering green hydrogen and ammonia production plants and transporting the green molecules on ships. Squadron says the sea cable is not commercially viable. Cannon Brookes’ personal investment fund Grok Ventures is also interested but will pursue the export aspect of the project. The administrators have indicated there is “strong interest.” The sale and recapitalisation process may be launched before the end of the month.