

Section 1: Sustainable Finance Landscape in Thailand

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Introduction

The arrival of 2023 translates into another year closer to the global climate change goals set forth by the Paris Agreement to limit global warming to well below 2, preferably to 1.5 degree Celsius compared to pre-industrial levels. Global economies are under extreme pressure to establish, operate, and transition to low carbon economy, and the role of sustainable finance in facilitating the transition is needed more than ever.

Thailand has shown impressive progresses in reducing greenhouses gas emissions so far. With the pressures from international standards, green policy development among major economies, and best practices shared internationally to form robust and resilient economy that accommodate the transition, Thailand finds itself in a promising trajectory to develop sustainable finance infrastructure and mechanisms. This section will explore the national commitments, existing market instruments, key stakeholders as well as the key developments surrounding the sustainable finance landscape in Thailand.

Climate Commitments

The Thai government has announced Thailand's commitment to achieving carbon neutrality by 2050 and net-zero by 2065. There are several key frameworks that form Thailand's national environmental objectives.

- The [Climate Change Master Plan](#) (CCMP, 2015-2050) lays out its approach in tackling climate change through climate change adaptation, mitigation and low carbon development, and climate change management.
- The [Long-Term Low Greenhouse Gas Emission Development Strategy](#) (LT-LEDS) outlines key mitigation actions for Thailand's path to net-zero.
- The 2nd updated [Nationally Determined Contribution](#) (NDC) was issued in November 2022, with the aim to reduce its greenhouse gas emissions by 30 percent from the projected business-as-usual (BAU) level by 2030.
- Thailand's [National Strategy](#) (2018-2037) sets forth a number of environment-related goals. These goals can be grouped into six main taxonomy objectives for Thailand, which can be seen in the table below:

Thailand's national environmental priorities matrix			
National Strategy	CCMP	LEDS	NDC
Climate change mitigation	Mitigation and Low Carbon Development	Mitigation	Mitigation
Climate change adaptation	Climate Change Adaptation	Adaptation and Resilience	Adaptation
Sustainable use and protection of marine and water resources	Enabling Environment for Climate Change Management		
Protection and restoration of biodiversity and ecosystems			
Pollution prevention and control			
Resource resilience and transition to a circular economy			

Thailand's national environmental priorities matrix

Source: Thailand Taxonomy Paper: Draft for public consultations (Climate Bonds Initiative, 2022)

As part of these commitments, the financial sector has begun to mobilize its resources to combat the challenges of climate change. This can be seen in the Bank of Thailand (BOT)'s commitment in [support](#) of the [NGFS Glasgow Declaration](#), and subsequently, the implementation of Sustainable Finance Initiatives and development of a national Green Taxonomy. The sustainable finance landscape is continuously progressing and will play an integral role in Thailand's race to net-zero.

Instruments

The BOT has referred to the Green Taxonomy as an “engine” or a “soul” of the green finance system (Climate Bonds Initiative, 2022). However, it needs supplementary documents, instructions, or pieces of national/international legislation to be connected to the real economy and financial market (Climate Bonds Initiative, 2022). Within the past few years, the sustainable finance landscape in Thailand has developed at an exponential rate, as can be seen below:

- The launch of the [Sustainable Banking Guidelines](#) in August 2019 by the Thai Bankers' Association, commercial banks and other stakeholders are improving on banks' responsible lending practices.
- The [Sustainable Financing Framework](#) published in July 2020 by the Public Debt Management Office helps set out how Thailand intends to raise Green, Social and Sustainability financing instruments.
- The launch of a Green, Social, and Sustainability [Information Platform](#) by the Securities and Exchange Commission (SEC) and Thai Bond Market Association (ThaiBMA) in 2020 serves as a knowledge center on ESG debt issuance and allows for the public to learn more about Green, Social, Sustainability, and Sustainability-Linked bonds issuance and their information.
- The publication of the Bank of Thailand's [Directional Paper](#) on Financial Landscape in August 2022, which sets the strategic direction for all sectors, with particular attention on financial sector, for their accelerated transition to green economy and develop infrastructures to adapt to environmental changes (Bank of Thailand, 2022).

Additionally, Thailand's Draft [Climate Change Act](#), prepared by the Office of Natural Resources and Environmental Policy and Planning (ONEP), is set to be submitted to the cabinet for further consideration. The latest draft of the Act (as of August 2022) sets provisions on rights of citizen related to climate change and climate actions, setting up national focal committee for climate action, mitigation, and adaptation policy formation, and establishment of national GHG database. On climate adaptation, the law set responsibilities for the national committee and Thai climate authority in forecasting temperature changes and climate risk and impact assessment, and stipulate development of national climate change adaptation plan. The draft also includes financial penalty related to non-disclosure of required information to national authorities.

The fast-paced development of the sustainable finance framework in Thailand is also reflective of the development in ASEAN as a whole. Sustainable finance regulations and opportunities are growing rapidly in ASEAN, with Version 1 of the [ASEAN Taxonomy](#) published in November 2021. The ASEAN Taxonomy introduces a common language across ASEAN for financing sustainable economic activities and represents the collective commitment of ASEAN member states in transitioning towards a low carbon society. Other key standards and frameworks to facilitate sustainable financing in ASEAN launched in the past few years include:

- The ASEAN Green Bond Standards ([ASEAN GBS](#)) in November 2017
- The ASEAN Sustainability Bond Standards ([ASEAN SUS](#)) in October 2018
- The ASEAN Social Bond Standards ([ASEAN SBS](#)) in October 2018



Overview of sustainable finance framework development in ASEAN and Thailand

Source: Deloitte's compilation (2023)

Regulators and Key Stakeholders

The BOT is a regulatory body in overseeing financial stability and shaping the sustainable finance landscape of Thailand. In August 2021, the Working Group on Sustainable Finance ([WG-SF](#)) was established to develop a sustainable finance plan to support the Thai economy in achieving the SDGs and carbon emission reduction targets in line with the Paris Agreement goals. The working group comprises of:

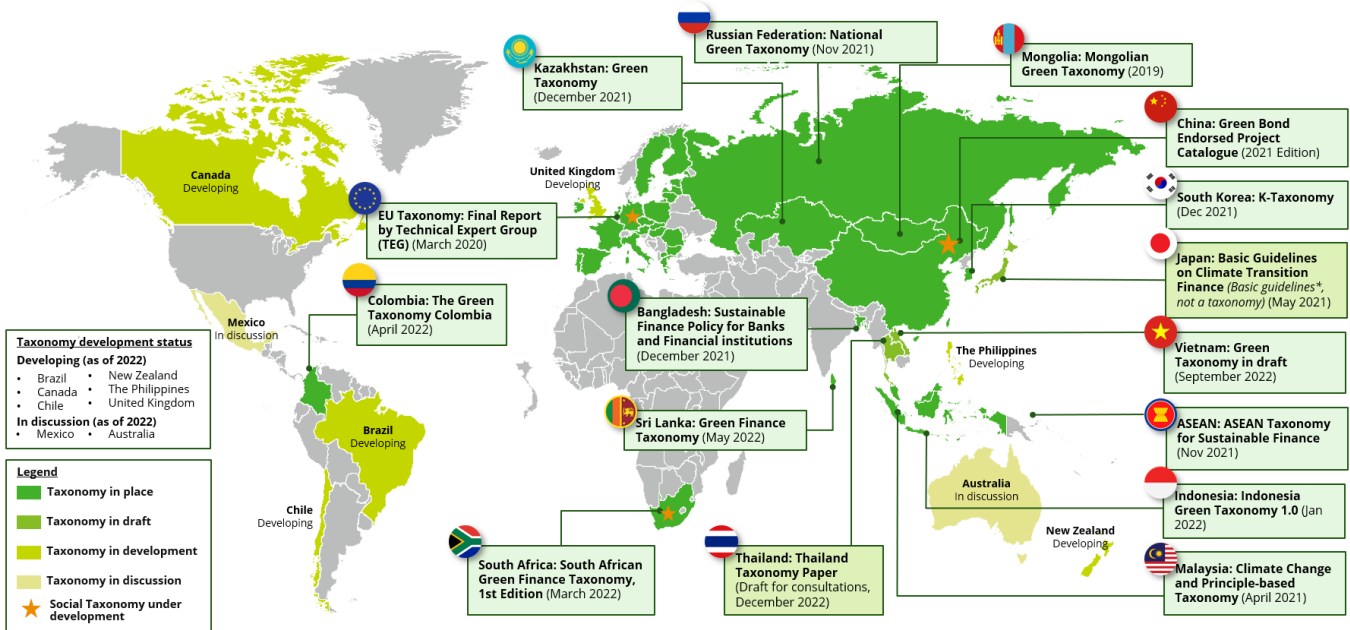
- The Fiscal Policy Office at the Ministry of Finance (FPO)
- The Securities and Exchange Commission (SEC)
- The Office of Insurance Commission (OIC)
- The Stock Exchange of Thailand (SET)
- The Bank of Thailand (BOT)

The group's work resulted in the creation of the [Sustainable Finance Initiatives](#) announced in August 2021. The initiatives recommend 5 Key Strategic Initiatives (KSIs) to steer and align the direction of Thailand's sustainable finance policies, frame Thailand's approach to sustainable finance, and set frames for the development in line with the 5 KSIs. The KSIs include:

1. Creating Thailand Taxonomy
2. Improving the data environment
3. Implementing effective incentives
4. Creating demand-led products and services
5. Building human capital

Global Trends for Taxonomies

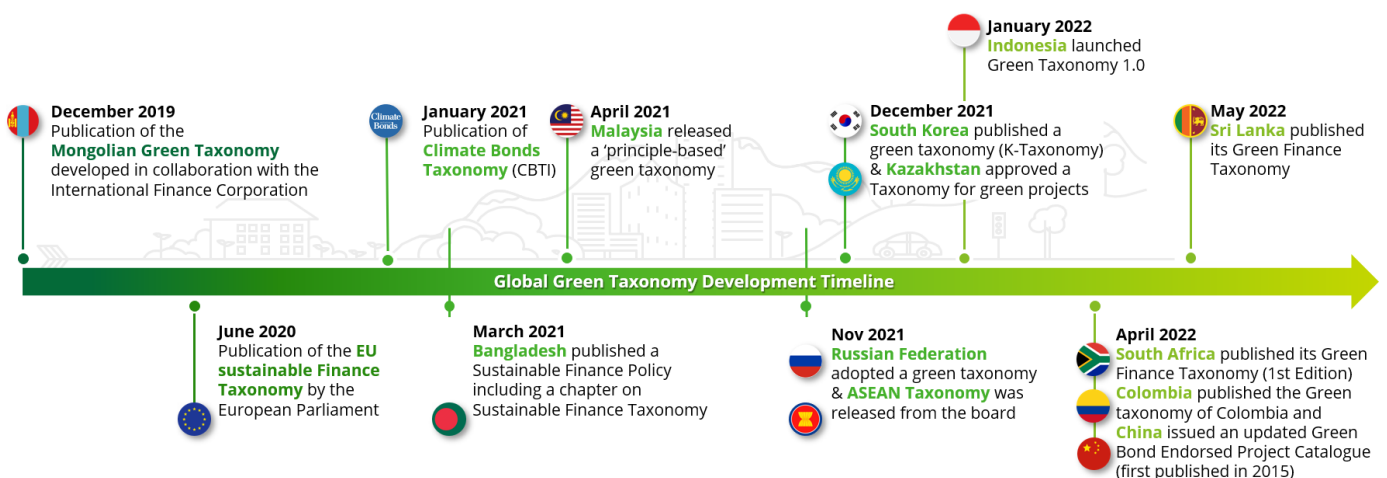
The Thailand Taxonomy is a **green taxonomy** developed to consolidate Thailand's environmental priorities and support the green transition of Thai industries. The Taxonomy is designed in close consultations with key industries and stakeholders to ensure consistency with international green classifications.



Overview of Green Taxonomy development across global jurisdictions

Source: Climate Bonds Initiative (2022b), Deloitte's compilations (2023)

According to the Climate Bonds Initiative (2022b), “policymakers and market participants are starting to embrace taxonomies as a powerful tool to mobilize green capital for the transition to an environmentally sustainable economy”. As taxonomy-based regulations continue to grow, it encourages the increase of sustainable and green funding and capital available to facilitate the low carbon transition. Gondijian and Merle (2022) mention that taxonomy development initiatives across the world can be seen, especially in recent years, referred to as a “standard-setting race”.



Timeline of Green Taxonomy development across global jurisdictions

Source: Gondijian, Garnik and Cédric Merle (2021) and Deloitte's compilations (2023)

From these developments, the importance and usability of taxonomies are proven in many jurisdictions. We can see the development of taxonomies in major economies, led by the G20, in recent years. For some jurisdictions, the classification may not be called a taxonomy. The set of criteria or list of activities identified as green activities, such as green bond framework that identify criteria of green activities, are used for the classification as well.

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