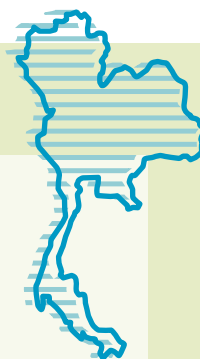


Climate compatible financial system development – Status quo

Country Brief Thailand



This country brief summarises the state of climate compatible financial system development in Thailand and provides recommendations for further action.

The Thai financial sector has matured significantly in the past decade, successfully diversified its products, and improved access to finance for businesses and households. **Financial sector assets grew from 183% in 2007 to 271% of GDP in 2017**, with non-bank financial actors contributing the lion share of this growth. **Banks accounted for 46% of financial sector assets in 2018** with their share having decreased from 56% in 2007.

SMEs are a key driver of the economy and contributed 34% to Thailand's GDP in 2020. **Government-owned specialised financial institutions (SFIs) play an important role in mitigating gaps in access to finance for SMEs and low-income households.** They have a specific mandate to support implementation of government policies by offering financial products that promote investment and economic development in specific sectors and regions.

Thailand pledged to unconditionally reduce its GHG emissions **by 30% below business-as-usual levels by 2030 (with a 40% conditional target), to become carbon neutral by 2050 and reach net zero GHG emissions by 2065.**

Both public and private actors within the Thai financial system are advancing initiatives in the six action areas for sustainable finance defined in the GIZ Sustainable Finance Policy Navigator. Moreover, both actor groups actively participate in international and regional networks such as the NGFS and ASEAN climate finance related task forces and study groups.

All actors seek to strengthen their capacities to better integrate climate risks and opportunities into financial sector policies and investment products. Private actors favour **clearer**

ECONOMIC DATA

Population: 70 million
Income Group: Upper middle income
Annual GDP Growth 2016–20: 1.6%

CLIMATE CHANGE

NDC: Updated in 2020
Net Zero Target: Carbon neutrality by 2065
CO₂ per capita: 3.71 ton
Climate Risk Index: Rank 9

FINANCIAL SECTOR

Credit Rating: Baa1 (stable)
Lending interest rate: 3.3%
Market capitalisation of listed domestic companies: 108% of GDP
IMF Financial Development Index: 0.72

policy signals by regulators through mandatory instruments that create a level playing field for different actors.

The following actions could accelerate the transition towards a climate compatible financial system in Thailand:

- Conduct feasibility studies and impact assessments on integrating climate considerations into regulatory instruments.
- Ensure alignment of financial sector initiatives with climate legislation through coordination between the financial sector and ONEP as national focal point on climate change and biodiversity.
- Reduce the cost of green bond issuances, inter alia by establishing local capacities for certification.
- Develop guidelines for credible net-zero roadmaps that support private actors in translating GHG commitments into tangible actions.
- Support the application of methodologies and standards for measuring, reporting, and reducing emissions embedded in the value chains and portfolios of companies and financial institutions.
- Support SMEs to adapt to new ESG and risk disclosure requirements.

Climate Compatible Financial System Development – Status Quo

Results from applying the GIZ Sustainable Finance Policy Navigator

Setting the political agenda and raising awareness



Regulators and supervisors of the Thai financial system have jointly pledged to take on “a significant role” to **steer the allocation of capital towards more sustainable investments**. Concrete activities and the overall strategic approach are outlined in the framework document Sustainable Finance Initiatives for Thailand. Actions are coordinated through a joint **Working Group on Sustainable Finance**. Activities such as the development of a green taxonomy are embedded in multi-stakeholder processes.

Data, standardisation and disclosure



All commercial banks are signatories to the Thai Bankers Association’s voluntary **sustainable banking guidelines**, which require banks to identify and manage climate risks. Limited experience exists with international standards such as the TCFD or Principles for Responsible Banking. For capital markets, the corporate governance code requires reporting on sustainability. An **ESG reporting standard** for Thai companies is under development as well as a green taxonomy covering initially the energy, transport, agriculture, and industry sectors.

Prudential requirements and risk management



The Bank of Thailand is a member of the NGFS and is currently developing capacities for conducting **sector-wide climate stress testing and scenario analyses**. Thai commercial banks **must demonstrate that they adequately manage and account for ESG risks**. The Bank of Thailand assesses this information when determining the size of capital buffers and will work with banks to improve their ESG risk management if it deems current practices to be inadequate.

Market support instruments



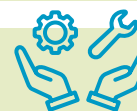
The issuance of the Climate Bonds Initiative certified **Kingdom of Thailand Sustainability Bond** has been a key step for further developing the green bond market in Thailand. The Thai Board of Investments provides **policy incentives such as tax breaks or exemptions** for sustainable investments. The Energy Efficiency Revolving Fund offers zero interest loans to banks that provide on-lending for energy efficiency projects. The Securities Exchange Commission (SEC) published guidelines on green, social, and sustainable bonds.

Leading by example



Some public institutions lead market development. The Ministry of Finance has developed a Sustainable Financing Framework under which **it intends to issue green, social and sustainability bonds and loans** and use the proceeds to finance and refinance existing and future government loans or expenditures. The Thai Export Import Bank adopted **a new strategy focussing on climate change and the circular economy**. The Stock Exchange of Thailand (SET) and SEC are both supporters of the TCFD.

Capacity development



Thai regulators are supporting several capacity building measures: The SEC has for example organised three **Green Bond Bootcamps in 2019**. The SET offers **training and advisory programmes on ESG related aspects and TCFD recommendations**. An annual Bangkok Sustainable Banking Forum organised by the Bank of Thailand supports exchange between high-level executives. Since 2022, the SEC further requires asset managers to **attend mandatory ESG trainings every two years before renewing their accreditation**.

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