

## Thailand Advances on the Renewable Energy Front

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Over the coming decade, the Southeast Asian nations will top the ranks of the world's fastest-growing economies. This rapid expansion will also boost the region's energy consumption and carbon emissions. Recognizing the need for adequate and affordable energy supplies to achieve economically and environmentally sustainable development, many countries in the region have already started to promote alternative and renewable energy production so as to reduce the economies' dependence on the increasingly expensive and polluting oil and natural gas supplies. Thailand is rapidly advancing in this effort. With a proactive energy policy and the abundance of resources, the nation is creating a plethora of business opportunities.

The region of Southeast Asia, with 500 million inhabitants, is expected to grow over the next decade faster than the world as a whole. This vibrant growth threatens to boost energy consumption from conventional sources, thereby increasing green-gas emissions. According to Asian Development Bank (ADB), energy demand in the region is forecast to grow annually by 2.4 percent until 2030. This will be more than double the rate of growth in energy consumption in the rest of the world. The surge in the energy demand does not bode well for energy importers, especially for Singapore, the Philippines, and Thailand, which are most oil-dependent nations in the region. Implementation of an adequate energy policy that aims to reduce this dependence and to ensure sufficient energy supplies is paramount to sustainable economic growth. Thailand seems to be doing just that.

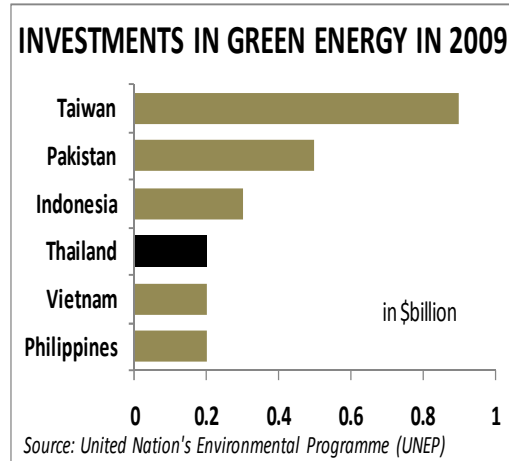
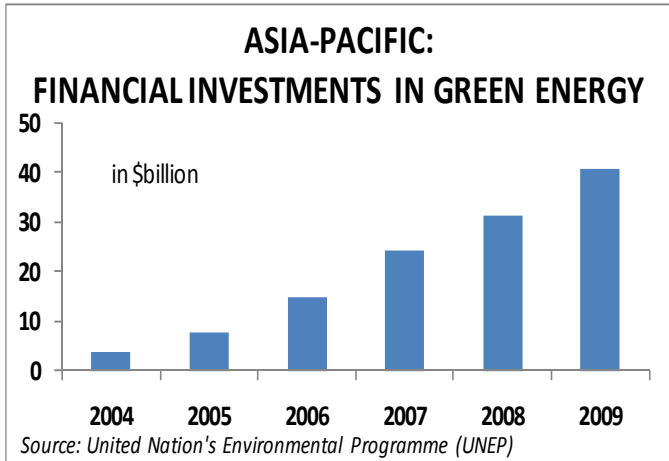
As a net importer which consumes 75 percent of energy in the form of oil and natural gas, Thailand is enthusiastically moving ahead with a plan to boost the share of renewable energy in total consumption from the current 7.7 percent to 20.3 percent in 2022.<sup>1</sup> The government's policy in this sector is broad-based and includes plans to increase electricity generation from solar, wind, biomass, biogas and municipal solid waste sources. It also plans to increase biodiesel and ethanol production. Other regional economies, most notably Indonesia, have also followed suit.

This government-sponsored "green energy" push in the region has created many business opportunities. In Thailand, in 2009, \$560 million was approved for investment in the sector, double the approved value in 2008. As an example of a successful venture, Hong Kong's CLP Holdings, Thai utility EGCO, and Japan's Mitsubishi are jointly building a 73MW photovoltaic plant near Bangkok worth \$270 million. In Indonesia, some \$24 billion will be contracted in renewable energy projects over the next few years. In South Korea, \$25.4 billion or as much as 81 percent of

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<sup>1</sup> Sutabutr, Twarath, PhD. (Ministry of Energy, Thailand). "Business Opportunities in Thailand's Renewable Energy." ASEAN Clean Energy Trade, Technology and Investment Forum. (April 2010), pp.4

the recent economic stimulus has been earmarked towards the “green” causes. In fact, in 2009, out of \$120 billion invested by financial institutions in clean energy, a third went to Asia (mostly China and India), turning the region into the world’s second largest recipient of funding for green-energy investments. Southeast Asian nations receive about 6 percent of this amount.



In Thailand, the government has created an attractive scheme of financial incentives to boost foreign investments. These range from duty-free imports of plant and equipment to multi-year tax holidays and generous tax deductions. Moreover, eligible projects can receive up to \$1.5 million in government grants for biogas, municipal waste, and solar hot water projects. Likewise, government-subsidized debt financing with low annual interest rates and government equity participation of up to 20 percent of a total investment is also available. Subsidized tariffs (so-called “adder” tariffs) are another attractive investment subsidy. More information about these incentives can be obtained from the Department of Alternative Energy Development and Efficiency (DEDE) at the Thai Ministry of Energy.

The wide range of incentives creates opportunities for companies to benefit from Thailand’s economic boom and from the surging need for renewable energy sources. These opportunities will be featured at the upcoming **Renewable Energy Asia 2010** conference and exhibition that is scheduled for 17 September 2010 at the Bangkok International Trade and Exhibition Centre (BITEC). The conference will bring together business leaders and government officials to discuss the latest trends, developments, incentives, and prospects for renewable energy.

Renewable energy projects in Southeast Asia, including Thailand, are still at their early stage of expansion. Supportive government policy is helping reduce the cost of capital and is providing a basis for profitable investing in the sector. This strategy will ensure that reliable and affordable energy supplies sustain the buoyant growth of Thailand and other Asian tigers.

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