

22 February 2022

THAILAND

Newsletter

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Thailand's Energy Transition: BOI Measures to Promote Deployment of Carbon Capture Technologies in Thailand

The Board of Investment of Thailand (the "BOI") is playing a part in pushing sustainable development forward by launching a series of investment incentives to help promote the implementation and utilization of eco-friendly technologies. Specifically, the BOI is promoting the adoption of carbon capture utilization and storage technologies by certain industrial operators.

What is Carbon Capture, Utilization and Storage ("CCUS")?

Carbon capture, utilization, and storage ("CCUS") is an emissions reduction technology that captures CO₂ and either stores it underground or diverts it for further use in other production processes. CCUS is considered an important tool in achieving decarbonization.

Although direct air capture ("DAC") has gained attention recently due to reports of initial projects coming online, DAC technology is still a relatively expensive method of removing carbon from the atmosphere given the low concentrations of CO₂ in ambient conditions.

Under the CCUS banner, bioenergy with carbon capture and storage, or "BECCS", which involves the generation of electricity from biomass or biogas, alongside the capture of carbon dioxide emissions at the source, where concentrations of CO₂ are significantly higher, is also promising, as it has the potential to result in negative CO₂ emissions.

BOI support for the deployment of CCUS

The BOI is promoting the deployment of CCUS, as set out in a recently issued notification in which it provides three additional years of corporate income tax exemptions for promoted businesses that adopt CCUS.

The BOI issued notification no. Sor. 7/2564 dated 17 November 2021 to create promotion Category 6.19: Natural Gas Separation Plants. Under this category, the BOI provides, among other benefits, eight-years of corporate tax exemptions if the promoted business deploys

CCUS in its operations. Without deployment of CCUS, the promoted business will be entitled to a five-year corporate tax exemption. Under the same notification, the BOI also amended Category 6.4: Manufacturing of Petrochemical Production, by adding another sub-tier of promotion for promoted businesses which deploy CCUS in their operations. The same incentives under Category 6.19 apply to promoted businesses under Category 6.4.

BOI's stance on eco-friendly technology

A more comprehensive approach to promote the adoption of eco-friendly technologies was made in early 2021. The BOI created tax incentives for investments in machinery with improved efficiency in energy consumption, utilization of renewable energy, and the reduction of environmental impacts. A qualified investment will be entitled to a corporate income tax exemption in the amount of 50 per cent of the investment capital (excluding costs of land and working capital), which can be used over three years.

At the same time as the issuance of the notification encouraging the deployment of CCUS, the BOI also expanded a three-year corporate income tax exemption for 50 per cent of the investment amount to cover investments in machinery that aims to reduce the emissions of greenhouse gases, subject to registration and certification by the Thailand Greenhouse Gas Management Organization (a public organization).

Final thoughts

As CCUS and other eco-friendly technologies are evolving quickly, the BOI has been very active in incentivizing new and existing businesses to adopt these new tools through various tax-related benefits. We expect that there will be more changes to promote the adoption of eco-friendly technologies soon that will help foster sustainable development in Thailand.

If you have any questions in relation to the issues raised in this briefing, please contact the authors in the left-hand column.

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