

# THAILAND

## 1. GOALS FOR EFFICIENCY IMPROVEMENT

### 1.1. Overall Energy Efficiency Improvement Goals

Thailand has adopted the aspirational goal expressed by APEC leaders in 2007 of reducing the energy intensity of GDP 25% by 2030 (with base year 2005) and also in line with the ASEAN goal agreed to by ASEAN Energy Ministers to improve energy intensity by at least 8% by 2015 compared to 2005.

### 1.2. Sectoral Energy Efficiency Improvement Goals

Thailand has set goals for reducing its energy consumption in the industrial sector by 3190 ktoe or 4.4%, the transportation sector by 3413 ktoe or 4.7%, and the residential sector by 1217 ktoe or 1.7% by 2011.

#### 1.2.1. Industrial Sector

Thailand has established Energy Efficiency (hereafter EE) Improvement Programs for the industry sector to reduce energy demand and promote the efficient use of energy. Several major measures have been introduced, such as a) promotion of energy management, b) revolving funds for EEs (low-interest funds for EE investments), c) tax incentives, d) technical assistance, e) standards and regulations, f) collaboration with major private corporations (firm commitment and top-down approach), and g) promotion of the energy service company (ESCO) concept. Additional measures are: a) speeding up industry structural reform, b) EE awareness programs and campaigns, c) knowledge and information dissemination, d) capacity building programs, and e) competitions for best practices in energy conservation.

The overall achievement in terms of energy saving for industry sector in Thailand has been measured at USD 160 million and USD 750 million in 2004 and 2008, respectively. In addition, the Ministry of Energy expects a new target to be set at USD 1.5 billion in 2011. The strategy is to focus on high energy intensive industries, such as the food, non-metallic and chemical industries.

#### 1.2.2. Transport Sector

Thailand has established various energy efficiency measures in the transport sector for improving an end-use energy efficiency by better management and logistics such as: 1) by the year 2020, 70% of gasoline consumption replaced by NGV (25%) and gasohol (45%), 2) promotion of biodiesel production (eight-year tax holidays and exemptions of import duties from major equipment), 3) natural gas for vehicles (by 2011, over 500 000 automobiles and 750 refuelling stations economy-wide using natural gas), and 4) establishment of tax measures to promote energy conservation. PTT and the Ministry of Energy have put together a fund of USD 170 million to provide low-interest loans for conversion costs for taxi and fleet corporations.

#### 1.2.3. Residential

Thailand has developed several measures to enhance the energy efficiency of households. Those measures are: 1) Minimum Energy Performance Standards (MEPS) for equipment (target 50, actual 11), 2) High Energy Performance Standards (HEPS) for equipment (target 54, actual 8), for example for air conditioners, refrigerators, ballasts, fluorescent lamps and compact fluorescent lamps, 3) energy labelling program for appliances and houses, 4) promotion of energy efficiency in home design, and 5) public awareness campaigns.

#### 1.2.4. Other Sectors

Factories and commercial buildings which have a peak demand above 1000 MW or consume more than 20 million MJ per year in energy become “designated facilities” by law. They have the obligations to appoint Persons Responsible for Energy (PRE) and implement the Energy Management System according to the guideline prescribed by DEDE. By implementing the Energy Management System for all designated buildings and factories, a reduction of energy consumption of around 5%-10% is expected.

For the Power Sector, there are Demand-Side Management (DSM) and Number 5 labelling programs. In cases of more than 1 MW peak demand or consumption of more than 20 TJ annually will be on a compulsory basis.

### 1.3. Action Plans for Promoting Energy Efficiency

Thailand has the following strategic approach for promoting energy efficiency.

#### a) Objectives

The present government under Prime Minister Abhisit Vejjajiva’s administration has set policy to encourage energy conservation and efficiency in the household, industrial, service and transportation sectors through campaigns fostering energy-saving discipline and conscience and promoting effective energy use; providing incentives to induce private sector investment in opting for energy-saving appliances; setting incentive measures for the household sector to reduce electricity consumption during the peak period; supporting research and development and setting standards for electrical appliances and energy-saving buildings; and supporting the development of public mass transportation and railway systems to improve energy efficiency which will help defer the economy’s investment in energy procurement.

#### b) Applicable Sectors

All sectors, especially industry, transport and household

#### c) Outline

Thailand is a net energy importing economy, having to import about 60% of the total energy demand. Therefore, it is vulnerable to energy price volatility, especially oil prices. In addition, domestic fossil energy resources are limited and will soon be depleted, if new resources cannot be developed in time. So energy efficiency improvement is one crucial policy measure to enhance energy security of the economy in the long run.

In the industrial sector, key measures include: speeding up EE improvement—revolving funds/tax incentives/investment promotion measures via BOI; promotion of Energy Services Company (ESCO) business; supportive measures for SMEs, by sending experts to visit SME facilities and assist in energy auditing/giving advice on efficient energy management; and provision of grants for equipment replacement by 9 standard (energy-efficient) equipment. In addition, the Department of Industrial Works (DIW), Ministry of Industry, has been operating the “Energy Savings for Small and Medium-Sized Enterprises (SMEs)” program during the past three years with around 20% energy savings in the forms of electricity and heat which is translated into the GHG emission reductions of around 100 tonnes CO<sub>2</sub>-e per enterprise, annually. Since there are approximately 60 000 SMEs in Thailand, 10 000 SMEs with the highest energy consumption could be targeted which would reduce around 1M tonnes CO<sub>2</sub>-e per year. As the next step, there could be several possible modalities to scale-up and build on DIW’s program, including engaging ESCOs to promote investment in SME energy efficiency projects, with financing through financial intermediary banks and with DIW providing technical support. Further discussion is needed to design the most suitable modality for the proposed concept.

Almost a quarter of the economy’s passenger-km takes place in the Bangkok Metropolitan Region (BMR). Therefore, any improvement in transport energy efficiency of the BMR will

be important to the effort in transport energy reduction. In 2003, approximately 46% of total daily person trips in the BMR were made by private modes; the second most important mode is public bus with a 37% share. Mass Rapid Transit (MRT) accounted for only 3% of total daily trips in 2003, but its share is expected to grow to 15% by 2015 if the planned MRT network (approximately 200 kilometres) is substantially completed and functioning well.

The key measures introduced are the improvement of public transport and logistics systems, including:

- 1) Passenger transportation: speeding up expansion of rail (mass rapid-transit trains) in Bangkok and its vicinity, providing 'Park & Ride' areas and facilitating passengers by providing feeder transport to the central part of a city, and the development of energy-saving vehicles. Thailand's Board of Investment (BOI) has announced new incentives for the manufacturing of low-cost, fuel efficient automobiles, or the so-called 'ECO Cars'.
- 2) Goods transportation: promoting the use of rail system and waterways; establishing Inland Container Depots (ICD); and improvement of logistics management to reduce unloaded truck travelling.
- 3) Bus Rapid Transit (BRT) could also contribute significantly to the improvement of the speed and reliability of bus services, as well as bus transport energy efficiency. The Bangkok Metropolitan Administration (BMA) has recently promoted the development of several BRT routes with an initial route of 15 kilometres under construction. The BRT master plan covers 14 routes with the initial 6 routes (138 kilometres, USD 400 million) for the first phase.
- 4) Although each MRT and BRT can offer better alternatives to BMR transport, integration of various modes, including the following, remains the key to the efficient urban transport development—improving reliability, reducing travel time, and ensuring better air quality. It is crucial to emphasise not only system integration among MRTs and with BRTs, but also coordination with existing bus systems.
- 5) In the household sector, key measures are: promotion of the use of high-efficiency equipment; establishment of Minimum Energy Performance Standards (MEPS) for five products—air conditioners, refrigerators, ballasts, fluorescent lamps and compact fluorescent lamps; energy efficiency labelling; establishment of building code and building material standards; and public awareness campaigns.

#### **d) Financial resources and budget allocation**

Government budget and ENCON Fund; budget: approximately about THB 4000 million/year

#### **e) Method for monitoring and measuring effects of action plans**

Methods for monitoring include energy consumption reporting, submission of energy conservation targets and plans of designated facilities, and analysis of energy consumption against energy benchmarks of individual sectors.

The outcomes of monitoring involve the evaluation of the overall achievement of individual projects and the strategic plan implementation after a specified time frame, the result of which will be used for improving and developing the strategic plan for another time frame. The main method used for monitoring and evaluation of the action plans is PMQA Method on the following activities: database creation, EE program evaluation, surveys, auditing, statistics (data gathering) benchmarking, diagnostics, end-use information, monitoring, trends analysis, potentials, and others. Several tools have been used together in order to do the monitoring. Those tools are databases, program evaluation, benchmarking, and information surveys.

The Department of Alternative Energy Development and Efficiency (DEDE) plays the major role in monitoring and reporting tasks for the industrial sector. Energy Policy and Planning

Office (EPPO) monitors residential, transportation, and government sectors. The outputs by monitoring are compiled in the annual government report, annual report of Energy Conservation Promotion Fund, and annual organisation report. Financial resources used for monitoring EE projects are allocated from ENCON Fund.

**f) Expected results**

Decreasing energy consumption by 10.8% or 7820 ktoe of the total final energy consumption in 2011 (which is also the target of the Energy Efficiency Improvement Program at the end of ENCON Program, Phase 3, 2008–11).

**g) Future tasks**

No information available

**1.4. Institutional Structure**

The Royal Thai Government's Ministry of Energy consists of the following departments and organisations:

- Energy Policy and Planning Office (EPPO) (policy maker) recommends economy-wide energy conservation policies, management and development plans; establishes energy conservation measures and the framework of energy conservation promotion budget allocation; and coordinates, follows up on and evaluates the implementation outcome of the policies, management and development plans.
- Department of Alternative Energy Development and Efficiency (DEDE) (regulator/implementer) promotes, supports and monitors energy conservation activities; undertakes research and development for energy efficiency improvement; establishes regulations and standards and disseminates technologies related to production, processing, transportation and energy use efficiency; and follows up on and evaluates the implementation of energy efficiency improvement.
- Energy Conservation Center of Thailand (ECCT) was established in 1985 from a cabinet resolution as an agency to promote energy conservation activities in the economy; it provides technical expertise and services in energy conservation by closely working with DEDE.
- Electricity Generating Authority of Thailand (EGAT) owns and operates various types of power generating plants located at 38 sites together with transmission and main distribution systems economy-wide. It has a unit called the DSM Office to promote energy conservation, especially in electrical appliances through standard and labelling schemes. EGAT is also a significant player in encouraging energy efficiency in major industries via ESCO programs.
- PTT Public Company Limited (PTT) is an integrated energy and petrochemical company, conducting its business as the economy's energy company and being listed on the Thai stock market. PTT also put an emphasis on energy conservation and alternative fuels by conducting research and development together with supporting energy efficiency and alternative energy policies from the government.

**a) Name of organisation**

Central Institutions: The Energy Policy and Planning Office (EPPO) and the Department of Alternative Energy Development and Efficiency (DEDE) of the Ministry of Energy.

**b) Status of organisation**

EPPO—policymaker; DEDE—regulator/implementer

**c) Roles and responsibilities**

EPPO recommends economy-wide energy conservation policies, management and development plans; establishes energy conservation measures and the framework of energy

conservation promotion budget allocation; and coordinates, follows up on and evaluates the implementation outcome of the policies, management and development plans.

DEDE promotes, supports and monitors energy conservation activities; undertakes R&D for energy efficiency improvement; establishes regulations, standards and disseminate technologies related to production, processing, transportation, and energy use efficiency; and follows up on and evaluates the implementation of energy efficiency improvement.

**d) Covered sectors**

All sectors: industry (including agriculture), transport, residential, commercial, power, government, etc.

**e) Established date**

EPPO was established in 1992 (formerly, National Energy Policy Office (NEPO) under the Office of the Prime Minister). DEDE was established in 1953 (formerly, Department of Energy Development and Promotion (DEDP) under the Ministry of Science, Technology and Environment).

**f) Number of staff members**

EPPO—approximately 7 senior persons (responsible for EE); DEDE—approximately 136 persons (responsible for EE); in addition, Thailand has a regional or local institutional structure for energy efficiency improvements.

**a) Name**

Regional Energy Offices 1-11 at the Ministry of Energy

**b) Status of organisation**

Regulator/implementer

**c) Roles and responsibilities**

Among others, promote and disseminate information about the efficient use of energy, including renewable energy, in line with the government policy and measures established by EPPO/DEDE

**d) Covered sectors**

Industry (including agriculture), transport, residential, commercial, power, government, and others

**e) Established date**

October 2002

**f) Number of staff members**

No information available

**g) Future tasks**

No information available

In addition, the present government aspires to have the Local Administration Organizations (LAOs) act as focal points in creating and disseminating “energy-saving culture” via such target groups as children and juveniles, women (mostly housewives), and the aged, under the “Community Energy Volunteers” mechanism. Workshops, meetings, and seminars are regularly organised by LAOs to disseminate government policy, targets, and action plans as

well as to obtain feedback on the implementation of the plans and recommendations to improve future action plans.

### 1.5. Information Dissemination, Awareness-raising and Capacity-building

#### a) Information collection and dissemination

Relevant information and public relations activities implemented by EPPO under the “Divide by Two ( $\div 2$ )” campaign as well as those carried out by DEDE and EGAT can be easily accessed by the general public and various media and have been used to reach every target group. Also, the information can be accessed via the website of the respective agencies.

#### b) Awareness-raising

Examples of these activities are: production of series of television commercials on energy saving methods and benefits to be gained; dissemination of energy conservation issues through various types of media—newspapers, magazines, energy talks via TV programs, etc.; energy mobile units undertaken by Regional Energy Offices; energy camps for students, plays and cultural shows based on energy conservation themes and the establishment of energy information centres to disseminate materials, posters, and other printed matter on issues related to energy conservation and renewable energy.

#### c) Capacity-building

The implementation of the *Strategic Management Program* for government includes:

- 1) Policy research and study to provide recommendations, options or situation overviews, comprising several dimensions, from the energy supply/demand to the economic, social and environmental impacts, to be an element for decision-making pertaining to the improvement of the Energy Efficiency Improvement Program or Renewable Energy Development Program so that the programs would be appropriate and correspond with the changing situations. The study outcomes could serve as a guiding tool for setting the work priorities and budget allocation.
- 2) Monitoring and management to ensure efficient and effective implementation of the Energy Conservation Program
- 3) Special tasks to support and enhance the implementation that is of particular importance or urgency.

Additional capacity-building measures and policies aimed at the community include:

- 1) Development of curriculum, teaching/training materials, aiming to integrate the study of energy conservation and environment into the learning process so that energy conservation consciousness can be fostered among the young generation
- 2) Short-term projects/activities (e.g., school recycling banks, energy conservation competitions), aiming to increase participants’ knowledge and understanding of energy conservation and to stimulate improvement in their energy consumption behaviour so that they can expand/share their experience and knowledge with their peer groups
- 3) Short-term HRD and technical visits abroad
- 4) Undergraduate and post-graduate scholarships—local and abroad
- 5) Provision of research funds to encourage students in public and private universities to seriously consider research on energy management, and energy efficiency and renewable energy technologies
- 6) Public awareness campaigns on energy saving.

### 1.6. Research and Development in Energy Efficiency and Conservation

Although there is currently no specific policy on energy efficiency research, the Thai government, via the ENCON Fund, has continuously supported research and development

(R&D) work as part of the Energy Conservation Program of the economy. Each year, a budget of THB 50 million (USD 1.5 million) is allocated for funding R&D on energy conservation technologies, which can be accessed by academic institutions, research institutions of the public sector and those of the private sector that are non-profit-making. In addition, there are research funds of about THB 5 million each year for postgraduate and Ph.D. levels. The R&D work under the Energy Conservation Program has to demonstrate its practical application in line with the short-term measures designed for EE improvements.

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## 2. MEASURES FOR ENERGY EFFICIENCY IMPROVEMENTS

### 2.1. Government Laws, Decrees, Acts

#### a) Name

The Energy Conservation Promotion Act, B.E. 2535 (1992), as amended to No. 2, B.E. 2550 (2007)

#### b) Purpose

To enforce energy conservation, particularly in designated factories and buildings

#### c) Applicable sectors

Economy-wide (industry, commercial and government building sectors)

#### d) Outline

The NEPC is responsible for the promotion of energy conservation pursuant to the provisions specified in the ENCON Act and the management of the ENCON Fund. To assist the NEPC, the Energy Conservation Promotion Fund Committee has been established to be responsible for the management of the ENCON Fund and ensure that the allocations are made in compliance with the regulations stipulated in the Act. The Act stipulates duties of owners of designated factories/buildings with regard to energy conservation in their facilities and promotes the use of energy-efficient machinery or equipment as well as materials contributing to energy conservation. The Act also contains penalty clauses for those who violate or fail to comply with the Ministerial Regulations, issued under this Act.

#### e) Financial resources and budget allocation

The Energy Conservation Promotion Fund, with an annual budget allocation of about THB 150 million, subject to approval by the Energy Conservation Promotion Fund Committee and the National Energy Policy Council (NEPC). In addition, the Energy Conservation Promotion Fund (ENCON Fund) has been established under the Act to serve as working capital, grants or subsidies for implementing in energy conservation programs in both public and private sectors, including energy efficiency improvement, renewable and alternative energy development, R&D projects, human resources development, public education and campaigns on energy conservation, and for the expenses for management and monitoring of the Energy Conservation Program.

#### f) Expected results

No information available

### 2.2. Regulatory Measures

#### 2.2.1. Minimum Energy Performance Standards and Labelling

Thailand has Minimum Energy Performance Standards (MEPS) and High Energy Performance Standards (HEPS) for five types of equipment—air-conditioners, refrigerators, ballast, fluorescent lamps and compact fluorescent lamps. Applicable sectors include residential (households and commercial for appliances, lighting and equipment).

In addition, the government introduced the Energy Efficiency Labelling No. 5 Programme (for further information, refer to Section 2.3. on voluntary measures).

### 2.2.2. Building Energy Codes

#### a) Name

Royal Decree on Designated Buildings, B.E. 2538 (1995), effective since 12 December 1995, and Royal Decree on Designated Factories, B.E. 2540 (1997), effective since 17 July 1997

#### b) Purpose

To improve energy efficiency of the design and construction of the new and existing buildings

#### c) Applicable sectors

Industry and commercial, including government buildings

#### d) Outline

Under the ENCON Act (1992), the following two major building sector regulations have been enacted:

- Royal Decree on Designated Buildings, B.E. 2538 (1995), effective since 12 December 1995, to stipulate the characteristics of “designated” buildings (energy consumption  $\geq 1000$  kW or  $\geq 20$  million megajoules of electrical energy equivalent, or those authorised to install one or more transformers with a total capacity of 1175 kVA). Under this Royal Decree, three Ministerial Regulations on designated buildings have been issued, effective 12 December 1995, prescribing a) the standards, criteria, and procedures for energy conservation in designated buildings; b) the forms and schedule for submission of information on energy consumption and conservation; and c) the criteria, procedures and schedule for owners of designated buildings to establish and submit energy conservation targets and plans.
- Royal Decree on Designated Factories, B.E. 2540 (1997), effective since 17 July 1997, to stipulate the characteristics of ‘designated’ factories (those with one or more transformers installed, with a total capacity of  $\geq 1000$  kW or  $\geq 1175$  kVA, or those consuming  $\geq 200$  million megajoules of electrical energy equivalent). Under this Royal Decree, two Ministerial Regulations on designated factories have been issued, effective 17 July 1997, prescribing a) the forms and schedule for submission of information on energy production, consumption and conservation, including the criteria on and methods of recording information on energy consumption and installation or modification of machinery or equipment that affects the level of energy consumption and conservation; and b) the criteria, procedures and schedule for owners of designated factories to establish and submit energy conservation targets and plans.

In addition, under the latest revision of the ECP Act in 2007, five Ministerial Regulations have been issued, namely a) Ministerial Regulation Prescribing Qualifications, Duties and Number of Personnel Responsible for Energy B.E. 2552; b) Ministerial Regulation Prescribing Standard, Criteria, and Energy Management Procedures In Designated Factories and Buildings B.E. 2552; c) Ministerial Regulation Prescription of type or size of building and standards, criteria and procedures for designing buildings for energy conservation B.E. 2552; d) Ministerial Regulation Prescribing the Qualifications of Person Applying for Energy Conservation Management Inspection and Certification Permit and Criteria, Methods and Conditions for Applying, Approving and Renewing the Permit; and e) Ministerial Regulation Prescribing Machinery, Equipment and Material for Energy Conservation.

#### e) Financial resources and budget allocation

Financed by the ENCON Fund, the budget is based on the annual action plan and subject to approval by the ENCON Fund Committee.



**f) Expected results**

No information available

**2.3. Voluntary Measures**

Thailand established the Energy Efficiency Labelling No. 5 Programme on a voluntary basis with the purpose to inform consumers that No. 5 labelled appliances/equipment are highly energy efficient and hence will reduce their electricity bills. This will also enhance competition among manufacturers to further improve the energy efficiency of their products. This program applies to the industrial, commercial and residential sectors and has been in operation since 1993. Concerning financial resources and budget allocation, financing comes from various sources, such as: GEF grants and the Australian Government (1993–2000); concessional loans from JBIC (OECD) (1994–2002); reimbursement through the Automatic Electricity Tariff Mechanism (Ft) (1993–2000); and since 2000 through the reimbursement of the Base Tariff (in EGAT's annual budgeting).

The program's main purpose is to provide consumers with better awareness of the importance of the energy efficiency of appliances and equipment when making a buying decision, and thus will help gradually remove low energy-efficient products from the market.

**2.4. Financial Measures Taken by the Government**

Various measures have been introduced, including revolving funds (soft loans), tax incentives, and investment promotion, via the Board of Investment (BOI), to encourage energy efficiency improvement. Concerning energy efficiency improvements in the industrial sector, these measures are sought to help achieve the energy saving target as follows (source: DEDE, Thailand, January 2010).

**2.4.1. Tax Scheme****a) Name**

Tax incentives (monitored by DEDE)

**b) Purpose**

To induce operators' decision-making to invest in the purchase of energy-efficient equipment/machinery

**c) Applicable sectors**

Various sectors

**d) Outline**

Investment in the purchase of energy-efficient equipment/machinery can be reclaimed through corporate tax deduction via three methods:

- 1) Cost-based: allow 1.25 times the actual investment capital for tax deduction calculation, which will lessen the tax burden, by phasing the amount of eligible tax deduction over a period of five years
- 2) Performance-based: 100% of the savings value from energy saving projects would become a tax deduction through income tax for the project owners, but not exceeding THB 2 million
- 3) BOI: A privilege from the Board of Investment for investors who invest in EE and RE business by receiving the waiver of income and import tax for a maximum of eight years.

**e) Financial resources and budget allocation**

No information available

**f) Expected results**

During Phase 1 (2006–07), the introduction of 193 approved projects resulted in a total investment of THB 4 836 million in EE improvement. Phase 2 (2008–09) is still ongoing; as of August 2008, there were 127 participating projects.

**2.4.2. Low-Interest Loans****a) Name**

Revolving funds or soft loans (monitored by DEDE)

**b) Purpose**

These measures are provided to stimulate and expedite energy efficiency investment in large buildings and factories.

**c) Applicable sectors**

Buildings and factories

**d) Outline**

Provide loans with 0% interest rate and 7-year final maturity to local commercial banks as an incentive to encourage the banks to lend to RE/EE projects, including ESCO companies at a maximum interest rate of 4%.

The maximum loan size is THB 50 million (USD 1.5 million). The banks will manage all aspects of loans and report the project status to DEDE. DEDE will 1) ensure that the projects are genuinely energy-saving projects, not simply equipment replacement; 2) monitor the performance of the banks to ensure that they meet their targets in terms of projects, lending and repayment; and 3) evaluate the program to measure energy savings.

**e) Financial resources and budget allocation**

Launched in January 2003, with an initial budget of THB 2 billion (about USD 58.8 million) allocated from the ENCON Fund. Up to the present, almost THB 6 billion has been allocated to be soft loans.

**f) Expected results**

Since its introduction in 2003, the Fund has recruited 11 public and commercial participating banks and extended some USD 200 million loans via the banks in support of approximately 300 projects with about THB 7 billion (USD 500 million) aggregated project costs. The fund has been successful in familiarising the participating banks with RE/EE business.

In addition, the Thai Government introduced the following loan scheme for households.

**a) Name**

Household Energy Credits

**b) Purpose**

To assist the general public who are interested in changing to use energy efficiency household electrical appliances, including the No. 5 energy-saving equipment and those items identified by the Ministry of Energy.

**c) Applicable sectors**

Residential (households)

**d) Outline**

Loans were provided via local financial institutions, without any interest rate (0%). Maximum loan for each household was THB 10 000, except for those who want to change to use energy-

efficient air-conditioners for which the loan was at maximum of THB 20 000. Program duration was May 2008 to September 2009.

**e) Financial resources and budget allocation**

Sponsored by the ENCON Fund with a budget of THB 1000 M

**f) Expected results**

Approximate annual energy saving of 50 ktoe by 2011

### 2.4.3. Subsidies and Budgetary Measures

**a) Name**

DSM by Bidding Mechanism (monitored by EPPO)—a new initiative in 2008

**b) Purpose**

The initiative's main purpose is to provide financial support to encourage business operators to invest in higher energy efficiency machines and equipment. In addition, Demand Side Management by Bidding Mechanism, or DSM Bidding, offers financial support to private sector operators to encourage investment in improving the energy efficiency of their companies by replacing or retrofitting existing machines or equipment, thus reducing energy consumption.

**c) Applicable sectors**

Private industrial and commercial sectors

**d) Outline**

In accordance with the initiative, subsidies are granted based on actual energy saving achieved in a year resulting from such investment. The subsidy is defined as “annual energy saving x subsidy rate (as bid by each company)”. With this bidding mechanism, proposals with lower weighted subsidy rate will be subsidised first.

The maximum subsidy rate set for each energy type is as shown in the table.

**Table 1: Subsidy rates**

| Energy Type  | Maximum Subsidy Rate |
|--|----------------------|
| Electricity  | THB 1/kWh            |
| Heat from liquid and gas fuels (fuel oil, LPG, natural gas, etc.)                              | THB 75/MMBtu         |
| Heat from solid fuels (coal, wood, rice husks, sawdust, bagasses and other agricultural waste) | THB 15/MMBtu         |

**e) Financial resources and budgetary allocation**

No information available

**f) Expected results**

This scheme is expected to reduce energy consumption by 149 ktoe in 2011, covering the industrial and commercial sectors.

In addition, to the above-mentioned measures, the government introduced the University Building Energy Efficiency Program. Specifically, the Khon Kaen University was offered financial support from designated bank to support energy auditing and investment in EE of its 360 buildings and one hospital. If the EE investment proves successful, there is a great potential to replicate it at other university compounds and public buildings. As the next step, possible modalities for a pilot project at KK University, including a partnership with private PESCOs under a benefit-sharing arrangement, with debt financing from the financial

intermediary banks. Further discussions are needed to design the most suitable modality for the proposed concept.

#### 2.4.4. Other Incentives

In 2008, the Thai Government introduced a new initiative, the ESCO Venture Capital (monitored by DEDE). The ESCO Fund has been established as a source of venture capital for the investors to jointly invest between public and private operators in energy efficiency and renewable energy projects through various channels—venture capital, equity investment, equipment leasing, carbon market, technical assistance and credit guarantee facility. The fund was launched in October 2008, with an initial capital of THB 500 million (about USD 14.7 million) targeted for potential investors; and as a pilot venture capital initiative to address the issue of lack of equity capital for small developers. The fund provides equity capital up to 50% of total equity; and in the case of very small projects, provides its support through equipment leasing. The fund has outsourced the identification and appraisal of projects to two entities, playing the role as a fund manager (THB 250 million each for ECFT and E for E<sup>1</sup>). The fund has so far approved as many as 17 projects, including a solar firm, biomass power plants, gasification projects and lighting devices.

In addition, Thailand has a number of other supportive measures for SMEs and the residential sector (monitored by various organisations) which provide grants for SMEs for the replacement of existing production processes and technologies by proven high-efficiency ones. Some examples of energy efficiency improvement due to these measures include technological upgrades in the tobacco curing process, ceramic shuttle kilns, and Chinese sausage dryers.

#### 2.5. Energy Pricing

The oil market in Thailand has been liberalised; thus, the pricing of crude oil and all petroleum products except LPG are based on international prices and the market mechanism.

LPG retail prices have been floated since 1 November 2001, while the wholesale prices are still under regulation. The government has planned to remove LPG subsidies, but the energy price crisis in 2008 caused the implementation to be delayed. Instead, the ex-refinery price of LPG has been capped at USD 332 per tonne since March 2008 to alleviate the burden on consumers, especially in the household sector. However, LPG pricing is under review by the government to reflect the actual supply costs and to avoid distorted use of LPG.

For naturally monopolistic businesses like electricity and natural gas, the government set the pricing policy and framework to be fair for both energy service providers and consumers, whereas the regulation of electricity tariffs and natural gas pricing and throughput fees are under the authority of the Energy Regulatory Commission (ERC) to ensure compliance with the government policy and framework.

Although a free and fair energy market is promoted, if the market mechanism fails to work properly, the government must step in to correct it in order to protect consumers. Normally, energy pricing principles in Thailand (whether involving oil, natural gas or electricity) are to reflect actual costs of supply and efficiency of operators. This will cause consumers to be more cautious in the use of energy. However, in certain cases like LPG, where the ex-refinery price has been capped since March 2008 to alleviate the burden of consumers, especially in the household sector, the use of LPG gets distorted, particularly toward greater use of LPG for transport. LPG pricing is now under review by the government to reflect the actual supply costs and to avoid its distorted use.

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<sup>1</sup> Energy Conservation Foundation of Thailand and Energy for Environment Foundation.

## 2.6. Other Efforts for Energy Efficiency Improvements

### 2.6.1. Cooperation with Non-Government Organisations

#### *Stand-alone PEA Renewable Energy and Energy Efficiency Project*

PEA (Provincial Energy Authority) is collaborating with the Forest Industry Organisation (FIO) to invest in a pilot biomass power generation project using forest residuals as fuel source with a potential to scale up to about 100 sites (with an approximate total capacity of 100 MW) in the next five years, and associated transmission lines and substations. PEA also has a plan to improve energy efficiency of street lighting on highways throughout the economy with private participation of ESCO.

In addition, PEA has a Master Plan for Energy Conservation which focuses on: a) energy conservation projects for public and street lighting, b) energy efficiency for PEA buildings (air conditioning and lighting), and c) consulting services in energy management for PEA costumers. PEA estimates a reduction in energy consumption of at least 300 GWh per year, equivalent to THB 750 million. The financing structure of the EE activities includes the following items: a) PPP scheme to finance EE street lighting, b) turn-key method for building retrofitting, and c) normal EE consultancy services for PEA customers. To implement this Master Plan, PEA has established a subsidiary (100% owned) named PEA Encon International. The following potential project modality was proposed and discussed with PEA (see the table below). However, PEA informed that its wholly owned subsidiary, PEA Encon International, will be the entity to invest in these projects and not the PEA mother company.

**Table 2. Energy Saving Targets**

| <b>Energy Saving Target in the Industrial Sector<br/>in 2011: 3,190 ktoe</b> |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
|  | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  | <b>2011</b>  |
| <b>1. Implementation pursuant to the Act</b>                                 | 25           | 50           | 100          | 211          |
| <b>2. Tax incentives</b>   | 232          | 341          | 454          | 570          |
| <b>3. Soft loans</b>   | 300          | 400          | 500          | 600          |
| <b>4. Promotion &amp; development of ESCO business</b>                       | 97           | 153          | 224          | 300          |
| <b>5. Partnership in ENCON</b>   | 200          | 300          | 400          | 551          |
| <b>6. Advance technology demonstration</b>                                   | 25           | 50           | 100          | 200          |
| <b>7. DSM Bidding + hotels</b>   | 149          | 149          | 149          | 149          |
| <b>8. Policy promoting CoGen</b>   | 358          | 406          | 500          | 608          |
| <b>Energy Saving Target (ktoe)</b>   | <b>1,387</b> | <b>1,849</b> | <b>2,427</b> | <b>3,190</b> |
| <b>Saving Achieved @ end-2008</b>  | <b>1,345</b> |              |              |              |

Source: DEDE, Thailand, January 2010

### 2.6.2. Cooperation through Bilateral, Regional and Multilateral Schemes

Thailand has established close relationships in EE in the areas of capacity building and technical assistance with neighbouring economies, such as Lao PDR, Cambodia, Myanmar, Malaysia, and Viet Nam. Regarding multilateral and regional cooperation, Thailand, as ASEAN Chair in 2008, led ASEAN toward the leader's aspirational goal of achieving 8% of EE improvement by 2015. Thailand also chaired the ASEAN Plan of Action for Energy Cooperation (APAEC) Drafting Committee in preparing the APAEC 2010-2015 detailing the EE strategies and actions for ASEAN member states.

### 2.6.3. Other Cooperation/Efforts for Energy Efficiency Improvements

There is financial support from designated banks to support energy audit and investment in EE in university compounds, hospitals and public buildings through ENCON Fund. Other EE programs also involve joint studies, R&D and promotional activities to enhance efficient use of energy in transportation, industrial and household sectors as well as capacity building and

development of personnel dealing with EE improvement projects/activities through academic conferences, seminars, training, and technical visits, including scholarship granting to pursue further study at the bachelor, master and Ph.D. levels, through ENCON Fund.

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