

Legislative update on carbon business in Thailand



One sector that has attracted the Thai regulators attention as a key enabler for decarbonisation is the hydrogen sector. For more information on this specific sector, please refer to our recent newsflash, *“Moving towards a Greener Future: Hydrogen in Thailand”*.

The Department of Mineral Fuels (“DMF”), however, is in the process of developing a legal framework to accommodate CCS-related activities as can be seen from the recent public hearing of the draft amendment to the Petroleum Act, B.E. 2514 (1971) (“Draft Petroleum Act”).

II. Carbon capture and storage

The Draft Petroleum Act essentially outlines key concepts related to CCS, including the exploration for carbon storage sites, the storage conditions for CO₂ and the utilisation of captured carbon for enhanced oil recovery or conversion into fuels and higher-value products.



By regulating these activities, the draft act seeks to ensure that CCS projects are conducted safely, efficiently and with minimal environmental impact.

1. Carbon business

Under the Draft Petroleum Act, “carbon business” is defined as the exploration for a carbon storage site or the storage of carbon in such a site. “Carbon” is specified as carbon dioxide, existing either as a gas or in a supercritical fluid state, which is produced as a by-product or obtained from various sources and subsequently transported for storage. This definition expands the understanding of carbon business to encompass both the exploration for storage sites and the actual process of storing carbon dioxide.

Please note that neither the Draft Petroleum Act nor other Thai laws currently clarify how “carbon” should be legally categorised – whether as “waste”, and a “resource” or under any other specific classification.

2. Licensing

The Draft Petroleum Act specifies that both existing concessionaires, production-sharing contractors, service contractors and new applicants can engage in carbon business by obtaining a license from the Minister of Energy (“MoE”), subject to approval by the Petroleum Commission.

Operators that are not concessionaires, production-sharing contractors or service contractors, but meet yet-to-be-established eligibility criteria, are permitted to apply for a license. Their license issuance will be facilitated through a bidding process for carbon business, to be announced by the MoE.

3. Eligibility

In granting a license, the minister of the MoE and the director-general of the DMF will consider the geological suitability of

carbon storage, storage systems, surrounding areas of carbon storage, risk of carbon leakage and movement, environmental impacts and the applicant’s financial potential and ability in environmental management.

The MoE has the authority to designate suitable areas for CCS projects, whether within existing petroleum concessions or elsewhere, enhancing the strategic planning of CCS activities across Thailand.

3. Compliance

According to the Draft Petroleum Act, license holders are required to monitor and inspect their carbon storage site and the site facilities to detect any potential issues. Additionally, permitted operators must comply with various operational requirements, including revenue management, storage conditions, monitoring and reporting and technical requirements for site closure and post-closure management.

III. Carbon credits as business guarantee

Another legislative development worth mentioning in this context is the implementation of carbon credits as a business guarantee in Thailand.

Carbon credits represent a valuable asset that can be traded in the market, offering businesses a way to compensate for exceeding their greenhouse gas emission targets. When carbon credits are used as a business guarantee, they act as a form of collateral or security in financial transactions, agreements or as a guarantee for loan applications. This means that a business can pledge its carbon credits as a guarantee to secure financing, ensure contractual performance or meet other business obligations. This concept not only incentivises companies to reduce their carbon footprint, but

also aligns with the global trend towards sustainable business practices.

Acknowledging the potential of carbon credits, the Department of Business Development is currently collaborating with relevant agencies such as the Export-Import Bank, the Public Organisation for Management of Greenhouse Gas, the Office of the Economic Affairs and private sector organisations.

Each participating agency is currently conducting internal studies on relevant issues before presenting their findings at meetings and establishing a working group to examine deeper into the feasibility of using carbon credits as a business guarantee in Thailand.

While the concept of using carbon credits as a business guarantee in Thailand is still in an early stage, the Thai government has demonstrated a clear commitment to advancing this initiative on their legislative agenda.

IV. Our services

Should you have any questions regarding Thailand's dynamic legal framework, please do not hesitate to contact us by email (thailand@luther-services.com) or telephone (+66 2210 0036).

We are also happy to assist with legal matters, as well as all corporate compliance services, such as accounting, payroll, company secretarial services and tax compliance.

VI. Your contact persons in Thailand



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