

7 February 2022

THAILAND Newsletter

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Bio-Circular-Green: New opportunities in Thailand-from buzz word to action

Prioritizing the BCG Model

At the end of 2021, an urgent global action plan to limit global warming from rising beyond 1.5 degrees Celsius was announced. During the 26th Conference of Parties (COP26), Thailand pledged to increase its nationally determined contributions to cut its emissions by 20 to 25 percent by 2030 with the aim to reach carbon neutrality by 2050 and reach a net-zero goal by 2065. Among many steps to be taken, the Thai Government has announced that a Bio-Circular-Green (BCG) Model will be part of the national agenda for the country's development. A BCG Model Framework will be in effect from 2021 to 2026. The framework places a focus on farming and food, healthcare and pharmaceuticals, bioenergy and biomaterials, tourism, and creative economy sectors.

Investment in the BCG Model will boost Thailand's competitiveness in selling local products and services in the global market as well as attracting foreign investment. This is especially the case where a commitment to the environment, social, and governance (ESG) factors is increasingly expected from customers and investors around the world. For further information on ESG, please see our previous article ([click here](#)).

What is a BCG economy – the cornerstone of the reform?

BCG encompasses 'Bioeconomy', 'Circular economy' and 'Green economy'.

- **Bioeconomy** aims to convert renewable biological resources into value-added products using science and new technologies.
- **Circular economy** focuses on the management of resources (e.g., reducing raw materials, extending product lifespans, reducing waste generation, and minimizing adverse impacts on the environment) and keeping the products and materials in use (i.e., reduce, reuse, recycle, remanufacture, and reprocess) to reach their maximum value. In other words, it is a shift from the traditional "Take-Make-Waste" linear economy model

to a cost-effective way of turning waste back into resources, and at the same time generating profits through revenues gained from circular economy activities.

- **Green economy** aims to balance economic growth alongside the protection of natural resources and ecosystems resulting in sustainable development.

The means to sustaining a green economy and maintain a feedback loop, or input, into the foundation bioeconomy is to keep products circulating for as long as possible. This is why a circular economy is a crucial link between a bioeconomy and a green economy. Put together, the model creates value at all levels, from design, production, consumption, and service activities. The BCG economy aligns with the United Nation's sustainable development goals to prioritize environmental health and human well-being while maintaining competitiveness in the global economy. There is increasing expectation that countries follow circular and green economy principles.

BCG developments in Thailand

Efforts to promote BCG at a policy level have been underway with a focus on four strategic areas: (a) agriculture and food; (b) medical and wellness; (c) bioenergy, biomaterial, and biochemical; and (d) tourism and creative economies. These strategic areas are summarized, as follows:

- **Agriculture and Food:** to promote value creation of low-value commodities and diverse products, waste reduction, and improvement of the use of resources. This can increase the value of agricultural and food products using biotechnology to develop new goods and suit the needs of global customers.
- **Medical and Wellness:** to promote biopharmaceutical production and medicine with an aim to become a hub for healthcare services and clinical research by building technology and human capital in the research and development (R&D) of medical and pharmaceutical technology.
- **Bioenergy, Biomaterial, and Biochemical:** to promote innovation for producing renewable energy such as energy from waste, biomass, and biogas.
- **Tourism and Creative Economies:** to develop sustainable tourism and tourism management systems (i.e., creating quality standards for tourism, maintaining and rehabilitating natural resources in tourist areas) including connecting tourism with other industries in order to advance high-quality tourism such as wellness tourism, eco-tourism, cultural tourism and sports tourism.

A BCG Model requires integration and collaboration from the public and private sectors, academia and society, collectively. As such, the government established the BCG Policy Board of Directors (chaired by the Prime Minister), the BCG Model Implementation Committee (chaired by the Minister of Higher Education, Science, Research and Innovation).

These bodies have been tasked with designing action plans to implement the BCG Model in addition to 11 sub-committees consisting of experts from various sectors to drive the required actions in each target sector. The model has successfully gained cooperation from various entities e.g., the Board of Investment of Thailand (BOI), Ministry of Natural Resources and Environment (MNRE), Ministry of Agriculture and Cooperatives, Ministry of Energy (MOE), Ministry of Tourism and Sports, and Ministry of Industry.

BCG regulatory enablers

The actions required for implementing the BCG Model include the amendment of the existing regulations. These include regulations relating to building controls, town planning, and hazardous substances (in order to facilitate the development of bio-industry and recycling businesses), regulations allowing industrial waste to be transported directly to processing plants, granting of promotions and privileges for businesses focused on the BCG Model, the enactment of new regulations (e.g., the draft biodiversity act for preserving and managing resources that requires a profit-sharing scheme between business operators and the local communities, and a specific regulation regarding waste management), and the prescription of clear BCG standards and quality assurances.

In this regard, startups, innovation-driven enterprises, smart farmers, high-value service providers, deep technology developers and creative entrepreneurs are targeted to benefit from the implementation of the BCG Model.

Industrial sector developments

The developments in the industrial sector, include for example, the Food and Drug Administration (FDA)'s consideration of the amendment of regulations related to food packaging standards to ease current restrictions on businesses involved with recycled plastics. This implies that businesses involved with recycled food packaging may be required to obtain a license with certain rules and conditions after the amendment is published and becomes effective. Although there is no detailed information on such draft amendment, recycling business operators have come up with a positive response regarding the announcement made by the FDA with the hope that recycling business opportunities will increase.

Energy sector developments

Thailand set a target to increase renewable energy to over 30 percent of the country's energy consumption by 2037 according to the Power Development Plan 2018-2037. The MOE is continuing to promote waste to energy production with the inclusion of community participation in waste management for environmental and energy purposes. The MOE frequently announces purchases of power generated from municipal solid waste. Operators are also eligible for investment incentives from the BOI as detailed below.

BCG incentives to drive the BCG economy

The investment promotion activities and policies led by the BOI play an essential role in attracting the private sector and foreign investors who can benefit from incentives offered within the BCG ecosystem and BCG industries. Promotions available include: a) activities-based incentives (i.e., agriculture and agricultural products, bio-based industry, medical industry, paper industry, energy and public utilities); b) merit-based (e.g., R&D, human resource development); and/or c) area-based incentives (e.g., eastern economic corridors). The BOI has promoted over 50 activities in accordance with the BCG Model. The top five promoted businesses under the BCG Model are electricity from renewable energy (including refuse-derived fuel), food production and preservation using high technology, production of eco-friendly chemical products, production of biomass products, and manufacturing of natural rubber products.

BOI incentives for BCG activities

BCG categories are eligible for a corporate income tax break for up to eight years, and several other tax and non-tax related incentives. Other incentives include exemptions or reductions from import duties on machinery, raw materials and R&D materials, permission to own land for a foreign majority owned company, and permission to hire foreign workers and experts to work in investment promoted activities over the number usually permitted under the relevant law.

Recent developments to promote BCG operations

An example of the broadened investment promotion landscape includes privileges for agricultural industries by the BOI under the BCG Model to encourage the development and adaptation of technology and innovation within the industry. Since 2020, the BOI has included a new category of plant factories that use technological innovations in the list of promoted businesses. Such promoted operations are eligible for five years of corporate income tax privileges. The BOI has amended the privileges for certain existing promoted businesses (e.g., animal feed, silos, cold storage, logistics systems and products available from agricultural byproducts or scraps) provided that such operations satisfy certain eco-friendly requirements and quality assurances. While some of the eligible activities related to BCG have been promoted by the BOI for some time, it is the combined implementation in a synergized manner that is novel.

Conclusion

The BCG Model aims to build capacity for society and the country to adapt to global changes, new market trends and ultimately develop a low-carbon society. Implementation of an effective BCG Model requires not only effective regulatory developments, but also significant financial incentives and funding from the government, private sector, and foreign investors to develop infrastructure, facilities, human resources, and technologies. In parallel to the promotion of incentives for BCG operations, several regulatory amendments that correspond with green society trends are currently under discussion. For example, the draft

climate change act which was put to a public hearing and is currently under internal discussion by the MNRE, and a recent notification of the MNRE designating certain smaller businesses as pollution-controlled sources where wastewater treatment is required was announced. As a result, stricter laws and disincentive policies may be implemented to ensure that environmental responsibilities are imposed on business operators of products, goods, and services that impact the environment.

The circular economy could also place responsibility for post-consumer phases of certain goods on producers. This could mean the treatment or disposal of post-consumer products by way of financial and/or physical means. Finally, to ensure that the system and processes are fully transparent and accountable, mandatory reporting obligations may be implemented whereby companies are required to integrate an information system for reporting, monitoring, and communicating with the relevant authorities. Given the pace of change, all businesses, including small and medium-sized enterprises will soon need to adapt by integrating innovations to their operations to become cleaner and reduce their carbon footprint.

If you would like to discuss any of the legal implication of the matters discussed above, please contact the authors listed in left-hand column.

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