

9 August 2022

THAILAND

Newsletter

Key Contacts



V. Joseph Tisuthiwongse

☎ +66-2-009-5108

✉ joseph.t@mhm-global.com



David Beckstead

☎ +66-2-009-5106

✉ david.b@mhm-global.com



Suphachok Saengarun

☎ 66-2-009-5120

✉ suphachok.s@mhm-global.com

Renewable Energy Procurement in Thailand - Considerations for the Upcoming RE Tender

Introduction

At the COP26 conference in Glasgow last year, the Thai government committed to achieving carbon neutrality by 2050 and net zero carbon emissions by 2065. In order to achieve these objectives, the electricity grid and Thailand's existing energy portfolio will need to undergo rapid decarbonization. In the first major development since the COP26 conference, the Thai Energy Regulatory Commission (**ERC**) has released a draft announcement for a new tender for the purchase of power from renewable energy sources.

Background

The National Energy Policy Committee (**NEPC**), which is the highest government body responsible for setting overall energy policy, approved the procurement of power from renewable sources under the Feed-in Tariff (FiT) Scheme for 2022 – 2030 on 6 May 2022 (**NEPC Resolutions**). Based on the guidelines set in the NEPC Resolutions, the ERC is now in the process of issuing regulations for a new round of procurement of renewable energy. We anticipate this process will commence sometime within the next few months before the year end. Sponsors interested in this procurement should therefore commence preparations and consider the following issues.

FiT Pricing

The procurement will be in the form of non-firm power purchases for the solar farms, wind farms and biogas projects, as well as semi-firm power purchases for the solar farm projects with battery energy storage systems (**Projects**). The total procurement will be 5,203 MW with scheduled commercial operation dates ranging from 2024 to 2030.

Developers may elect to apply for Projects with a contracted capacity of not more than 10 MW (very small power producers) or more than 10 MW but not exceeding 90 MW (small power producers).

The announced purchase prices for each type of Project are set out below:

Type of source	FiT (Baht/KWh)			Term (years)
	FiT _F	FiT _V	FiT	
1. Biogas (waste water/waste)	2.0724	-	2.0724	20
2. Wind	3.1014	-	3.1014	25
3. Solar				
Ground-mounted solar farm	2.1679	-	2.1679	25
Ground-mounted solar farm with battery energy storage system with contracted capacity of > 10-90 MW	2.8331	-	2.8331	25

With the Baht-USD exchange rate of 35.45 Baht per 1 USD as of 9 August 2022, the FiT rates for the Projects in USD are 5.8 UScents/kWh for biogas projects, 8.7 UScents/kWh for wind projects, 6.1 UScents/kWh for solar projects, and 8 UScents/kWh for solar projects with a battery energy storage system. Notwithstanding the recent devaluation of the Thai Baht against the US Dollar, the announced tariffs are nonetheless higher than comparable rates for renewable energy sources offered in jurisdictions such as the Middle East.

Project Considerations

The procurement process is likely to be short in nature and oversubscribed. Interested developers should commence preparations now in order to ensure the highest likelihood of success. Developers wishing to submit proposals should consider the various risks associated with renewable energy projects in Thailand.

Inflation Risk

Unlike other recent renewable power procurements, such as those related to waste to energy, the NEPC Resolutions do not indicate that a FiT_V (i.e. the figure announced by the ERC each year to account for inflation) will be used in calculating the FiT for these Projects. It is likely that the FiT for each type of Project will be constant for the entire term, meaning developers will be assuming inflation risk. Given the relatively high level of global inflation in 2021-22, developers will need to consider this point closely when developing their financial models.

Evaluation Criteria

Since the NEPC Resolutions specify the FiT rate, bidders will not be required to submit proposed FiT as part of their application. The applications for each Project will be evaluated based on, amongst other criteria, the qualifications and track records of developers as well as the readiness of the projects to commence construction.

Construction and Financing Costs

We have continued to see the ongoing effects of the pandemic with supply chain constraints and rising costs of raw materials. The FiT will be fixed and developers will need to carefully manage such costs to ensure return expectations are met. In addition, any financing for such projects will need to contend with rising interest rates which could in turn impact on any financial modeling.

Land Rights

Developers should consider whether:

- (i) it will have ownership or leasehold rights over the project land, or an agreement to acquire the project land or rights over the project land.
- (ii) the proposed project site is located close to the relevant and appropriate interconnection points. Renewable energy projects tend to be located in fairly remote areas where transmission line capacities may be constrained.
- (iii) the proposed project site is located areas where the relevant Projects could be developed pursuant to applicable zoning regulations.

Track Records

Developers submitting proposals will need to have the requisite experience demonstrating a strong history of successfully developing similar projects. Speculators will likely be discouraged through long term shareholding restrictions under the power purchase agreements as we have seen in the past.

Priority will be given to those who have the highest evaluation scores.

Conclusion

Given Thailand's stable investment climate, credit worthy offtakers and favourable procurement terms, it is likely that the upcoming tender will be over-subscribed. Developers who are interested in participating in this tender should note the potential evaluation criteria and be prepared to submit applications once the actual regulations come into force.

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

Contact Us

Chandler MHM Limited
17th and 36th Floors
Sathorn Square Office Tower
98 North Sathorn Road
Silom, Bangrak, Bangkok 10500
Thailand
www.chandlermhm.com

This publication is intended to highlight an overview of key issues for ease of understanding, and not for the provision of legal advice. If you have any questions about this publication, please contact your regular contact persons at Mori Hamada & Matsumoto or Chandler MHM Limited. If you should have any inquiries about the publications, or would like more information about Chandler MHM Limited, please contact bd@mhm-global.com.