

15 March 2024

# THAILAND

## Newsletter

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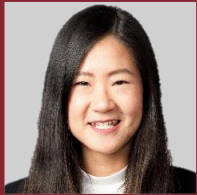
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## Unveiling the New Proposed Principles for Green Investment Trusts (GITs)

In an effort to foster environmentally conscious investments in Thailand, the Securities and Exchange Commission of Thailand ("SEC") has introduced principles governing the establishment of investment trusts dedicated to forestry and tree-planting initiatives – the Green Investment Trusts (singularly as a "GIT", collectively as "GITs"). Currently, these principles are undergoing a public hearing process. Below are some key highlights of GITs set by the SEC under the hearing.

### Purpose:

GITs aim to promote and support investors engaged in environmentally sustainable development. Acting as financing vehicles, they seek to mobilize capital for those involved in afforestation projects, benefiting farmers, communities, etc.

### Key Components:

GITs are subject to streamlined filing and regulatory requirements, aligning with the standards applicable to Private Real Estate Investment Trusts (Private REITs) and Private Equity Trusts (PE Trusts), which are also exclusive to sophisticated investors.

- 1. Relevant Parties**

GIT managers (singularly as a "GIM", collectively as "GIMs") are entities responsible for the management of GITs, while Trustees serve as asset custodians and are responsible for appointing and supervising GIMs in accordance with Trust Deeds.
- 2. Approval of Offering for Sale**

The SEC provides a deemed approval channel for the offering for sale of GIT units that meets the specified criteria.
- 3. Investors**
  - Due to the high risk of this new investment, participation in GITs is limited to sophisticated investors only, specifically Institutional Investors and Ultra High Net Worth Investors, recognized for their significant experience in capital markets. This restriction acknowledges the long-term nature of investments in afforestation projects yielding income from carbon credits and varying financial returns.
  - At least 2 sophisticated investors (Institutional Investors or Ultra High Net Worth Investors) are required.

**4. Invested Assets**

At least 75% of the trust units' value, including any secured loans (if any), must be invested in main assets meeting the following key criteria:

- 1) Ownership or leasehold rights in land involved in afforestation projects in Thailand;
- 2) Afforestation projects must be registered with the Thailand Voluntary Emission Reduction Program ("T-VER") through the Thailand Greenhouse Gas Management Organization ("TGO") for carbon credit generation.
- 3) Trees used in afforestation projects must possess reliable value or usability for business security, meeting specified criteria under relevant legislation.
- 4) Main assets must undergo reliable assessments by appraisers approved by the SEC.

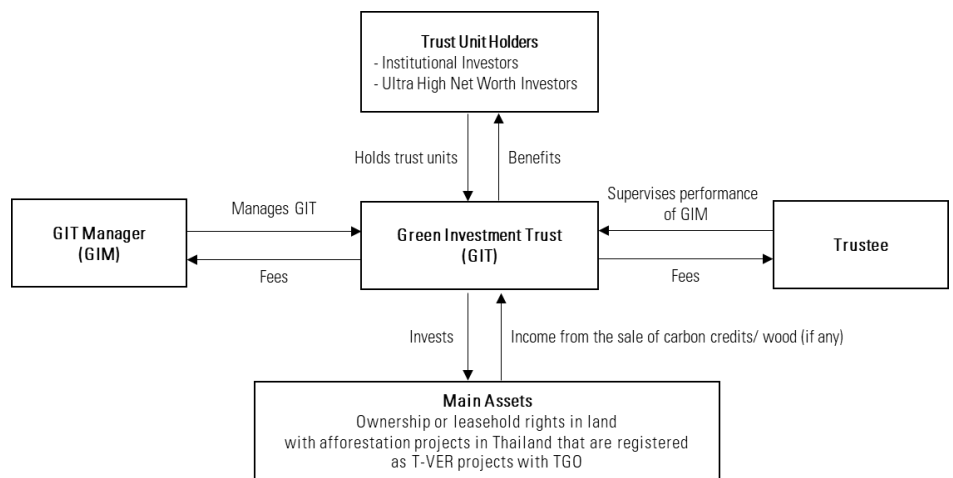
**5. Operation of a GIT**

- Main activity: Selling carbon credits
- Other activities: Cutting wood for sale, only in accordance with TGO's rules.

**6. Procurement of Loans**

There is no ceiling or limitation on creating obligations.

**GIT Structure:**



**Challenges and Opportunities:**

While the GIT framework presents opportunities for responsible investing, certain challenges and barriers must be addressed for its full potential to be realized.

A critical challenge lies in the voluntary nature of Thailand's carbon credit market, which currently lacks government-imposed quotas on carbon emissions. This absence of mandates means that businesses in Thailand are under no obligation to participate in the market or offset their carbon emissions. Consequently, businesses have little incentive to report their emissions accurately or procure sufficient offsets to neutralize their carbon footprint. This prevailing condition could hinder the broader adoption of carbon offsetting practices within the market.

Furthermore, the pricing dynamics of carbon credits are complex, influenced by several factors including project type, size, location, and verification methodology. Recent trends show that carbon credits sourced from forest projects tend to be priced lower, compared to those from other project types, such as renewable energy or waste management. This discrepancy arises due to many factors such as the relatively lower costs associated with forest projects, which may not require the construction of elaborate infrastructure like that needed for renewable energy facilities or waste management plants. Moreover, accurately measuring and verifying the quantity of carbon dioxide sequestered by forestry projects can pose challenges, potentially causing apprehension among buyers and resulting in downward pressure on prices.

Having said that, this voluntary market, coupled with the GIT framework, could serve as a stepping stone toward a mandatory system in the future. It could enable businesses to familiarize themselves with carbon offsetting practices, potentially paving the way for more widespread participation in carbon mitigation efforts.

In conclusion, despite the existing challenges, this marks a positive stride towards positioning GITs as a key player in sustainable finance. Through collaboration and continuous refinement, the GIT framework has the potential to set new standards for environmentally responsible investments in Thailand.

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

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