Bangkok Global Law
540, Unit 1705, 17th Floor, Mercury Tower,Ploenchit Road,
Lumpini, Pathumwan, Bangkok 10330 Thailand
Tel: +(66) 2 2525895-6 Fax: +(66) 2 2525897
Website: www.bgloballaw.com
E-mail: info@bgloballaw.com

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Thailand draws up historic first Climate Change Bill

Thailand is preparing to introduce its first-ever climate change bill, which is expected to be submitted to parliament by the end of 2025 and debated with the goal of having a climate law in place by next year. The bill is a key step in transitioning the country from a fossil fuel–based economy to a low-carbon society, supporting Thailand's commitments to achieve carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065. At its core, the legislation will establish a National Climate Fund, initially backed by 200 million baht during its first two years, to finance clean technology investments, emission-reduction projects, and international contributions, with long-term sustainability expected to come from revenues such as carbon credit fees, penalties, and the forthcoming emissions trading system.

The Bill also introduces requirements for more than 4,000 companies to report their carbon footprints to the Department of Climate Change and Environment, laying the foundation for a comprehensive national emissions database. A major feature of the bill is the gradual implementation of an Emission Trading Scheme (ETS), expected to launch by 2031 with large corporations in the energy and industrial sectors. This scheme will place a cap on total emissions while allowing companies to buy and sell allowances, creating financial incentives to reduce carbon output, a mechanism already widely used worldwide.

Importantly, the legislation emphasizes strict oversight and transparency to prevent "greenwashing," requiring clear data collection and strong monitoring to ensure credibility. Officials stress that the law is designed not only to set ambitious goals but also to provide the financial and regulatory tools needed for real action. Once fully implemented, it will ensure that Thailand's climate policies are backed by accountability, financial support, and effective enforcement, moving the nation closer to its long-term sustainability targets.

Here is a key provision in this Act

1. **Mandatory Emissions Trading Scheme (ETS)**
   - Establishes a cap-and-trade system to control greenhouse gas (GHG) emissions.
   - Emission allowances allocated through free distribution or auction.
   - Surplus allowances may be traded to incentivize reductions.

- Sectors to be covered will be specified in subordinate regulations, expected to include energy-intensive industries.

2. **Carbon Border Adjustment Mechanism (CBAM)**
   - Importers of designated carbon-intensive goods must register and report embedded emissions.
   - Carbon adjustment certificates required, ensuring imported goods face equivalent carbon costs as domestic products.
   - Deductions allowed if carbon pricing has already been applied in the exporting country.
3. **Carbon Tax Framework**
   - Imposes a carbon tax of up to **THB 120 per unit** on industrial emitters and importers.
   - Carbon tax payments may offset ETS auction costs.
   - Deductions permitted for carbon taxes already paid on raw materials.
4. **Corporate GHG Reporting**
   - Certain businesses must monitor, validate, and publicly disclose their emissions data.
   - Transparency and accountability reinforced, supporting ETS operation and broader climate policy.
5. **Climate Fund**
   - Establishes a financial mechanism to support emissions-reduction technologies, adaptation projects, and research.
   - Funded through ETS auction revenues, carbon taxes, CBAM fees, government allocations, and private sector contributions.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com

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