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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Proposed Amendments to Thailand's Petroleum Act Aim to Prevent Production Gaps and Energy Cost Volatility

The Department of Mineral Fuels (DMF) has completed draft amendments to the Petroleum Act intended to ensure continuity of petroleum production when licences expire. The proposed changes seek to prevent production gaps that have previously forced Thailand to rely on costly liquefied natural gas (LNG) imports, contributing to higher electricity prices.

Delays in renewing petroleum production licences reduce domestic gas supply and increase dependence on imported LNG for power generation. This, in turn, raises electricity production costs and places financial pressure on state agencies and consumers.

Although the draft amendments are complete, implementation must await the formation of a new elected government, as caretaker governments are prohibited from approving measures that bind the future government.

Under the current Petroleum Act framework, production licences may be renewed only once for a 10-year term, with no second renewal. This approach was introduced following political controversy over licence renewals without bidding, which led to the introduction of competitive bidding requirements and obligations for operators to bear decommissioning costs.

However, the restriction on further renewals has resulted in delays in petroleum production, particularly at major gas fields in the Gulf of Thailand, increasing reliance on LNG imports.

The expiration of licences at the Bongkot and Erawan gas fields coincided with a sharp rise in global oil and gas prices in 2022 following the Russia–Ukraine conflict. LNG prices surged, prompting the government to require the Electricity Generating Authority of Thailand (EGAT) and PTT Plc to subsidise electricity prices at significant cost. While this mitigated short-term impacts on consumers, it created long-term financial burdens that were later passed back to electricity users.

If enacted, the proposed amendments could provide greater regulatory flexibility in licence renewals, reduce production disruptions, and enhance Thailand's energy security. Energy operators and investors should monitor developments closely, as the amendments may materially affect licence renewal strategies and long-term investment planning in the petroleum sector.

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