

November 2022

Attn: Thanida Lawseriwanich
Bank Of Thailand

CC: Bridget Boulle and
Mikhail Korostikov
Climate Bond Initiative

ASIFMA Letter regarding the Thailand Taxonomy prepared by Climate Bonds Initiative

The Asia Securities Industry and Financial Markets Association (“ASIFMA”)¹, on behalf of its members (“the Industry”) appreciates the opportunity to provide feedback on the Thailand taxonomy (TT) Consultation. ASIFMA welcomes the opportunity for engagement and the willingness of Bank of Thailand (BOT) and Climate Bonds Initiative (CBI) to receive opinions and expectations from key stakeholders.

The Associations welcome the development of a taxonomy in this region and appreciate that the proposed TT Taxonomy could be an important step in helping to mobilise capital towards environmentally sustainable activities and in developing a sustainable financial sector, not only in Thailand and ASEAN, but also more broadly in the Asia-Pacific region

Below we provide specific responses to questions posed within the Consultation Paper.

Question 1: General documentation usability and ease of navigation.

- Is the draft document easy to navigate and understand?
- How could it be improved to make it clearer?
- Is the traffic light system clear and understandable?

Overall, members believe the TT provides a good model of a taxonomy as it has been designed to facilitate interoperability with existing taxonomies regionally and globally, and help bridge different stages of development within sectors and activities.

We especially commend the multi-tiered traffic light approach incorporated into the TT which supports transition and provides high GHG emitting sectors and activities a transition pathway.

We acknowledge CBI’s efforts to align the TT objectives and activities with key taxonomies used globally and within the APAC region such as the ASEAN, CBI, Chinese taxonomies, and the EU taxonomy. This is helpful for reducing regulatory fragmentation and achieving interoperability which is of critical importance to Thailand and the APAC region.

¹ ASIFMA is an independent, regional trade association with over 160 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

Alignment is also essential for encouraging the adoption and utilization of the TT, and alignment and references to international best practices in taxonomy development are key to ensuring successful taxonomy in an international capital markets context.

We value that the TT provides an objective, science-based, approach to identifying economic activities that exhibit the degree of environmental performance aligned with achieving the Paris Agreement targets.

Overall, the draft document is easy to navigate, and the framework outlined for the Thai Taxonomy (TT) is clear. We do not have adverse opinion on the transition and traffic light process proposed by the Taxonomy.

Question 2: Objectives of the document

- Are objectives derived from the Thai national documents correct and sufficient?

Careful thought and deliberation have been taken on considering the objectives of the TT – this is clear from the section dedicated in the consultation paper. We also recognise there are some slight differences in the objectives between the TT and ASEAN, namely in the areas of water and pollution control. However, broadly the objectives are similar and no major concerns to note.

Question 3: Technical screening criteria

- Are the TSC clear?
- Are the TSC usable?
- Are there any alternative/substitute metrics you would suggest to use to increase usability?
- Are there any other certification schemes or labels that should be used as proxies for compliance with TSCs?

We support that the TSC are science-based and objective, however, there we are seeking clarification on the below point:

It is challenging in some instances to match the green and amber thresholds for both energy and transport outlined in section 5 (model for activities assessment) to the corresponding activities in section 6.

For example; Green criteria for Hydropower:

- Under the activities section, green hydropower requires '*a facility commencing operation in 2020*' to have a GHG emissions intensity <50g CO₂e/kWh (page 44)
- Under 'model for activities' (page 36) the energy thresholds are a sliding scale which states 100 CO₂e/kWh is required for the period 2022-2040

It's unclear which amount of CO₂ should taxonomy users refer to? For ease of reference, we suggest CBI provide insight into how to interpret sections 5 and 6 in the paper.

Question 4: Level of ambition of each metric, and threshold.

- Is the level of ambition sufficiently ambitious for each criterion?

We have noted some of the TSCs outlined in the TT are lower than those in other taxonomies such as the EU taxonomy – for example in the area of energy. However, we recognise the Thailand economy is in much earlier stages of greening than the EU, therefore assuming the thresholds set under the TT have been done so to assist in transitioning to a sustainable economy and meeting the Thailand NDC and Paris targets.

We would also suggest including an annex in the TT to compare the threshold level retained for the listed activities with those of the EU taxonomy. The comparison could help identify the activities that are not

aligned and the differences. Similar comparison was also included in the China Green Bond Project Catalogue.

To ensure the taxonomy remains current and relevant to the Thailand climate situation, we encourage CBI and BOT to periodically review the TSC, so they remain relevant in changing circumstances.

Question: 5 Alternative policies and specific technical industry documents

- Are there any policies or other documents that should be used to set criteria in the local context?

In considering the utility of taxonomies, we would suggest CBI and BOT to consider the usability for both investors and issuers. The effectiveness of the taxonomy and the ability of market participants to use it will largely depend on the availability of reliable and consistent data.

We encourage CBI to refer to the ASIFMA/FOSDA Paper on Data Challenges for ESG and Sustainable Finance in APAC², which explains some of the key data challenges that must be addressed before a taxonomy can work successfully.

In addition, we would appreciate further clarification on proposed reporting timelines, such as the period of data in scope for the first reporting timeline and whether there are any specific formats or templates to be used for such reporting.

Thank you for the opportunity to provide feedback on the TT. We hope CBI and BOT will take the points raised in this letter into consideration as they continue to develop the TT and would be happy to engage in a dialogue to further discuss any of the issues raised and provide clarity on our response.

We do look forward to providing feedback on the second round of the TT and contributing to the overall development of the TT.

Should you have any questions, please do not hesitate to contact me Diana Parusheva-Lowery (dparusheva@asifma.org), Head of Public Policy and Sustainable Finance at ASIFMA.

Sincerely,



Diana Parusheva-Lowery
Executive Director – Head of Public Policy and Sustainable Finance
Asia Securities Industry & Financial Markets Association (ASIFMA)

² <https://www.asifma.org/wp-content/uploads/2020/12/asifma-fosda-esg-and-sf-data-challenges-and-opportunities-in-asia-f20201221c.pdf>