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Summary: International and Local Green Finance Assessment for Thailand, Stakeholder Engagement and Promotion of Credit Lines to Thai Hotels

Researched and written by The Greenleaf Foundation for the EU SWITCH-ASIA Tourlink Project

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Executive summary

This is a report on Green Finance (GF) schemes, which are currently available to support Thai hotels' investments in sustainability. The report offers a snapshot of opportunities, as the Thai tourism industry emerged from COVID in 2022. New financial products and services are being continually developed, and hoteliers will need to contact banks and other financial institutions mentioned in the report to request information on their updated offers. Nevertheless, the opportunities presented in the report will be useful to hotel associations and hotels, seeking to understand the types of support which are available.

The report will also be useful to Thai government policy makers and financial institutions, by clarifying and communicating Thai hotels' needs for GF, identifying constraints faced by hotels trying to access GF, and recommending how Thai financial services linked to sustainability performance can be improved.

The key research activities conducted to deliver this report were:

- 1) **Desk research** to identify different types of mechanisms and credit lines which have been developed, and are available in Thailand, to support investments by hotels in sustainability;
- 2) **Surveys and interviews** with 120 Thai hotels. The majority of surveyed hotels are located in Bangkok, Chiang Mai, Phuket and neighbouring provinces. During 2019, over 45% of the room occupancy of this respondent group had been taken by European tourists. Slightly more of these tourists arrived on tours, compared to bookings by independent travelers.
- 3) **A Round Table** held online on June 5th, 2022, with 41 participating Thai hotels;
- 4) **Analysis and delivery** of this report.

The team researched **4 categories of organisations** central to green finance in Thailand:

- 1) Hotels, resorts or accommodation establishments (users and (co)investors in GF);
- 2) Organisations providing funds or loans linked to sustainability in Thailand (e.g. banks and financial institutions);
- 3) Energy Service Companies (ESCO) and Energy Management Companies;
- 4) Other sources of loans or funds for hotels such as environmentally friendly suppliers.

Key Results and Recommendations:

- i. At international level, the IFC has identified key enablers for Green Finance (GF), which include **access to green finance** mechanisms, **government incentives** to green hotels, and **tools to boost profitability**. IFC programs include financial support to enable hotels to preserve jobs; improve efficiency and reduce operating costs; reduce carbon footprint; and fund retrofit / renovation.
- ii. The Bank of Thailand (BOT) has a strategic plan, and is taking action and mobilizing support across a large network of public and private sector organisations towards '**Banking for Sustainability**.' I.e. a financial sector which proactively supports the achievement of sustainable development. A variety of GF products and services are available to Thai hotels. However, these offers do not yet cover a broad spread of potential, sustainability related investments.
- iii. There is significant underutilized potential to harness GF as a tool to support sustainable development in Thailand. Most GF products and services offered by Thai banks focus on improving energy efficiency and investments in alternative energy. Most loans taken by surveyed hotels in the past 5 years were used for relatively low-cost investments with a quick ROI. If Thai banks can provide a greater variety of attractive GF products, it will strengthen the sustainability of the financial ecosystem and help to enable Banking for Sustainability.
- iv. Top reasons for hotels to access GF were cost savings (82%), preparing for a Green Certification (73%), requests from buyers (38%), equipment being out of date (35%), and an attractive offer by a bank (29%). An interesting observation from this data is that Green Hotel Certification was a very significant motivator for hotels to decide to invest further in sustainability performance.
- v. Currently, only 5% of research respondents stated that they had information about GF. 95% of respondents stated that they were not familiar with Thai or international GF programs. In the context of COVID recovery, hoteliers wish to see broader programs, covering more aspects of sustainability, including Human Resource Development (top priority) and waste management.
- vi. To increase the uptake of GF products and services, responsible Thai government organisations; Thai banks, Financial Institutions (FI), hotel associations and supporting organisations need to coordinate more closely; develop a more supportive policy environment especially for SME's to be able to access green finance; provide hoteliers with better information and with more diverse and attractive types of loan and interest rates; and to make GF programs more accessible.
- vii. Feedback from interviews and the Round Table (June 22) show that Thai hoteliers do not find interest rates of GF programs offered by Thai banks to be sufficiently attractive (typically around 3-4% PA). E.g., loans from SME banks typically have lower interest rates and fewer conditions, compared to GF offers. In practice, hoteliers also do not find GF programs easy to access. Hotels requested more supportive national government and bank policies, focused on making it easier for hotels and other Thai tourism businesses to access GF opportunities in practice.
- viii. The report shows that there is also high potential for ESCO's to help hotels to lower costs and increase efficiency. However, much more work needs to be done to create awareness and promote these services broadly to hotels. Few hotels clearly understand ESCO services.
- ix. ESCO's offer an opportunity, particularly during the COVID recovery, where hotels are suffering from the loss of skilled and experienced staff. ESCO teams can help to provide missing technical know-how, to increase efficiency and reduce costs. ESCO programs can include guarantees of ROI in energy efficient technologies, which can help hotels to manage the risks of investment. Thai hotels would benefit from more information and awareness about ESCO services.

The following section of the paper summarises the research from the longer, Thai language report.

COVID-19 as a business case for investing in energy efficiency

Hotels experiences trying to survive during COVID make an excellent business case for the value of managing energy consumption efficiently and sustainably. The research confirms that Thai hotels' investments in sustainability and efficiency have been highly important, not only for their value to environmental and resource conservation but also for economic sustainability and the survival of hotels.

The COVID 19 pandemic caused a huge drop in the number of tourists visiting Thailand, from almost 40 million international visitors in 2019, to under half a million arrivals in 2021, massively impacting and damaging the Thai tourism sector. Businesses survived by urgently reducing costs and increasing efficiency. Costs were saved by managing human and natural resources, above all energy efficiency.

During interviews, the research team identified 7 'survival pathways' which Thai hotels used to survive the crisis:

- Human resource development
- Developing environmentally friendly activities
- Using resources as efficiently as possible
- Finding or developing alternative energy sources
- Reducing and reusing resources as much as possible
- Developing to reach environmental standards
- Considering making environmentally friendly investments, across all areas of business

During COVID, due to lower room occupancies, electricity consumption in the Thai hotel sector dropped by approximately 40%. The sharp, quantifiable reductions in energy expenses demonstrate the scale of consumption and cost, and help to make a strong business case for GF investments in hotels (e.g. solar), and in particular for the potential impact of energy saving / efficiency measures and cost savings.

It is interesting to note that, during the COVID crisis, at national level, **Energy Intensity (EI) declined**. This was part of an ongoing trend, predating COVID, stimulated by government policies including reduced use of fossil fuels, investments in renewable energy, and more efficient transport systems. In contrast, prior to COVID, the overall energy **consumption and costs of the hotel sector had grown continually**.

Investments in energy efficiency, and alternative energy emerge as clear and feasible priorities, to escape the trend of growing consumption and growing costs, towards a more efficient model.

Lessons learned on green finance investments by hotels: past and future

- The research sample comprised 120, 3–5-star, Thai hotels located across Thailand, with the majority located around Bangkok, Chiang Mai, Phuket and neighboring provinces. 70% of these hotels had between 0-250 rooms, and 30% of the hotels have over 300 rooms. Prior to COVID, 75% of respondents had worked in a position related to sustainability for over 3 years, and over 40% of respondents had worked in a position related to sustainability for over 8 years;
- 95% of interviewed hotels said they receive little or no information about Green Finance;

- Generally, the research showed relatively low interest by these hotels to take loans to invest in environmental efficiency. Only 26.18% of surveyed hotels had taken a loan or participated in an investment partnership to raise sustainability performance during the past 5 years (2017-2021);
- The majority of loans were low-level investments, with a quick return of investment.
- Most of these hotels had taken loans directly from financial institutions. 60% of the surveyed hotels took loans from banks, while 30% used their assets as collateral to secure loans through their networks, while only 12.15% accessed credit through partnership with ESCO's;
- Hotels preferred taking loans with 3-5 or 5+ years loan repayment periods.
- The most popular investments among surveyed hotels were in energy efficiency. Modest investments were more popular than big investments. E.g. 91% of hotels had used loans to fit or improve lighting systems (e.g. LED), while 60% of hotels had used loans to fit or improve more efficient temperate systems (e.g. a chiller). 70% of hotels used loans to refurbish facilities (70%).
- Interestingly, almost 50% of hotels used some of their loan in Human Resource Development (HRD), including upskilling, training, etc. Water efficiency was another significant focus (44%).
- Top reasons for hotels to access GF were cost savings (82%), preparing for a Green Certification (73%), requests from buyers (38%), equipment being out of date (35%), and an attractive offer by a bank (29%). An interesting observation from this data is that Green Certification was a very significant motivator for hotels to decide to invest further in sustainability performance.
- 48.3% of hotels had no plan to take green finance in the next 1-5 years. This data needs to be considered in the context of the COVID crisis, while the research was being undertaken.
- Hotels' top needs for future investments in Green Finance are extremely interesting. The top need was HRD (staff understanding, management and service provision) by 74% of hotels. It is clear that the staff shortages caused by COVID lay-offs have massively undermined the capacity of hotels to provide services at pre-COVID levels. In terms of sustainability, many hotels have also lost their Sustainability or Green Team leaders, with institutional memory loss evident.
- Other needs were fitting or improving alternative energy (70%), investing to increase efficiency in resource and energy use (64%) and structural renovations for increased efficiency (18%).

Types of Green Financing Available to Thai Hotels

There are a range of different GF products and services available to Thai hotels. Below is a summary in English. Please refer to the Thai language version of the report for more detail about these schemes.

i. Organisations providing funds or loans linked to sustainability in Thailand (banks and Fi's)

Examples of Thai banks with green finance policies, products and services are:

- Kasikorn Thai (K-Bank)
- Siam Commercial Bank
- Kiatnakin Phatra
- Bank of Ayutthaya

- Krung Thai Bank
- TISCO Bank
- Thai Military Bank
- ICBC Bank

The most common types of GF offer, by Thai banks are:

- Energy efficiency and alternative / renewable energy (solar is very popular)
- Related to climate change / reducing carbon emissions from energy (and waste slightly)
- Circular economy investments, stimulated by Thailand’s BCG policy
- Other loans focused on improving resource efficiency
- HRD and capacity support for staff and suppliers through bank partners

(Source Green Leaf Foundation-Tourlink , 2022)

Profit forecasting, and balancing risk and security remain the core criteria for authorizing these loans

Examples of Green Finance Products / Services offered by Thai Banks

Summary of Green Finance Programs run by leading Thai Banks			
Bank	Credit limit	Interest rate	Loan Period
SME Development Bank	From 1-50 Million Thai Baht	Starting at 3.99%	Max 12 years
Krung Thai	100% of investment, if working with ESCO.	Starting at 3% depending on credit limit and size of business	Apr 10 years
Kasikorn Thai	100% of investment, if working with ESCO, or max 100 Million THB according to collateral.	depending on credit limit and size of business	Apr 7 years
Siam Commercial Bank	Maximum 100 Million THB	Starting at 4% PA	Max 10 years
Bangkok Bank	Maximum 50 Million THB	depending on credit limit, size of business and type of loan. Additional registration fee.	Max 8 years
Government Savings Bank	0.5 to 1 Million THB	3.99% PA	Apr 7 years

Recommendations for financial services offered by Banks and FI’s include:

- I) The government must take steps to increase the confidence of FI’s to invest in tourism, and encourage a broadened scope of policy support for sustainable finance, including HRD.
- II) FI’s should broaden GF / credit options beyond a narrow focus on energy efficiency;

- III) FI's should promote GF products and services more proactively, through hotel associations
- IV) FI's should offer more attractive interest rates (e.g. 1.5-2.5% PA)
- V) The government and FI's should assist SMEs to access GF

ii. Energy Service Companies (ESCO) and Energy Management Companies

ESCO's can play a useful role in supporting hotels to guarantee a successful ROI on investments made in energy efficiency. There are several business-partnership models which include a role by ESCOs:

- FI's agree to give loans to businesses which agree to use the services of an ESCO;
- FI's invite ESCO's to industry meetings with a focus on sustainable finance, to promote services;
- FI's promote the services and energy efficiency standards of an ESCO to businesses.

Cooperation usually includes contracts between FI's / banks, the ESCI and the business.

ESCO's can help hotels by:

- Conducting an accurate baseline-audit of current energy use;
- Assessing potential energy and cost savings, and ROI;
- Preparing an Energy Performance Contract to define and guarantee the forecast savings;
- Recommending energy-efficient equipment, from sourcing through to maintenance;
- Identifying GF funding sources, such as banks or current government projects;
- Helping hotels to prepare documents for loan applications;
- Providing technical advice and training to hotels to help them optimize efficiency;
- Increasing the confidence of FI's to offer a loan, achieve ROI and repay the loan;
- Monitoring energy use, and providing data to all partners (and customers);
- Being a one-stop-service for project management of all actions above.

Recommendations: ESCO is still perceived as confusing by small and medium size businesses. Government should help SMEs to form a consortium to access ESCO services. The government should also support research to extend ESCO services and model beyond the focus on energy savings.

iii. Other sources of loans or funds for hotels such as environmentally friendly suppliers

Individual suppliers may offer credit or special terms on the purchase of more sustainable products and services. For example:

- PAC Regenerating Energy <https://www.pac.co.th/en/> offer a large range of energy efficient water heaters and AC units
- Alto Tech can help hotels to reduce energy use, using AI: <https://www.altotech.net/>
- Seekster offers preferable rates for Housekeeping staff, if a full year contract is offered. <https://www.seekster.co/th>

- Channel managers like Site Minder can also help to save time, money and resources through professionalising booking, marketing and other management functions.
<https://www.siteminder.com/>

Overall lessons learned for a more effective Green Finance ecosystem for hotels

The success of green finance initiatives requires cooperation from:

- Hotels interested to become more sustainable
- Financial institutions (which need to understand the sector they are aiming to support)
- Hotel green certification and awards organisations
- GOV orgs with a consistent role / responsibility for investments in environment and tourism

Lessons can be learned to improve Green Finance ecosystems from experiences at international and national levels.

International level:

Many international initiatives are working to encourage a financial sector which supports sustainable development. This including the Dow Jones Sustainable Index (DJSI); detailed guidelines for banks and financial institutions including Oxfam's [Fair Finance Guide](#), which advises FI's how to consider social, environmental and human rights issues in their products, The Association of Banks in Singapore (ABS) Guidelines for responsible financial services' and Sovereign Green Bonds released in Indonesia.

Success relies on an organizational cultures which value sustainable growth above short-term gains.

Lessons from the International Finance Corporation ([IFC](#)) can help to develop Green Finance in Thailand. IFC provides credit lines and advisory services to banks, which then provide loans to hotels at national level. The 'green' conditions of the loans can be guaranteed through certification schemes.

Key enablers include **access to green finance** mechanisms, **government incentives** to green hotels, and **tools to boost profitability**. IFC programs include financial support to enable hotels to preserve jobs; improve efficiency and reduce operating costs; reduce carbon footprint; retrofit and renovation.

Success requires a paradigm shift towards Banking for Sustainability; and effective and sincere cooperation between sectors and stakeholders, at local, national and international levels.

Services should include investment and advisory services for banks and for the hotel sector, links to green hotel certification schemes, and development of additional building codes and incentives.

The private sector needs to play an important role, catalyzed by government regulations, supportive FI's with appropriate products, and the media catalyzing public support for sustainable development.

To achieve solutions will require support from financial institutions, According to the IFC (2007), this model must be based on 4 main principles:

- 1) Financial security of financial institutions and their customers;
- 2) Economic sustainability
- 3) Environmental sustainability

4) Social sustainability

National level:

Thailand is one of the top 10 countries impacted by climate change during the last 10 years. Climate change has a potential to reduce the output of Thai agriculture up to 50% in the next 80 years. Climate change threatens to reduce the efficiency of organic agriculture, an area of high potential for Thailand, and increase PM2.5, reducing opportunities in the long-stay market. In addition, there are threats of additional trade barriers. E.g. the EU Green Deal, which charge export taxes for carbon emissions.

Thailand is a signatory of the Paris Agreement, and reports regularly on its commitments to the United Nations Sustainable Development Goals (SDGs). The Thai private sector is increasingly engaged with Environmental, Social and Governance (ESG) systems, and sector level sustainability certifications.

Green financing is an increasingly important instrument in Thailand for public and private sectors. Recognising this, the Thai government is supporting the concept of 'Banking for Sustainability', based on the principles of transparency, accessibility and support for sustainability.

The Bank of Thailand had already included 'Banking for Sustainability' in its 2017-19 strategic plan, and facilitated a very significant network of government offices, commercial banks, securities, investment and accident insurance companies / organisations, around a commitment to Banking for Sustainability. Events like the Bangkok Sustainable Banking Forum 2018 created more awareness in the FI sector.

Based on the Sustainable Banking policies and frames developed by the BOT, many Thai banks have started to offer loans to investments with a focus on sustainability. Overall, the sector is moving from isolated business projects, to more systematic business practices, with some proactive product development and marketing of Green Financial products and services.

Thai FIs have started to

- Consider possible environmental impacts of investments, as well as reputational risks;
- Consider social issues, including financial inclusion and literacy, especially for grassroots and remote communities, including community friendly projects and businesses;
- Consider governance and ethical management in organizations and implement anti-corruption policies, which also supports the reputation of FI's.

Experience shows that with a disciplined approach to GF, businesses can grow securely, reduce debt, and contribute towards the wellbeing of the Thai environment and society. There is growing demand from Thai society for a broader GF policies and more consistent implementation of Banking for Sustainability inside the Thai banking industry. If Thai banks can raise their level of performance, and provide more choices for GF, it will significantly strengthen the sustainability of the financial ecosystem.

The event 'Tourism at a Crossroad' (BOT and VISA, 2021) proposed that COVID has reset Thai tourism. However, the future depends on how recovery is planned and undertaken. The team advised that a

sustainable recovery would require better aligned government policies, finances and investments in infrastructure, labour upskilling / reskilling, adjusted regulations, and support for secondary destinations.

The event recommended to reposition the Thai tourism industry on 'Value over Volume', with more diversification of markets (including domestic and regional), seasons and destinations. Core recommendations included moving away from high volume, mass tourism products, and building on existing strengths in nature and cultural tourism, and developing new offers based on demand for health and wellness tourism, community based tourism / local experiences, and business / working tourism. If followed, this strategy would also necessitate an extension of GF to help Thai hotels adapt and prepare.

Recommendations for the Tourlink Project:

- **Overall recommendations for Tourlink:** The COVID recovery period is a difficult time for planning. Many hotels seriously lack human and financial resources. Hotels which are interested in Green Finance should prioritize energy efficiency, with access to clear data. It's important to note that hotels' priority current need is HRD, including general service and environmental friendly service.
- Tourlink could support **training on where to find Green Finance opportunities**; and match-making or networking between supporting organisations, funding organisations and businesses. E.g.:
- **Coordinate a stakeholder forum to share direct experiences and needs** and to make introductions between representatives of Thai government offices, the banking sector, tourism associations and businesses (hotels, tour operators), with the aim to provide information about different loan options and support informed decision making (BOT, THA, Thai Banks, TEATA, ATTA);
- **Help expand the scope of GF by linking Carbon Certification to Green Finance Access.** Tourlink has strong relationships with Thai public and private sector tourism organisations. It would be useful to strengthen GF in relation to climate related initiatives E.g. by facilitating the creation of a Climate Fund, or other tools to support investments to reduce the impacts of climate change. E.g. green building construction or renovation, clean energy production, HRD with certified carbon training, and environmental conservation activities (E.g. TGO, DEQP, MOE, BOT, THA.).