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Sustainable Infrastructure Offers Opportunities for U.S. – Thai Cooperation

By Courtney Weatherby

Southeast Asia faces the simultaneous challenges of closing an estimated \$2.8 trillion funding gap for critical energy, transportation, and other physical infrastructure needs through 2030 while ensuring that its infrastructure is resilient to the growing threat of climate change. The national energy plans of the ten members of the Association of Southeast Asian Nations (ASEAN) anticipate that cumulative energy demand will rise 60% between 2019 and 2040. Even as countries rapidly build out new power generation and transmission, existing projects face new risks from climate change. Among the world's top ten nations most vulnerable to climate change, the Germanwatch Climate Risk Index includes three ASEAN countries, Myanmar, the Philippines, and Thailand. Thai policymakers have increasingly prioritized climate resilient and sustainable infrastructure domestically, and this provides opportunities for coordination with the United States on both national and regional sustainable development efforts.

Thailand has been a regional leader on sustainability for decades, particularly in the energy sector; it was an early investor in renewable energy targets, adopting tariffs to support solar and biomass technologies as early as 2007 and repeatedly adjusted policies in line with market shifts. By 2017 Thailand had already met half of its renewable energy target for 2036 for solar and wind power, and the government has consistently expanded renewable energy targets in subsequent power plans. Thailand is currently investing in pilot projects for on-grid battery storage, pumped hydropower storage, and electric vehicles and is scaling up floating solar capacity. In August 2021, Thailand published a plan to achieve carbon neutrality by 2065. Progress towards this target will require steady and significant investments in renewable energy and modern grid technologies. Thai policymakers are aware that this will require massive investments in additional power generation, modern grid technology upgrades, as well as changes in operating the grid and managing demand. Thailand will need to expand investment in this space while simultaneously balancing investment in climate resilient urban infrastructure and improved connectivity with neighbors.

Thailand's forward-looking focus on climate resilience provides ample opportunities for bilateral collaboration with the United States. The Biden Administration has prioritized climate considerations in foreign policy initiatives. Similarly, attention to the physical infrastructure needs of the Indo-Pacific, characterized by the overhaul of the Development Finance Corporation (DFC) under the Trump administration, continues under Biden. There are many opportunities for direct technical, policy, and capacity building assistance and collaborative pilot projects in Thailand. These opportunities relate to the integration of variable renewable energy into the grid; both financing and policy approaches to support widespread and successful deployment of rooftop solar; cross-border electricity trading; and deployment of battery technologies on the grid.

The United States has a wealth of technical assistance programs that target energy and infrastructure initiatives in the region, including but not limited to Asia EDGE, the Infrastructure Transaction Assistance Network, and the Commercial Law Development Program. Assistance can take the form of broad planning assistance—such as to collaboratively model multiple scenarios of infrastructure development to consider transboundary and multi-sector impacts—or through helping to identify and address regulatory challenges. Regulatory challenges are often a key

Courtney Weatherby, Deputy Director and Research Analyst for the Southeast Asia and Energy, Water, & Sustainability programs at the Stimson Center, explains that “Thailand’s forward-looking focus on climate resilience provides ample opportunities for bilateral collaboration with the United States.”

obstacle to the deployment of private investment in infrastructure projects. Ensuring up-to-date regulations on the specific restrictions, terms surrounding renewable energy technologies, zoning, and power purchase agreements can be key to ensuring bankability for sustainable infrastructure projects.

Beyond bilateral cooperation, there are opportunities for Thailand and the United States to coordinate on regional initiatives related to infrastructure development. Thailand is a natural partner as it is a major regional investor in infrastructure in neighboring countries: Thai companies are involved in 60% of the existing power projects in Laos, and Thai companies and banks play a smaller but still noticeable role in the other three Mekong countries. In 2018, Thailand took the lead in revitalizing the fifteen-year-old Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy—commonly called ACMECS—and brought a local emphasis on infrastructure needs into the public discourse about regional cooperation. While ACMECS shares many targets with existing regional economic initiatives, it is led by local Mekong decisionmakers and provides a relatively independent list of priority areas for investment and assistance to the international community. The 5-Year ACMECS Master Plan (2018 – 2023) identifies three general pillars of engagement: Seamless Connectivity; Synchronized ACMECS Economies; and Smart and Sustainable ACMECS. Each pillar includes an infrastructure component, either in the form of physical infrastructure, financial cooperation through an ACMECS Fund, or the development of human resources in modern energy technologies or climate resilient planning approaches.

In December 2020, the five ACMECS countries held a virtual summit which squarely identified both immediate areas for collaborating on public health in relation to the COVID pandemic as well as post-pandemic economic recovery. Chief among the initiatives to push forward on concrete collaboration is the establishment of an ACMECS Development Fund, which will help provide financing for development projects that have been identified in previous dialogues. The United States and other development partners have indicated interest in contributing funds to this effort. An important secondary goal was to proceed with establishing Coordinating Committees as well as an ACMECS Secretariat for internal and external coordination. While the chairmanship of ACMECS rotates, the United States and Thailand can take advantage of existing ACMECS programming and Bangkok’s bilateral initiatives to support priority areas identified through ACMECS while also meeting U.S. commitments to high-quality infrastructure.

Through the joint provision of training to regional stakeholders, the United States and Thailand could work to scale up domestic technical assistance on things like renewable energy certification processes or battery storage grid connection management. Collaborative training has previously been done with Singapore through the Third Country Training Program. There are benefits to supporting regional conversations through Thailand given existing programming based out of regional offices in Bangkok, and Thailand’s role as a sustainability leader, and its interest in being an electricity trading hub as the region moves towards an ASEAN Power Grid.

The DFC—which is the primary government vehicle for supporting private sector investment in countries abroad—could utilize funds in coordination with ACMECS to support projects that meet high-quality infrastructure requirements. Asia is underrepresented in current DFC projects. The Biden Administration has also prioritized development of a Climate Finance Plan. If regional conversations like the Mekong – U.S. Partnership Track 1.5 Policy Dialogues or ACMECS can identify projects that meet regional needs and high-quality infrastructure standards, then the DFC could help catalyze private sector investment from American companies to support sustainable development goals and broader U.S. foreign policy interests in Thailand and beyond.

Courtney Weatherby, Deputy Director and Research Analyst for the Southeast Asia and Energy, Water, & Sustainability programs at the Stimson Center, can be contacted at Cweatherby@stimson.org.