

## Few Incentives to Think Green

Published: 20 April 2014

Newspaper Section: Spectrum

Last week we asked whether it was possible to live green in Bangkok, and introduced Thailand's Green Building Code. Though it is far from comprehensive, the Green Building Code is a useful starting point and we would all be better off if developers adhered to its strictures. But who confirms compliance with the Green Building Code, and what are the legal incentives to comply?



The Leadership of Energy Efficiency Design (LEED) system is the most popular universally recognized green building certification system. LEED, developed by the U.S. Green Building Council (USGBC), provides third-party verification that a building is green having regard to several elements, such as (i) sustainable site, (ii) water efficiency, (iii) energy and atmosphere, (iv) materials and resources, (v) indoor environmental quality and (vi) innovation and design. LEED promotes sustainable construction and development practices through a rating system that rewards projects which implement strategies for better environmental and health performance. Attaining a building rating of silver, gold or platinum could arguably transform what might otherwise be regarded as just another ordinary project into a model of innovation, environmental stewardship and social responsibility. In the US LEED certification is done by the USGBC.

In Thailand, there are private companies that will provide LEED certification, and it is being sought by some developers desirous of its internationally recognized branding. However, as the merits of sustainable development take root in Thailand, other certification authorities are emerging.

Presently, developers who do not opt for LEED certification can select from among 3 “made in Thailand” systems and authorities to get their buildings certified as “green”. Thailand’s Energy and Environmental Assessment Method is an initiative run by the Ministry of Energy in conjunction with Chulalongkorn University, and was developed based on the Green Building Code. A second green building certification system is the Thailand Rating Energy and Environment System (“**TREES**”). TREES was launched in 2010 by groups of professional engineers and architects and is run by the Thai Green Building Institute. TREES is currently the most popular method of certification available in Thailand. Finally, the Thailand Association for Sustainable Construction worked closely with the German Sustainable Business Council to develop German standards for green construction in Thailand.

TREES takes into account factors which are similar to those considered by LEED when certifying a building as green, such as (i) building management, (ii) site and landscape, (iii) water conservation, (iv) energy and atmosphere, (v) materials and resources, (vi) indoor environment quality, (vii) environmental factors, and (viii) green innovation. What sorts of construction get points in each category? There are numerous considerations, but as an example energy-saving light bulbs, locating the development in areas easily accessible by public transport and having bicycle lanes and bicycle parking spaces will all boost a TREES rating.

So what benefits are available to developers who think green, aside from saving the planet and reduced operating costs? Unfortunately, not many. There are no penalties for non-compliance with the Green Building Code, and the incentives offered to green developers are somewhat limited and are not directly linked to compliance with the Green Building Code. The Thailand Board of Investment has a special promotion category for projects that are environmentally friendly or feature energy savings or renewable energy, and offers benefits such as an exemption from corporate income tax for 8 years (followed by 5 years at a 50% reduction), no import duties on machinery and enhanced tax deductions for transport, electricity and water supply costs. Yet the application deadline for projects under this BOI scheme was December 31, 2013.

Until 2012, the Ministry of Energy’s Energy Conservation Revolving Fund (in collaboration with several banks) loaned over US\$200 million to almost 300 projects, to help finance consulting, design, equipment and civil works associated with energy efficiency. As the idea of energy efficiency caught public attention, commercial banks began issuing similar loans on their own accord.

These incentives can be compared to ones offered in other countries; in the United States for example, cities such as San Francisco and Los Angeles expedite the granting of the permits for buildings that achieve a LEED gold/silver certification. In addition there are a wide range of financial incentives in the form of tax credits which are granted to developers who propose greener buildings. Similarly Singapore’s Urban Redevelopment Authority offers developments which achieve Green Mark Platinum or GoldPLUS additional floor area in excess of what they could otherwise have constructed in accordance with the plot ratio limits.

Currently less than 30 buildings in Thailand have received LEED or TREES certification, and notably none of them are residential buildings. We understand that only two new condominium projects, being The Circle and IDEO Mobi Sathorn are expected to achieve TREES certification. This can be compared to Singapore where, as of 1 January 2014, there were over 1800 Green Mark (the green building certification system used in Singapore) building projects scattered across the island. This low interest in green certification in Thailand is undoubtedly the result of it being a voluntary initiative, unlike in some US states and in Singapore. So the basic legal framework for a green building boom in Thailand is in

place, as are the certifying authorities. All that remains is the introduction of more carrots and sticks to motivate compliance.

Angus Mitchell ([angus.mitchell@dfd.com](mailto:angus.mitchell@dfd.com))  
Kunal Sachdev ([kunal@dfd.com](mailto:kunal@dfd.com))  
Thunyaporn Chartisathian ([thunyaporn@dfd.com](mailto:thunyaporn@dfd.com))



Source: <http://www.bangkokpost.com/news/investigation/405674/few-incentives-to-think-green>