

# CBAM's Effects on Thai Fastener Industry

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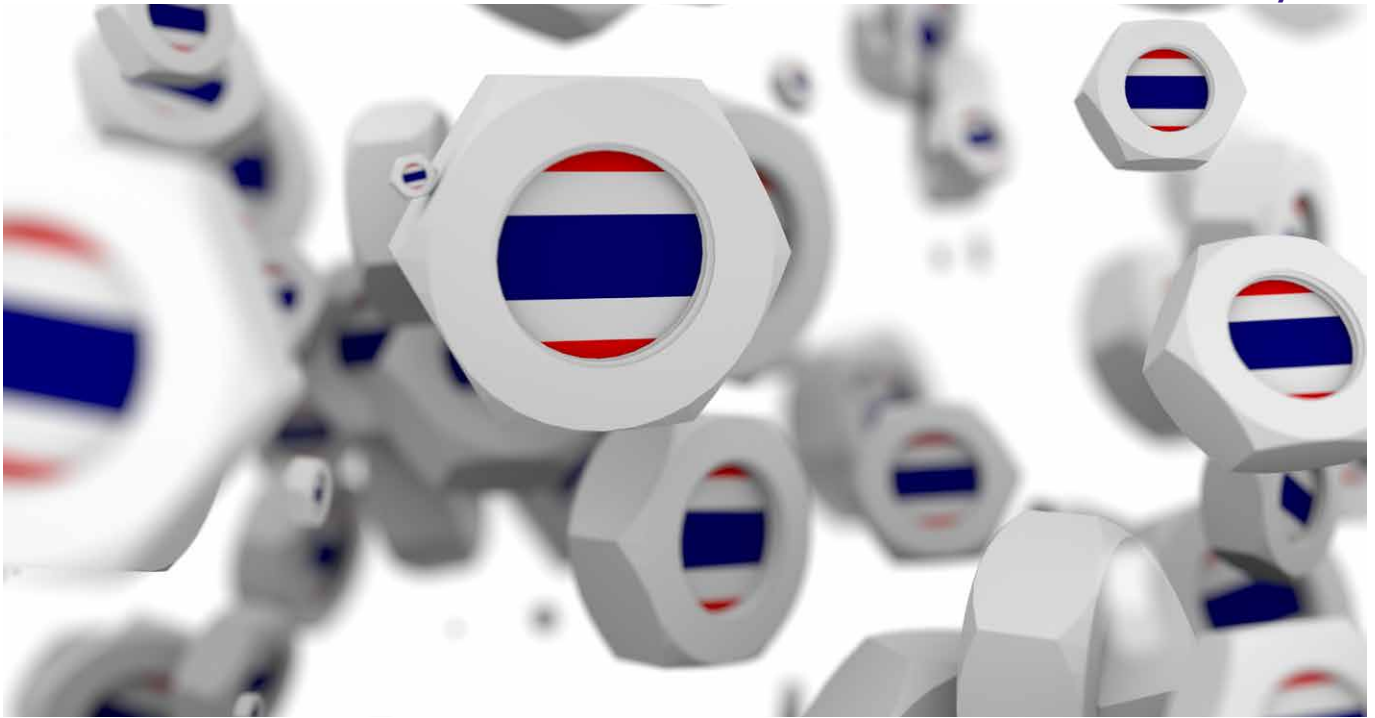
## CBAM and Thailand's Actions

The UNFCCC's three decades of global environmental efforts have not produced the desired results, leading to the development of smaller and more focused regional agreements such as the EU's Emissions Trading System (ETS). However, the ETS causes "carbon leakage," where firms move their production to countries with lax environmental regulations, increasing global emissions. The EU is set to implement the world's first Carbon Border Adjustment Mechanism (CBAM) in 2023 to harmonize its domestic carbon pricing policy with its imports. CBAM aims to reduce carbon leakage by encouraging non-EU countries to implement higher environmental standards in export-intensive industries. A recent study on policymakers' perceptions of the EU CBAM in Thailand showed that Thailand is worried about its complexity and impact on local industries. As the EU CBAM begins to take effect, policymakers in Southeast Asia may consider their domestic carbon policies to mitigate its impact on their economies. While the region's carbon markets are still in development, Thailand is taking steps to implement a carbon price in the near future.

The United Nations Framework Convention on Climate Change and the Paris Agreement are global efforts to tackle climate change, and COP26 in Glasgow in 2021 focused on enhancing pledges made under the Paris Agreement. **Thailand has pledged to reach carbon neutrality in 2050 and reduce greenhouse gas emissions by 2065.** While there are no mandatory carbon targets in Thailand yet, the Stock Exchange of Thailand has asked listed companies to submit a sustainability report that includes their carbon emissions details. **The proposed rules by the US SEC to mandate public companies to disclose information about their greenhouse gas emissions and other climate-related impacts and risk disclosures could potentially become obligatory for some companies in Thailand due to imposed requirements dictated by their head offices in the US.**

Furthermore, **the International Sustainability Standards Board's proposed standards may require financial institutions to publish estimates of the carbon emissions linked to their loans and investments,** which could potentially affect Thai banks and investors. CBAM importance for Thai companies is their climate change risks and opportunities for competitive reasons. The EU has proposed a Carbon Border Adjustment Mechanism (CBAM) that will adjust the price of imported goods that have carbon emissions exceeding prescribed levels under EU regulations. This may result in EU customers being reluctant to import goods from Thailand subject to CBAM, which would lead to additional costs.





Businesses can no longer ignore the importance of incorporating climate actions into their corporate strategy and business operations as consumers, investors, and business partners are demanding explicit environmental and sustainability policies. Adhering to sustainable business practices could provide a competitive edge, such as carbon labelling products that disclose greenhouse gas emissions. Thai companies need to ensure that their own practices and their entire supply chain comply with their customer's sustainability policies, or they risk losing them. Making changes sooner rather than later is important as these trends will become more of a reality, and preparations should start now as this process cannot be done overnight.

## CBAM and Its Effects on the Fastener Industry in Thailand

The EU is a significant trading partner for Thailand overall. According to the European Commission, trade in goods between the EU and Thailand was worth approximately 37.6 billion euros (about 45 billion USD) in 2020. The EU is also one of Thailand's largest sources of foreign direct investment. Around 10% of Thailand's total exports are destined for the EU. The combined export value of goods such as minerals, fuels, iron, metals, chemicals, and plastics from Thailand to the EU is relatively modest, so they will not be significantly affected by the EU CBAM. However, Thailand's fasteners to the EU may be impacted, and their export costs may increase, making them less competitive with rivals like Singapore, Vietnam and Malaysia.

Thailand's fastener industry is relatively small but growing. According to a report by the Thailand Board of Investment, **the country's fastener production was valued at around 260 million USD in 2022. Their exported fasteners to EU were about USD 121.6 million and their imported fasteners from EU zone were USD 82.7 million in 2022.** The report also notes that the industry is expected to grow, driven by the country's increasing role as a production and export hub in the ASEAN region.

## Conclusion

It is difficult to predict the future of any industry with certainty, but there are some trends that could affect the fastener industry in Thailand in the coming years.

One major trend is the increasing demand for sustainable and environmentally friendly products, which could drive the development of new materials and manufacturing processes. As we discussed earlier, **businesses and consumers are increasingly focused on reducing their carbon footprints and environmental impact, which could create new opportunities for companies that can produce fasteners using recycled or sustainable materials.**

Another trend is **the growth of the digital economy, which could create new opportunities for fastener companies that can leverage new technologies to improve their operations and customer service. For example, companies that can provide real-time tracking and monitoring of their products could be more attractive to customers who want to manage their supply chains more efficiently.**

Finally, global trade regulations, such as the proposed EU Carbon Border Adjustment Mechanism (CBAM), could also affect the fastener industry in Thailand. As we discussed earlier, companies that do not take steps to reduce their carbon emissions could face increased costs and reduced demand from customers who are concerned about their own carbon footprints.

Overall, the future of the fastener industry in Thailand will likely depend on how well companies can adapt to these changing trends and meet the evolving needs of their customers. Those that can embrace new technologies, develop sustainable products, and reduce their carbon emissions will likely be better positioned to succeed in the years to come. ■

