



 KUNAT THARASRISUTHI, SENIOR ANALYST, ASIA POWERTRAIN FORECAST

 20 SEPTEMBER 2022

Thailand's journey to becoming ASEAN's EV hub

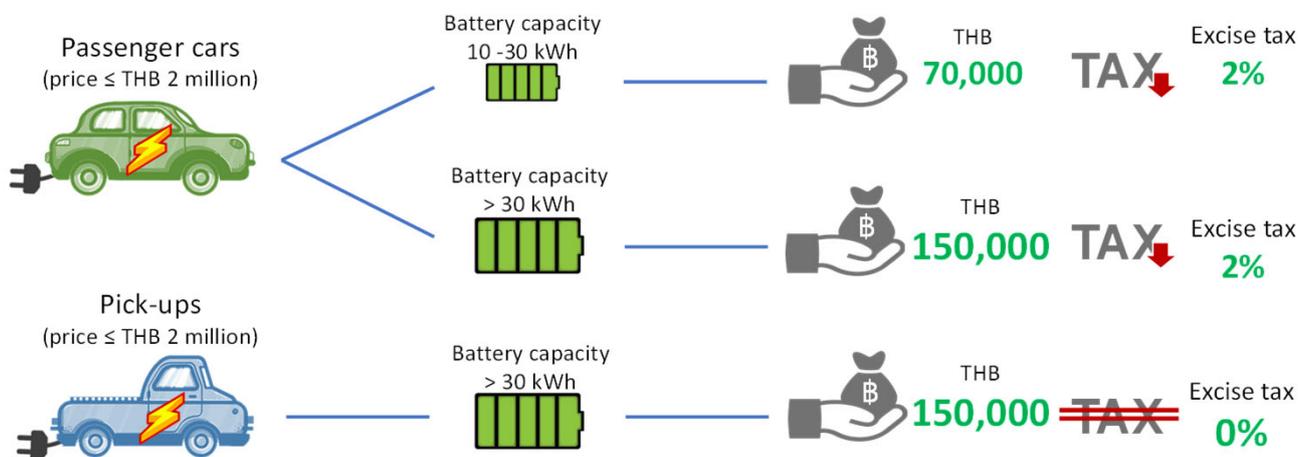
Climate change, rising oil prices, air pollution, government policies, and stricter emission standards – these are all factors in the worldwide understanding that electric vehicles (EVs) are necessary. This rapid global transition to EVs puts ASEAN's automotive industry at risk as their main products are still internal combustion engine (ICE) vehicles. Among ASEAN, Thailand has claimed its place early on the electric vehicle bandwagon by declaring it will be the region's EV production hub with an ambitious plan to transform 30% of its total auto production to electric vehicles by 2030.

Step-by-step with a well-designed policy

The first step was in March 2017. Thailand's Board of Investment (BOI) invited investments with an Electric Vehicle and Hybrid Incentive Program. The BOI offered steep excise tax reductions and corporate income tax exemptions of up to eight years for manufacturers that used locally produced batteries and key electrical components in their vehicles. The program attracted almost 20 OEMs, including most of the major players from Japan and Europe (Toyota, Honda, Nissan, Mitsubishi, Mercedes-Benz, and BMW), with a total investment value of over US\$3.3 billion. However, the OEMs that did participate mainly produced hybrids and plug-in hybrids (PHEVs).

In late 2020, the BOI then tried to focus on battery electric vehicle (BEV) technology in this next round of its incentive program with greater benefits for BEV project investments of at least THB5 billion in a bid to attract heavy-weight investors, such as the Chinese automakers. This phase successfully charmed major Chinese automaker Great Wall Motor into investing and building a full-scale automobile factory to be used as its main production base for right-hand-drive vehicles and electric vehicles in the ASEAN region.

The BOI also approved applications from Horizon Plus, a joint venture between Hon Hai Technology Group (Foxconn) and PTT Public Company Limited, Thailand's largest publicly listed conglomerate. Horizon Plus is setting up a BEV manufacturing plant with a production capacity of 50,000 cars annually, boosting Thailand's BEV production potential. Horizon Plus will start producing BEVs for the NETA brand in Thailand in 2024.





 KUNAT THARASRISUTHI, SENIOR ANALYST, ASIA POWERTRAIN FORECAST

 20 SEPTEMBER 2022

In February of this year, the Thai government took another major step and upped its game by announcing a new BEV incentive package. This latest package includes an import duty reduction of up to 40% for CBU BEVs, a revised excise tax cut from 8% to 2% for BEV passenger cars and 0% for BEV pickups, and a huge cash subsidy of THB70,000-150,000 per unit for BEV buyers. This stimulus package is designed to jump-start BEV sales by first offering benefits for imported BEVs. Automakers joining the program must offset their imported BEV volumes by locally producing similar BEVs with a 1:1 import to local production ratio by 2024. They can extend the deadline to 2025, but then must produce at a ratio of 1:1.5. Several OEMs, including MG, Great Wall Motor, Toyota, and NETA immediately jumped in to sign a memorandum of understanding (MoU) with the government for this package.

Most recently, on 8 September 2022, the Chinese electric car giant BYD signed an agreement to purchase land in Thailand's Eastern Economic Corridor (EEC) to build its first electric vehicle production plant in Southeast Asia. The BOI approved BYD's THB18 billion plan to manufacture BEVs in the country with an annual capacity of about 150,000 vehicles for the Thai market and export. BYD also announced their interest in the new BEV incentive package.

With the cash subsidy package implemented, the participating OEMs each received over 3,000 booking orders within a month and now must temporarily halt bookings due to chip shortages. We expect BEV passenger cars sales to exceed 14,000 units this year, an exceptional improvement compared to the mere 1,894 BEVs sold in 2021.

These EV sales volumes and EV-related investments mark great progress for Thailand in becoming ASEAN's EV production hub.

Challenges remain ahead

One of the biggest obstacles to BEVs is the lack of an extensive charging network. As of March, there are only 944 charging stations throughout Thailand, with over half of them located in the Bangkok metropolitan area. This unevenly distributed charging network could raise range anxiety for BEV owners. Having a charging infrastructure with convenient proximity and driving range will ensure that end-users can travel freely with no constraints, improving positive public perceptions.

In an effort to improve the country's charging network, in April this year, the BOI approved incentives for investments in charging stations, giving 3- to 5-year tax holidays to charging service providers.

Public charger availability is the key factor crucial to boosting demand and securing steady growth for BEVs. Thailand's EV charging ecosystem will need to scale accordingly to successfully become ASEAN's EV hub.

If you have any questions, please contact us at media@lmc-auto.com