SOVEREIGNS

Thailand prepares new SLB issuance

Jonas David* | 27 Aug 2026 | 7 minute read

SUMMARY

- Thailand is preparing to issue a new SLB with targets linked to emission reduction and biodiversity conservation.
- The debt management office announced a roadshow for the week commencing 31 August 2026.
- The updated financing framework is a major step forward in the ambition and scope of its targets.
- Translating the two targets into an ambitious SLB that is financially material will be key for Thailand to potentially achieve a pricing benefit.

The Kingdom of Thailand (ticker THAIGB), rated A- / Baa1 / BBB+ (S&P / Moody's / Fitch) for local currency long-term debt, is preparing to issue a new Sustainability-Linked Bond (SLB) under an updated financing framework.

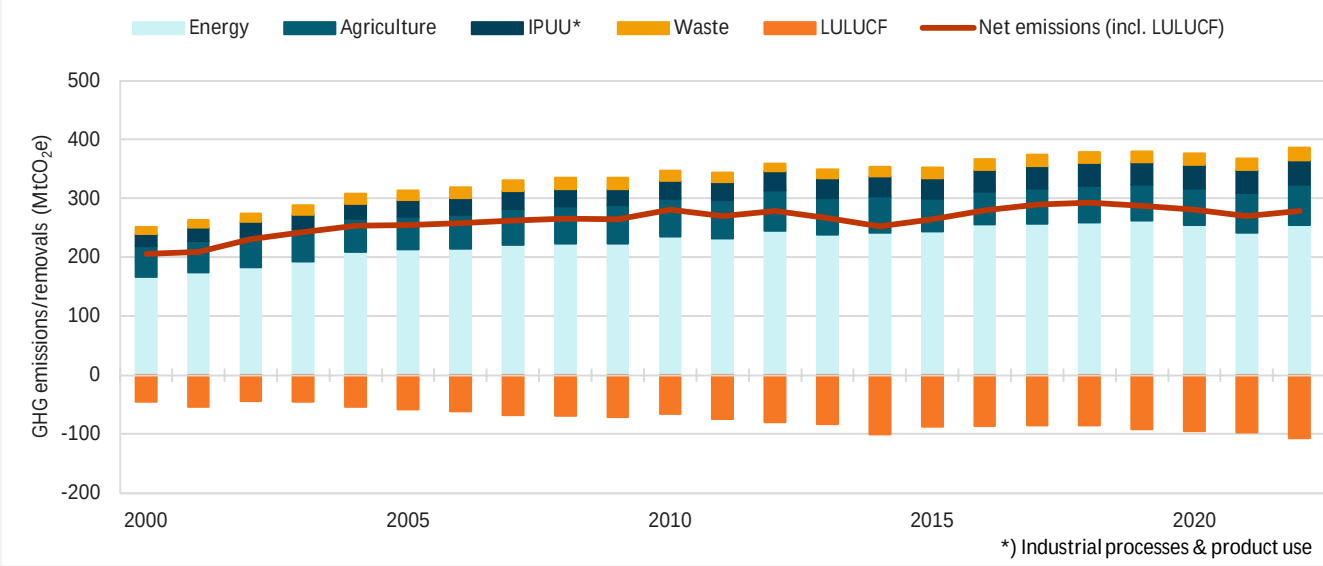
The Public Debt Management Office (PDMO) indicated the launch of a 15-year bond in mid-September, with targets linked to greenhouse gas (GHG) emission reduction and biodiversity conservation.[1] It would be the first SLB tied to 2035 NDC targets, and only the second sovereign bond to embed the 30x30 biodiversity target.

The 2035 NDC target (net emissions of 152 MtCO2e by 2035, a 47% reduction from 2019 levels) is a significant commitment, and it is positive that this more ambitious target will be embedded in the new SLB.

The targeted increase in protected areas only covers terrestrial and inland waters. Still, reaching 30% by 2030 from 18.44% would be a meaningful improvement.

Ahead of the investor roadshow, scheduled for 31 August (domestic investors) and between 1-4 September (international investors), we have analysed the information available so far and outline key considerations for investors.

Figure 1. Thailand's historical GHG emissions/removals by sector. Sources: AFII, PDMO / Thailand's Biennial Transparency Report.



[1] "Press release", PDMO, 19 Aug 2026.

*Author to contact: jda@anthropocenefii.org. See important disclaimer.

Introduction

In November 2024, Thailand's government issued its inaugural SLB (ISIN TH0623B3K608). Following the initial issuance of THB 30bn and subsequent taps (the latest one in May 2026), the amount outstanding reached THB 230bn,[2] equivalent to USD 7bn at the current exchange rate, making it currently the largest single sovereign SLB outstanding globally.

As climate change and nature conservation require significant investment, bond markets play a key role in raising capital. Recently, the PDMO announced plans to issue a second SLB based on an updated framework, with an approximate maturity of 15 years and initial value of THB 15bn (close to USD 460mn). Key performance indicators (KPIs) will focus on GHG emissions and protected areas.

In this note, we analyse the information available so far and provide investors with key considerations ahead of the roadshow that is scheduled for the week commencing 31 August 2026. These meetings offer market participants an opportunity to engage directly with the PDMO and share feedback on the upcoming issuance, and we set out questions that could guide those interactions.

Targets linked to emission reduction and biodiversity conservation

The recently updated Sustainability-Linked Financing (SLF) Framework summarises Thailand's climate and nature commitments, which are reflected in the two KPIs and Sustainability Performance Targets (SPTs):[3]

- KPI/SPT 1: Net GHG emissions, all IPCC sectors including Land Use, Land-Use Change, and Forestry (LULUCF) / Reduce to 152 $MtCO_2e$ by 2035, representing a 47% reduction (135.2 $MtCO_2e$) compared to 2019 levels (287.2 $MtCO_2e$).
- KPI/SPT 2: Percentage of terrestrial and inland water protected areas and Other Effective Area-Based Conservation Measures (OECMs)[4] relative to the total national land area / Achieve at least 30% by 2030, compared to 18.44% in 2024.

The framework is aligned with market standards.[5] The Second-Party Opinion (SPO) concludes that the SPTs are "*ambitious and go beyond what is considered 'business-as-usual'*".[6]

As the targets address emission reduction and biodiversity conservation, they cover two critical areas of sustainable development. Importantly, both are aligned with international climate and biodiversity commitments, namely the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework (GBF).

[2] "Bond information: SLB406A", ThaiBMA, accessed 26 Aug 2026.
[3] "Kingdom of Thailand Sustainability-Linked Financing Framework", PDMO, Aug 2026.
[4] An OECM is defined as a geographically defined area other than a Protected Area, which is governed and managed in ways that achieve positive and sustained long-term outcomes for the in-situ conservation of biodiversity, with associated ecosystem functions and services and where applicable, cultural, spiritual, socio-economic, and other locally relevant values (Source: Protected Planet, accessed 26 Aug 2026).
[5] International Capital Market Association (ICMA) Sustainability-Linked Bond Principles (SLBP) 2024; ASEAN Capital Markets Forum (ACMF) ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) 2022; and Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia-Pacific Loan Market Association (APLMA) Sustainability-Linked Loan Principles (SLLP) 2025.
[6] "Second Party Opinion: Kingdom of Thailand Sustainability-Linked Financing Framework", DNV, 14 Aug 2026.

Emission reduction: increased ambition

SPT 1 is based on an economy-wide measure of emissions, aligned with Thailand's latest NDC commitments under the Paris Agreement; policymakers aim to reach peak emissions before 2030 and net zero by 2050.[7] Thailand would be the first country to issue an SLB targeting 2035 NDCs.

Figure 2 compares the latest NDC target (2035) to the previous one (2030). Plotting a linear trend using proxy data from 2005-2024 indicates a gradual upward trajectory in net emissions over time. A reduction to 152 $MtCO_2e$ by 2035 is a significant commitment, and it is positive that this more ambitious target will be embedded in the new SLB.

Noteworthy changes compared to the earlier SLF framework[8] are the shift from gross to net emissions (i.e. including LULUCF, which lowers net emissions due to carbon removals through land use and forestry, see Figure 1 on the first page) and the move from reduction targets relative to a business-as-usual scenario to absolute emissions targets.

Overall, the approach evolved from a ceiling on gross emissions (2030 target) to a significant reduction in net emissions (2035 target), aligned with a 1.5-degree pathway.

The sectoral breakdown in Figure 3 shows the main sources of emissions and their respective reduction targets.

Energy and transport are the two largest drivers of emissions, and combined they are expected to deliver two-thirds of the overall reduction by 2035. Thailand's National Energy Plan is currently being updated to align with the latest climate commitments.

LULUCF is also expected to be a meaningful contributor to achieving the overall emission reduction target.

Figure 2. Thailand's historical emissions, NDC targets for 2030 (gross, excl. LULUCF) and 2035 (net, incl. LULUCF). Sources: AFII, PDMO, PRIMAP-hist national historical emissions time series v2.7, UNFCCC.

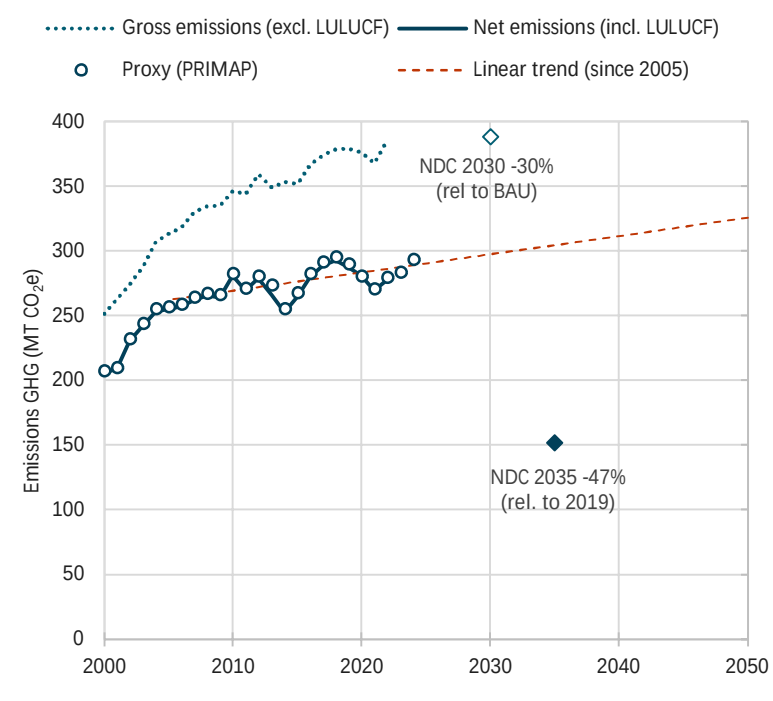
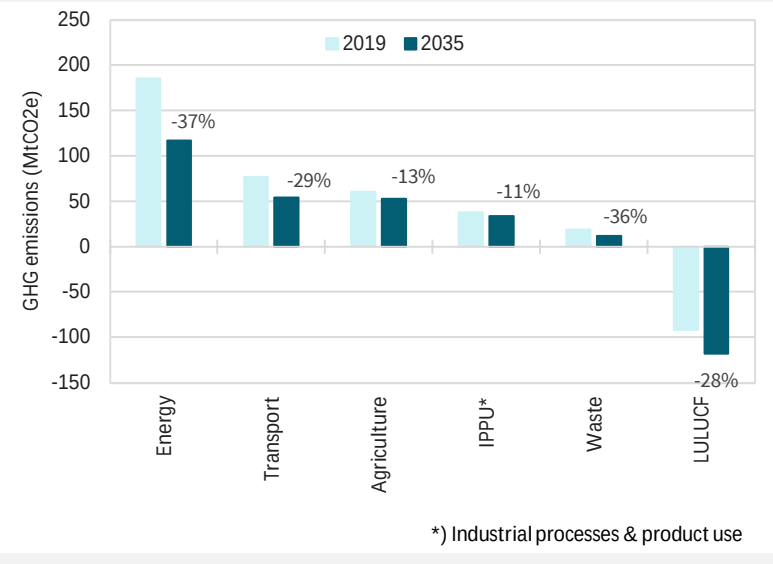


Figure 3. Sectoral breakdown of Thailand's emissions (2019 and 2035 target), including percentage reduction. Source: AFII, Department of Climate Change and Environment.



[7] "Thailand's Second Nationally Determined Contribution (NDC 3.0)", Department of Climate Change and Environment, 4 Nov 2025.
[8] "Kingdom of Thailand Sustainability-Linked Financing Framework", PDMO, Oct 2024.

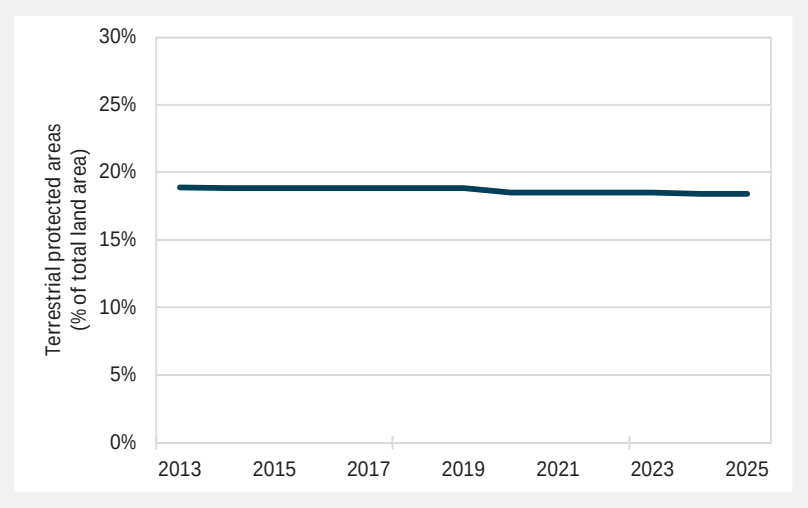
Protected areas: adding a nature dimension

The latest SLF framework introduces a new KPI linked to the Kunming-Montreal GBF. As part of the 30x30 target, 196 countries including Thailand committed to effectively conserve at least 30% of terrestrial, inland water, and coastal and marine areas by 2030. Thailand is only the second country after Chile to embed the 30x30 target into an SLB.[9]

Considering the broader climate-nature nexus and Thailand's role as a biodiversity-rich country, the addition of this target is a positive step. However, it only covers the conservation of terrestrial land and inland waters, not marine areas, which currently stand at just 5.05% coverage.[10]

Looking at historical data in Figure 4, terrestrial protected areas have been flat to marginally lower over the last decade.[11] As such, an increase to 30% by 2030 will require substantial improvement and so appears ambitious.

Figure 4. Terrestrial protected areas in Thailand. Source: AFII, World Bank / Protected Planet.



In terms of policy, the National Biodiversity Action Plan 2023-2027 ("NBAP") covers biodiversity conservation, thus supporting efforts to expand coverage across protected areas and OECMs. Importantly, the strategy focuses on coverage increases in areas of the highest ecological value and emphasises effective management of protected areas and OECMs. Ultimately, the expansion of protected areas depends on policy priorities and approvals, while designation of OECMs is often voluntary and dependent on the willingness of involved parties to participate.[12]

Importance of just transition

As highlighted in the latest SLF framework, policymakers recognise "*the importance of a Just Transition in achieving its environmental and climate objectives and seeks to ensure that the shift towards a more sustainable and low-carbon economy is undertaken in a manner that is fair, inclusive and supportive of sustainable economic development, decent work and social well-being*". In this context, the Just Transition Assessment Model (JTAM-Thailand) was developed to support policy through scenario analysis.[13]

In previous work, we discussed how social risks can complicate the execution of transition at the sovereign level, using Poland as an example.[14] Explicitly recognising the importance of the just transition dimension is an important step and should support the likelihood of a successful transition if related policies are implemented, all else equal.

[9] "New biodiversity SLB underpins Chile's leading role", AFII, 7 Jan 2026.
[10] "Country profile: Thailand", Protected Planet, accessed 26 Aug 2026.
[11] While the KPI is based on a broader definition, recent data points are comparable, making this a useful proxy.
[12] For further details, see page 25 of the SLF Framework.
[13] For further details, see page 9 of the SLF Framework.
[14] "Poland: a just transition case study", AFII, 1 May 2026.

Key considerations ahead of investor roadshow

The PDMO has taken a major step forward with the release of an updated SLF framework, including ambitious targets aligned to international climate and biodiversity commitments. The question for investors is how these targets could translate into an ambitious SLB structure that is financially material.

As outlined in our analysis of Thailand's previous SLB,[15] more meaningful coupon adjustments would enhance the structure of such a bond; the other key factor in materiality is for how long potential coupon adjustments would apply. Under an option pricing approach, the size and timing of coupon adjustments are crucial determinants of the option value that might be priced into an SLB (i.e. the potential pricing difference compared to a conventional bond).

- In this specific case, the observation dates of the two SPTs differ (2030 for SPT2, 2035 for SPT1) and the time lag between observation and reporting dates will be longer for emissions than for protected areas.[16] This could result in two coupon adjustments at different times (and implicitly more weight towards the protected areas target if the coupon step sizes are the same), or could be covered through a final maturity payment. The latter would be a straightforward way to ensure that both SPTs have the same weight in the payout profile, but also means that potential payments will only take place several years after the observation dates.
- As combined step-up/step-down structures have become common in sovereign SLBs (e.g. Chile's latest issuance, Slovenia, Uruguay) and also featured in Thailand's inaugural issuance, there is a good chance that the upcoming issuance will have such a structure too. In general, this approach creates a more balanced outcome structure.

  A key question for investors is how the coupon adjustment mechanism will support the financial materiality of the structure: what is the size of coupon step-ups/step-downs and for how long do they apply? Also, how does this compare to the previous issuance (+/- 2.5bps per SPT) and other sovereign SLB issuers?

- As mentioned earlier, the relevance of a just transition is being recognised in the SLF framework, and evidence-based policy tools can be used to analyse policy trade-offs and synergies.

  A related question for policymakers would be whether and how the results of such analyses will be made publicly available, and which steps will be taken to mitigate potential adverse effects of the transition.

[15] "Thai government embarks on SLB journey", AFII, 15 Nov 2024.
[16] From the SLF framework: Information regarding KPI 1 will be produced biennially as at December 31. There is expected to be a time lag of 3 years (and no longer than 4 years) from the end of each year to the reporting of GHG inventory data as part of the UNFCCC process. Information regarding KPI 2 as at December 31 will be compiled annually. The publication of the corresponding data on the Protected Planet website may be subject to a time lag of 2 years from the relevant observation date.

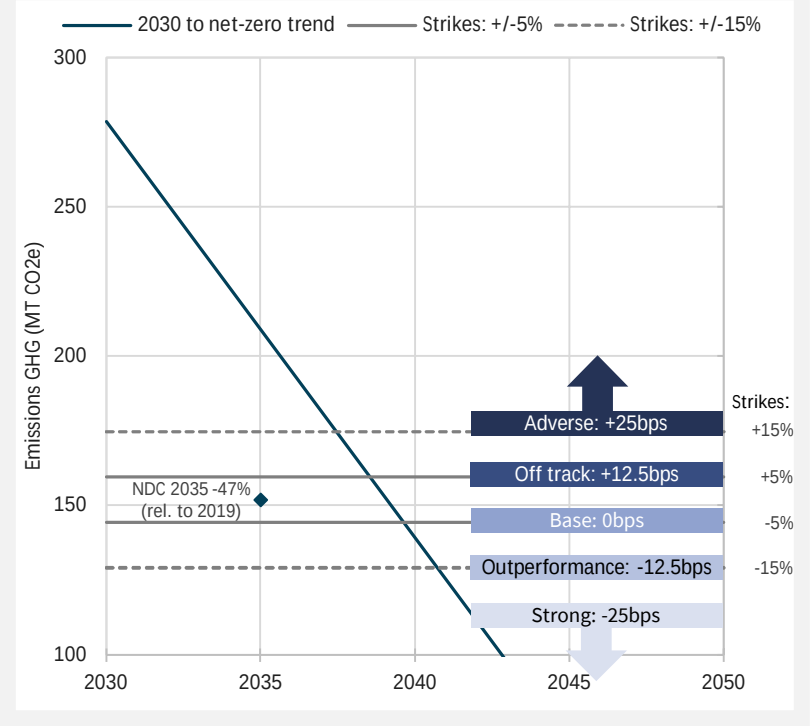
Thinking ahead

In an earlier paper, we also explored how performance-linked bonds tied to NDCs could evolve further and outlined a proposal for a Thai transition linker.[17] In such a structure, the coupon adjusts in several steps if the government under- or outperforms relative to its decarbonisation targets, as illustrated in Figure 5.

This instrument is designed to embed transition progress into bond pricing. If well structured, it could result in a lower cost of capital for the issuer, creating a strong incentive for decarbonisation. For investors, higher payouts would provide a hedge against a failed transition scenario.

Embedding the 2035 NDC target is a first step in the direction of such an instrument. Our proposal envisages a 20-year bond, primarily to capture a longer period over which potential coupon adjustments would apply.

Figure 5. Thailand's NDC targets for 2035 (net emissions), linear net-zero trend (2030-2050), and proposed transition linker strike levels around 2035 target. Source: AFII, PDMO, PRIMAP-hist national historical emissions time series v2.7.



Conclusions

Ahead of the roadshow, we offer investors the following points to carry into the conversation:

- Thailand has taken a major step forward with the release of an updated SLF framework, including more ambitious targets aligned to international climate and biodiversity commitments. Also of note, policymakers recognise the importance of a just transition.
- Translating the two targets into an ambitious SLB that is financially material will be key for Thailand to potentially achieve a pricing benefit – ultimately, this will be determined by the coupon adjustment mechanism. A more meaningful coupon adjustment would be beneficial.
- The observation and reporting dates might skew weight towards nature (SPT2 is observed in 2030, SPT1 in 2035, with a longer reporting lag on emissions). Equal step sizes would therefore give the nature target the greater weight; final maturity payments could be an option to address this.
- KPI/SPT 2 is a positive step to emphasise the role of biodiversity conservation, but only covers terrestrial and inland waters. Still, reaching 30% by 2030 from 18.44%, after a decade of flat-to-marginally-lower coverage, would represent an ambitious improvement.

[17] "Thailand: linking bonds to NDC targets", AFII, 5 Feb 2026.

Version log

Date	Comment
27 Aug 2026	Document published

This research is funded in part by the Gordon and Betty Moore Foundation through The Finance Hub, which was created to advance sustainable finance.

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