Turkiye’s Carbon Pricing Preparations & Considerations of International Carbon Markets

PMI & World Bank Technical Workshop
March 29-31, 2023
Kigali, Rwanda
Presentation Plan

• Country Overview
• ETS Preparations
• Climate Law Drafting
• VCM & Offsetting
• International Carbon Markets
Country Overview
Republic of Türkiye

Population: 85 million

Total Area: 783,562 km²

Climate Risks:

A country in the Mediterranean Basin

Extreme heat waves

Extreme rain falls

Drought / Water stress

Forest fires

Loss of Bio-diversity
GHG Emissions Overview

Mt CO₂ Eq. and ton CO₂ per capita

- Energy
- Agriculture
- Industrial Processes
- Waste
Emission Trading System
Preparations
Preperations on the way of Emissions Trading System

- **Preperation of Market Readiness (PMR) of World Bank**
  - Reports (Impact Analysis, Roadmap...), Simulation, Draft Legislations etc.

- **Monitoring, Reporting and Verification System of GHG Emissions**
  - In operation since 2015
  - Monitors around half of the total GHG emissions
  - 700 installations

- **Climate Council**
  - First climate council of Türkiye
  - Advisory decisions in various topics
Preperations on the way of Emissions Trading System

**Partnership for Market Implementation (PMI)**
- Roadmap Studies
- Pilot Phase of ETS
- Modelling Studies
- ETS Phase 1

- Support to ETS process
- Legislative approximation to EU

**Medium Term Programme of Türkiye (2023-2025)**
- ETS establishment compatible with EU CBAM
Preperations on the way of Emissions Trading System

Turkish Green Deal Action Plan
Various topics under the action plan
National Carbon Pricing Expertise Working Group

Project of Analysis of Potential Impacts of CBAM
Carbon Pricing & CBAM relationship
Need of measuring the possible effects

Workshops & Meetings with National Stakeholders
Exploring possible interactions
Consultations for sub processes

Meetings with Other Countries’ Carbon Pricing Institutions
UK, California, Germany
Climate Law Drafting
General Features of the Draft Law

Consultations for Drafting
Drafting consultations
Public & Private Exchange of Views
Workshop on re-drafting

Emphasis of the Law
Mitigation
Adaptation
Implementation & Planning Tools
Emission Trading System

A Framework Law
Outline is defined
Sub policies will be built accordingly

Allowances
Capital Market Instrument

Flexibility and Stability Mechanisms
Allowing a smooth transition
Having a stable price signal

Greenhouse Gas Emission Permit
Very first process for entering the system
A must for activities emit GHG

Offsetting and Voluntary Carbon Markets
Main definitions made
Registry obligations
Institutional Frameworks and Roles for Implementation

**Directorate of Climate Change**
- Establishment, regulating, offset use, international transactions

**Market Operator**
- Establishing, organizing and operating

**Central Clearing House & Central Securities Depository**
- Clearing duties
- Issuance, retention, cancellation, managing the transfers

**Carbon Market Board**
- High level representatives of public bodies
- Determining instruments
- Distribution of free allowances
- National allocation plan
- Developing policy
- Determining the scope of international carbon markets
Compliance, Oversight and Sanctions

**Capital Markets Board**
- Allowances as capital market instrument
- Monitoring, market surveillance & supervision
- Financial and information systems audit
- Collaboration

**Presidency of Climate Change**
- MRV operations
- Surrender stage of the cycle

**Sanctions**
- GHG Emission Permit
- MRV obligations
- Market operations
Voluntary Carbon Markets & Offsetting
National Projects Registry of VCM
Not a functional one (yet Türkiye one of the biggest credit suppliers)
Development planned in PMI components

Developing Local Crediting Mechanism
Developing the registry
Developing methodologies

Offsetting in Turkish ETS
Allowed with some limitations
Rules by the Board of Carbon Market
Integrated offsetting registry planned
International Carbon Markets
Climate Change Targets of Türkiye

- **Updated NDC of Türkiye**
  Nation level mitigation target / economy wide
  41% mitigation from reference scenario

- **Net-Zero Target of Türkiye**
  By the year 2053

- **Long-term Climate Strategy**
  Being studied
Determining the National Strategy
- Studies on mitigation scenarios
- Studies on mitigation targets
  - Final decision by Board of Carbon Market

Examining Pilot Initiatives
- Ongoing local projects are examined

No CDM Experience
- Need for capacity

Developing Registry
- In Capacity Building Project (Worldbank) component of developing registry
  - Needs & Design accordingly
Turkish Approach on Interaction of Domestic Instruments & Int’l Carbon Markets
Domestic carbon pricing and international carbon markets are complementary tools.

It is false to consider markets as substitution.

International carbon markets should comply agreed principles.

Revenue from international carbon markets should support further local climate ambition.

Complexity of interactions should be considered.
Thank you

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