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Energy, Infrastructure, and ESG

Editorial

Climate change moved beyond simply being an environmental subtopic in policy discussions and has become central to economic and legal decision-making. As governments accelerate their carbon reduction targets, trade and energy instruments are increasingly becoming key elements of climate governance. In this evolving landscape, the interaction between the Carbon Border Adjustment Mechanism (CBAM) and Renewable Energy Supply Agreements (RES) demonstrates that global markets are undergoing a deeper structural transformation.

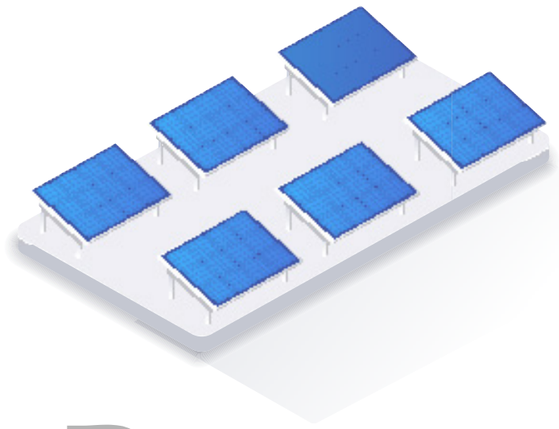
CBAM represents a determined initiative to incorporate carbon costs into international trade. It aims to prevent carbon leakage and encourage cleaner production methods across borders by imposing carbon-based liabilities on imported products. However, CBAM is not a standalone mechanism. Its effectiveness depends on producers having access to renewable energy sources and sustainable energy sources that are reliable, cost-effective, and accessible to reduce their carbon footprints. Similarly, RES provide long-term access to green electricity through cross-border cooperation, corporate energy procurement models, and government-backed frameworks.

Renewable Energy Supply Agreements (RESs), which enable industry to shift towards low-carbon energy inputs, are complementary tools that support regulatory compliance, similar to carbon pricing mechanism resembling the CBAM.

For these reasons, in this issue we have covered the CBAM, Renewable Energy Supply Agreements, and the climate change developments that underpin them.
We wish everyone pleasant reading.

Hergüner, Bilgen, Üçer

Content



A New Compliance Landscape for Companies with the Introduction of the Climate Law: Emission Permits, Data Obligations and the Sanctions Regime

1. Introduction

The regulatory landscape of climate change in Türkiye is no longer merely a matter of corporate social responsibility or sustainability reporting with the entry into force of the Climate Law No. 7552 on 9 July 2025 (the "**Climate Law**"). For businesses, particularly those with operations that directly generate greenhouse gas emissions, climate regulation now constitutes a binding legal compliance framework.

The Climate Law anchors this transformation within an integrated regulatory framework designed to drive the reduction of greenhouse gas emissions and facilitate the transition toward the net-zero target. This framework rests on interconnected mechanisms for permitting, monitoring, reporting, and enforcement.

The Emissions Trading System ("ETS") is designed as a market-based instrument within this regulatory architecture to be implemented on a phased basis. A significant portion of the system's operational details, however, is deferred to secondary legislation and to implementing rules to be adopted by the competent authorities. In this context, the Draft Regulation on the Turkish Emissions Trading System (the "TR-ETS Draft Regulation"), published by the Climate Change Chairmanship (the "Chairmanship") on 22 July 2025, outlines a regulatory framework that goes beyond an environmental compliance tool. From a corporate perspective, it introduces a new layer of regulatory oversight that directly affects operational decision-making, financing structures, contractual arrangements, data governance, and carbon market compliance.

2. Greenhouse Gas Emission Permit: A Precondition for Operation

The Climate Law establishes the greenhouse gas emission permit as a prerequisite for the operation of installations falling within the scope of the ETS. Under the Law, activities covered by the ETS, that is, activities that generate direct greenhouse gas emissions, may not be carried out without first obtaining a greenhouse gas emission permit from the Chairmanship. While the Climate Law sets out the overarching framework of the ETS, the precise scope of covered activities, as well as the system's technical parameters and sectoral boundaries, are to be further defined through secondary legislation.

The TR-ETS Draft Regulation further develops this framework through an approach based on installation size and categorical classification. Inclusion in the system follows a categorization model determined primarily by an installation's annual emissions'

volume and the nature of its activities. Under the draft, Category B and Category C installations fall within the scope of the ETS, whereas installations falling below the prescribed emission thresholds, or those engaged solely in certain specified activities, remain outside the system. The draft also introduces transitional rules, including the continuation of ETS compliance obligations during the year in which an installation exits the scope of the system. This approach underscores that the scope of the ETS is not fixed; rather, it constitutes a dynamic framework, subject to adjustment in line with changes in an installation's operations, capacity, and organizational structure.

The emission permit is not designed as a one-off administrative act limited to certifying compliance of an industrial site at the initial application stage. The Climate Law expressly provides that the greenhouse gas emission permit may be amended or revoked by the Chairmanship where, during the permit term, changes occur in the nature or operation of the installation, or in the identity of the permit holder. This provision means that corporate actions such as mergers and acquisitions, transfers of installations or businesses, capacity increases, modifications to production processes, and organizational restructurings must also be assessed from a climate compliance perspective. In this context, the emission permit emerges as a key legal due diligence consideration in corporate transactions, particularly with respect to changes in the identity of the permit holder, permit renewal obligations, and closing conditions.

The TR-ETS Draft Regulation further specifies the permit regime in procedural terms. Under the draft, operators falling within the scope of the ETS are required to apply to the Chairmanship in order to continue their operations, accompanied by technical documentation detailing the installation's activity type and capacity, emission sources, monitoring methodology, and data management infrastructure. Applications are reviewed within the timeframes prescribed under the draft, and applicants may be granted an additional period to remedy any deficiencies. Application fees are not refunded where an application is ultimately rejected.

The draft further provides that the emission permit will be valid for a period of five years and must be renewed prior to its expiry. Any changes arising during the permit term must be reported to the Chairmanship. Taken together, these procedural requirements establish the emission permit as an ongoing compliance obligation, embedding continuous regulatory engagement into the operational lifecycle of ETS-covered installations.

3. Data Obligations: Monitoring, Reporting, and Verification

Under the Climate Law and the related ETS framework, data obligations form one of the core pillars underpinning the operation of the system. The Law ties the ETS compliance obligation to verify annual greenhouse gas emissions and requires operators to surrender allowances corresponding to their verified emissions.

The Law also grants the Chairmanship broad authority to request data. For the purposes of implementing the Law, the Chairmanship may directly request any information, documents, and data it deems necessary from natural and legal persons. Companies receiving such requests are obliged to provide the requested information free of charge and within the prescribed timeframes.

The TR-ETS Draft Regulation implements this data framework through a monitoring plan and annual reporting requirements. Operators falling within the scope of the ETS are required to prepare a greenhouse gas emissions monitoring plan specific to each installation and submit it to the Chairmanship for approval. Where the plan is found to be deficient, the operator must remedy the identified shortcomings. Following approval, operators are obliged to report their emissions and activity levels for the preceding calendar year by 30 April of each year.

Emissions reports must undergo independent verification before submission to the Chairmanship. The verification process is administered through the Central Electronic Verifier Accreditation System ("**MEDAS**"), and the draft expressly addresses verifier independence, the prohibition of conflicts of interest, and confidentiality obligations.

This regulatory framework requires companies to establish systematic processes for the generation, verification, and retention of emissions data. Failure to produce emissions data within the prescribed deadlines or to complete the verification process may directly affect compliance with allowance allotment obligations.

4. Sanctions Regime

The Climate Law establishes a layered enforcement structure for non-compliance with ETS obligations. Administrative sanctions may be imposed for failures such as the late submission of verified greenhouse gas emissions reports, the operation of installations without an emission permit, and failure to meet allowance allotment obligations.

Within the ETS, the core financial compliance mechanism is the allotment of allowances. The Law provides that, where operators fail to meet their surrender obligations, the shortfall will be carried forward and added to the following year's surrender obligation. The draft further stipulates that allotment obligations are to be fulfilled on an installation basis through the Registry System, in accordance with the prescribed compliance calendar. It also clarifies that circumstances such as the cessation of activities, liquidation, or concordat proceedings do not extinguish the obligation to allotment allowances.

Where the verified emissions report is not submitted within the prescribed timeframe, transactions in the operator's Registry System accounts, other than those related to the surrender obligation, may be temporarily suspended. Although this restriction is lifted upon submission of the report, an administrative fine may nonetheless be imposed.

Where the carbon emission obligation is not fulfilled within the prescribed period, the administrative fine is calculated using a market price-indexed formula for each unallotted allowance. Accordingly, as carbon prices rise, the cost of non-compliance increases proportionally.

The Law also provides for more severe consequences in cases of repeated non-compliance. Where a specified proportion of allowance allotment obligations remains unfulfilled for three consecutive years, the greenhouse gas emission permit may be revoked. In addition, the relevant operator may be barred from obtaining a new greenhouse gas emission permit for a period of three to six months.

Although administrative sanction decisions are subject to judicial review, legal proceedings to challenge the same do not automatically suspend enforcement of the sanction.

5. Transitional Period and Compliance Timeline

The Climate Law provides for a phased transition prior to the full implementation of the ETS. In this regard, operators are granted a compliance period of three years from the Law's entry into force to obtain their greenhouse gas emission permits.

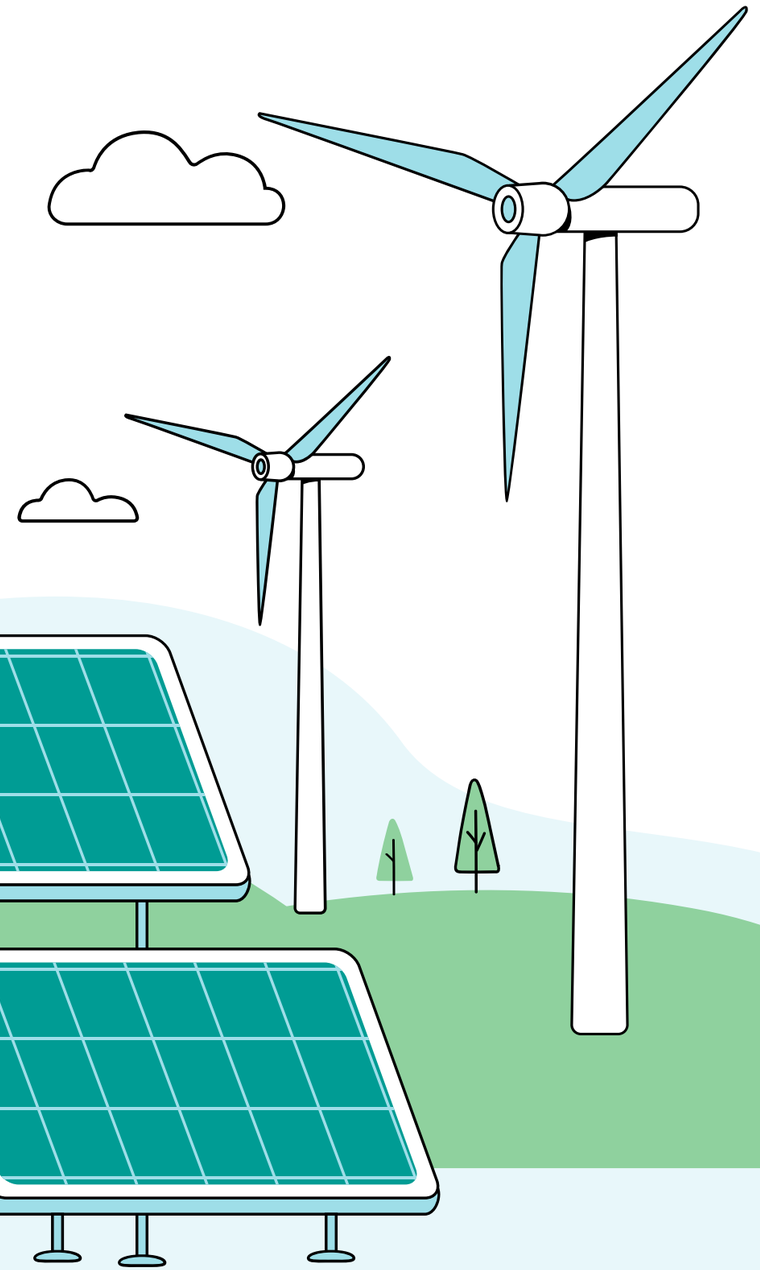
Under the TR-ETS Draft Regulation, the ETS is expected to commence with a pilot phase covering greenhouse gas emissions for the years 2026 and 2027. This transitional period affords operators a preparation window in which to establish the operational infrastructure required for emissions monitoring, reporting, and verification, and to complete the emission permitting process. In addition, during the pilot phase, administrative fines are to be applied at a rate reduced by 80%, thereby providing operators with technical and administrative flexibility during the system's early stages of implementation.

6. Conclusion

The regulatory framework introduced under the Climate Law and the ETS establishes a multi-layered compliance landscape for companies. Taken together, the emission permit requirement, monitoring and reporting obligations, and the sanctions mechanism built around allowance surrender ensure that climate legislation directly affects corporate operations, financing, and governance.

Against this backdrop, ETS compliance demands systematic, enterprise-wide preparation across areas such as permitting processes, data infrastructure, internal controls, and allowance management.

As secondary legislation and administrative practice continue to evolve, the technical contours of the system are expected to become clearer. Companies should not treat compliance as a matter of regulatory monitoring alone, but should proactively build the necessary organizational and operational capacity. Early compliance readiness is poised to become a critical differentiator as the ETS becomes operational, particularly for managing regulatory risk, maintaining competitive positioning, and securing access to financing.



B Navigating the 2026 Carbon Frontier: Preparing Turkish Industry for Simplified CBAM Compliance

1. Introduction

Following the European Union's ("EU") launch of the Green Deal in 2019, the transition into a green economy has been framed not only as an environmental imperative but also as a new growth strategy. The Green Deal seeks to combine the reduction of emissions with the preservation of economic competitiveness. To translate these objectives into practice, the EU has relied on and expanded market-based instruments such as the Emissions Trading System ("**ETS**") and the Carbon Border Adjustment Mechanism ("**CBAM**"), that work together to encourage the reduction of emissions and address the risk of carbon leakage through carbon pricing. To ensure a smooth transition as the initial phase ends on January 1, 2026, the EU recently adopted Regulation (EU) 2025/2083, which introduces significant simplifications and strengthening measures to the CBAM framework.

2. Türkiye's Preparations for 2026

Türkiye's response to this transformation has taken shape along two principal pillars. The first is the enactment of Climate Law No. 7552 ("Climate Law"), which establishes the overall legal framework for national climate policy and sets out Türkiye's commitments, institutional structure and policy instruments in line with international developments. The second pillar is the Draft Regulation on the ETS ("Draft ETS Regulation") which is prepared pursuant to the authority and principles introduced by the Climate Law. Taken together, these two instruments illustrate a step-by-step regulatory approach, where a general legislative framework is followed by secondary rules that put carbon pricing into practice through a market-based system.

The Climate Law provides the main regulatory structure for Türkiye's 2053 net zero emissions target. For the private sector, particularly in greenhouse gas–intensive sectors, carbon footprint measurement and emissions management will become mandatory compliance requirements under the forthcoming national ETS.

According to the Draft ETS Regulation, the Turkish ETS will be rolled out in stages, with a Pilot Phase (2026–2027), primarily covering sectors most exposed to CBAM - such as cement, iron and steel, aluminium, and fertilizers. Notably, Türkiye's model utilizes an emissions-intensity-based cap, focusing on lowering emissions per unit of output while permitting overall production growth.

Beyond regulatory compliance, the emergence of parallel carbon pricing systems in the EU and Türkiye is likely to influence contractual risk allocation, pricing mechanisms, and supply-chain governance. As carbon costs become increasingly quantifiable, climate exposure is expected to play a more prominent role in commercial negotiations, long-term procurement strategies, and cross-border investment decisions.

3. Critical Innovations and Simplifications for the 2026 Definitive Phase

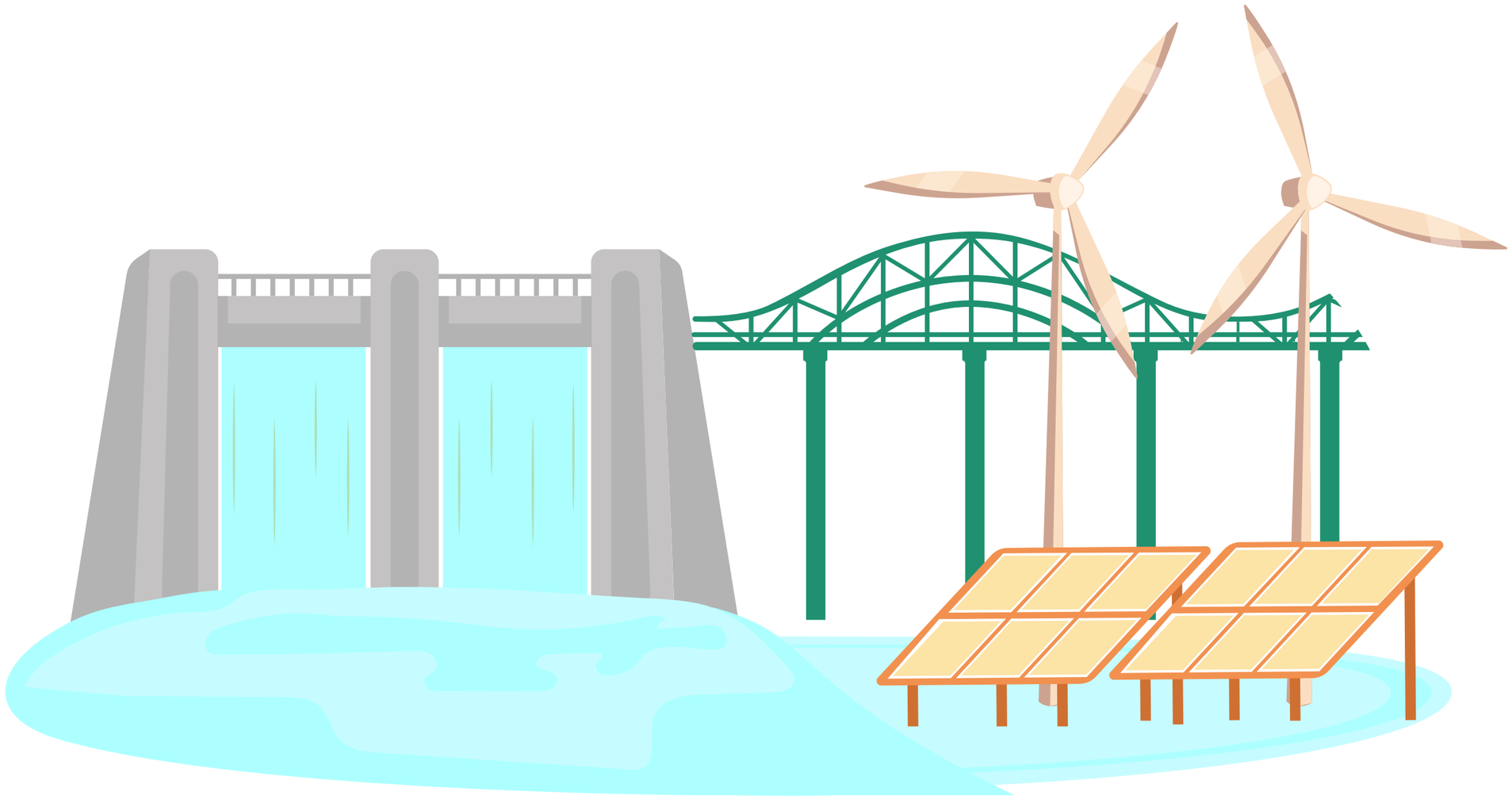
As Turkish industry prepares for the 2026 deadline, several "innovations" introduced by the EU's latest regulation provide essential administrative and financial relief:

- The 'De Minimis' Exemption: A significant new derogation exempts importers from CBAM obligations if the cumulative net mass of imported goods in a calendar year does not exceed 50 tonnes. This applies to iron, steel, aluminium, fertilisers, and cement, though it specifically excludes electricity and hydrogen.
- Extended Reporting and Surrender Deadlines: Authorized CBAM declarants now have until September 30 of the year following importation to submit their annual declaration and surrender certificates. This provides additional time to collect data and ensure verified emissions reporting.
- Flexibility for 2026 Applications: To avoid trade disruptions, importers who submit their authorization applications by March 31, 2026, may provisionally continue importing even if they exceed the 50-tonne threshold while their application is pending.
- Alignment of System Boundaries: To simplify application for third-country operators, the embedded emissions for certain finishing processes in aluminium and steel (not covered by the EU ETS) are now excluded from calculation boundaries. Furthermore, if input materials (precursors) have already been subject to the EU ETS or a fully linked system, their emissions are not accounted for in the final complex good.
- Scope Refinements: Non-calcined kaolinic clays have been officially excluded from the list of cement goods subject to CBAM.
- Penalty Mitigation: Competent authorities are now granted the power to reduce penalties in cases of minor or unintentional errors, such as when the 50-tonne threshold is exceeded by no more than 10% or when errors result from incorrect information provided by third-party operators or verifiers.

4. Next Steps For Türkiye

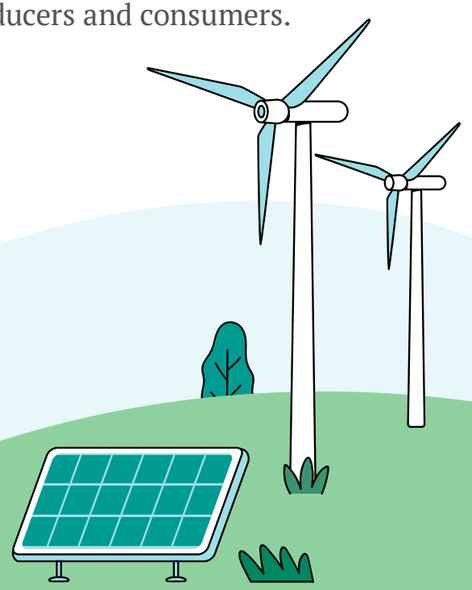
The integration of these EU-level simplifications with Türkiye's domestic ETS architecture is vital for maintaining trade integration. The success of Türkiye's transition will depend on introducing gradually stricter limits, ensuring predictable reductions in free allowances, and utilizing system revenues to support green transition efforts. For Turkish exporters, preparations for 2026 now involve not only compliance with national laws but also the use of new EU administrative measures to maintain competitiveness in the European market.

C Renewable Power Purchase Agreements: Legal Framework, Areas of Application and Recent Developments in Türkiye



1. Introduction

Ensuring energy supply security, combating climate change, and achieving sustainable development objectives have become among the principal drivers accelerating the transformation of energy market in recent years. In this transition process, increasing the share of renewable energy resources in electricity generation has evolved not merely into a technical or economic preference, but into a legal and institutional necessity. In this context, renewable power purchase agreements ("**RPPA**") have gained increasing significance as market-based instruments for both electricity producers and consumers.



2. Legal Character and Practical Advantages

In general terms, RPPAs are long-term agreements governing the purchase of electricity generated from renewable energy sources under pre-determined commercial conditions. Given the high upfront investment costs characteristic of renewable energy projects, the need for predictable long-term revenue streams has transformed such agreements into essential financing instruments.

From this perspective, RPPAs do not merely regulate an electricity sale–purchase relationship; rather, they establish a contractual structure that secures the long-term bankability and sustainability of renewable energy investments.

One of the primary benefits offered by RPPAs is price stability. The volatile nature of electricity market prices creates significant financial risks, particularly for industrial and commercial consumers with high electricity demand. Long-term supply agreements substantially mitigate such uncertainty for both parties.

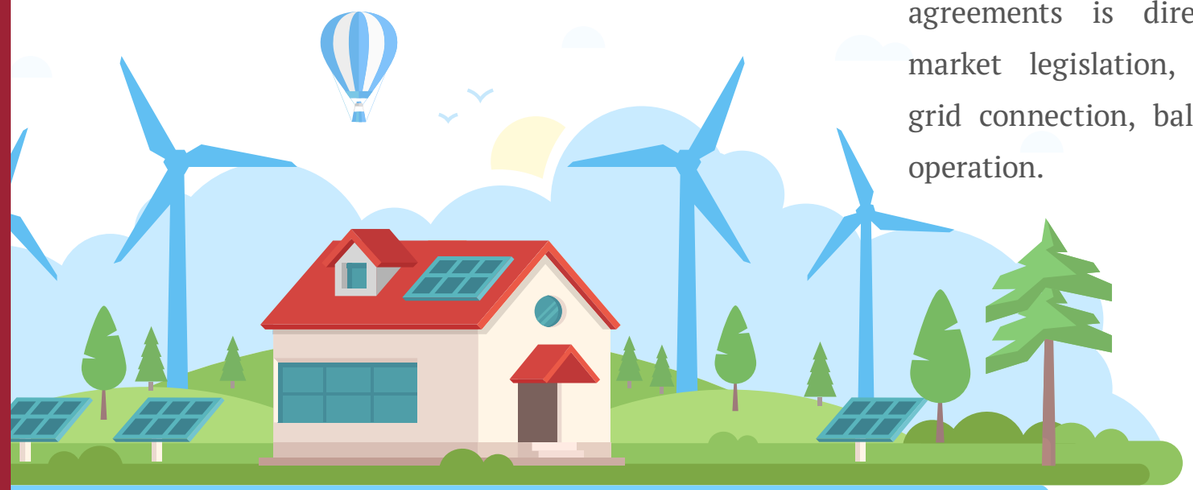
Another critical function of RPPAs is facilitating project finance. For producers, contracts providing stable and foreseeable cash flows significantly enhance project credibility before banks and financial institutions. Accordingly, RPPAs frequently form the cornerstone of financing structures in renewable energy projects.

In addition, RPPAs play a pivotal role in reducing carbon footprints, documenting green electricity consumption, and fulfilling corporate sustainability and ESG commitments.

3. Global Trends and the Situation in Türkiye

International energy market trends demonstrate that fixed-feed-in tariff models—widely used during periods of high renewable energy costs—have gradually been replaced by market-based corporate RPPA structures as technology has matured and generation costs have declined.

In Türkiye, however, renewable energy capacity expansion has predominantly been shaped through state-supported mechanisms such as the Renewable Energy Support Mechanism ("**YEKDEM**") and the Renewable Energy Resource Areas ("**YEKA**") model. As a result, corporate RPPAs have not yet achieved widespread adoption in Türkiye.



3.a. Corporate RPPAs

Corporate RPPAs are long-term electricity supply agreements executed between renewable energy producers and private-sector consumers with substantial electricity demand.

Under this model, the state does not act as a contractual party; instead, it assumes a regulatory and supervisory role. The parties retain broad contractual freedom in determining pricing structures, contract duration, delivery models, and risk allocation.

Nevertheless, the practical enforceability of such agreements is directly influenced by electricity market legislation, including rules on licensing, grid connection, balancing, settlement, and market operation.

3.b. Renewable Energy Resource Areas (YEKA)

The YEKA model is an investment planning mechanism established under Law No. 5346 on the Utilization of Renewable Energy Resources for the Purpose of Electricity Generation ("Law No. 5346").

Under this framework, specific zones are designated as renewable energy resource areas, and investment rights are allocated through competitive tender procedures.

The primary objectives of the YEKA model include reducing infrastructure costs and promoting domestic production. Site selection, tender conditions, and allocation of usage rights are administered by the Ministry of Energy and Natural Resources. These agreements regulate the allocation and use of specific renewable energy resource areas and define the rights and obligations of the investor with respect to project development, construction, and operation. The tender process generally emphasizes competitive electricity pricing, local manufacturing commitments, and technological capacity.

In other words, under Turkish law, model constitute an important legal mechanism for the large-scale development of renewable energy projects. the YEKA model aims to facilitate the efficient utilization of renewable energy resources through the allocation of designated resource areas for wind, solar, or other renewable energy investments.

A central feature of YEKA agreements concerns the integration of renewable energy generation into the national electricity system. The agreements typically include provisions relating to grid connection, project timelines, licensing procedures, and compliance with technical and environmental standards. In addition, they often incorporate long-term electricity purchase arrangements or other regulatory support mechanisms to ensure investment stability and financial viability.

Risk allocation is another key component of YEKA agreements. These contracts commonly address issues such as delays in project development, permitting requirements, land use rights, and force majeure events. Furthermore, developers are expected to comply with obligations related to domestic equipment production or technology transfer that reflect Türkiye's broader industrial and energy policy objectives.

Due to the administration's extensive authority over tender terms, project timelines, and implementation processes, the YEKA model provides a more limited scope of contractual autonomy compared to corporate RPPAs. However, YEKA agreements are applicable for longer terms as a consequence of power purchase agreements (PPAs).

3.c. Renewable Energy Support Mechanism (YEKDEM)

YEKDEM is a public support scheme established under Law No. 5346 with the objective of shielding renewable energy investments from market price volatility.

Under YEKDEM, electricity generated from renewable sources benefits from fixed-price or feed-in premium support for a predetermined period.

The operational principles of YEKDEM are regulated in detail under the Regulation on the Certification and Support of Renewable Energy Resources ("**YEKDEM Regulation**"). The regulation define eligibility criteria, settlement-based generation calculations, and cost-sharing mechanisms among market participants.

Under this system, price risk is borne by the public sector, investors, and consumers, distinguishing YEKDEM fundamentally from market-based corporate RPPAs.

Although recent regulatory developments—such as limitations on support periods and special rules for capacity increases and storage-integrated power plants—signal a gradual shift toward market-based structures, experts generally consider these measures insufficient for ensuring widespread adoption of corporate RPPAs.

4. Recent Regulatory Developments

In recent years, Türkiye has introduced significant legislative amendments in the renewable energy sector. While these changes do not directly regulate RPPAs, they materially influence their practical applicability.

In particular, amendments to the YEKA Regulation replacing the “lowest price” criterion with the “most advantageous offer” approach have created a more flexible and market-oriented investment environment. This development may facilitate projects supported by long-term RPPA structures.

Furthermore, amendments to the YEKDEM Regulation have clarified the YEKDEM status of capacity increases and storage-integrated generation facilities. These changes have reshaped risk assessments for market participants.

Notably, the legal separation of electricity storage activities from generation has made it necessary to define the legal nature of the energy source with greater precision in RPPA structures.

5. Key Issues to Consider in RPPAs

Clear and transparent pricing mechanisms are essential to maintaining contractual balance in the face of market price volatility. Similarly, production commitments must precisely define the extent to which resource risk is allocated to the producer.

Adaptation clauses addressing legislative amendments, termination of support mechanisms, or structural changes in the electricity market are critical in long-term agreements.

In addition, risks arising from grid connection, balancing responsibilities, settlement procedures, and system usage charges should be expressly allocated between the parties.

6. Conclusion

Overall, YEKA agreements play a strategic role in Türkiye’s renewable energy policy. By combining competitive tendering with contractual commitments and regulatory oversight, the YEKA framework seeks to promote investment, strengthen energy security, and accelerate the country’s transition toward a more sustainable energy system.

On the other hand, RPPA have become central market-based instruments in the global energy transition. Through such agreements, renewable energy investments gain enhanced bankability, while consumers benefit from long-term cost predictability.

In Türkiye, although RPPAs have not yet been governed by a comprehensive and explicit regulatory framework and remain constrained by the predominance of public support mechanisms, they nevertheless constitute a legally viable contractual structure within the existing electricity market legislation. As Türkiye continues its transition toward market-oriented energy policies, corporate RPPAs are expected to assume an increasingly significant role in renewable energy investments and corporate sustainability strategies.

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