

Turkey Considers Removing Domestic Manufacturing Incentive for Unlicensed Electricity Generation Projects

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Turkey's Energy Market Regulatory Authority ("**Authority**") has announced a proposal to remove a financial incentive for unlicensed electricity generation projects which use domestic products. The proposal is intended to keep pace with recent developments in Turkey's electricity market. The incentive would continue to be available for other renewable projects. The public submission period for the proposed changes closed on 21 March 2016 and the Authority is now considering comments received.

Currently, unlicensed projects can benefit from certain feed-in-tariffs (within the scope of Tariff No. I of Renewable Energy Law) when selling surplus energy to authorized distribution companies through the YEKDEM mechanism (Renewable Energy Resource Support Mechanism). Under Tariff II, if mechanical or electro-mechanical devices are used renewable projects are manufactured in Turkey, a domestic product fee is added to the feed-in-tariff prices, as an additional incentive. The incentive ranges from USD \$0.04 to \$0.25 per kWh, depending on the type of plant and device.

The amendments propose to cancel Tariff No. II (attached to the Renewable Energy Law) for unlicensed projects. Tariff II would continue to be available for qualifying renewable projects which use domestic products (besides unlicensed projects). Tariff I would continue to be available for unlicensed projects.

The proposed amendments include:

- Application of Tariff No II attached to the Renewable Energy Law for unlicensed energy projects would be cancelled (Article 4(1) of Regulation on Documentation and Support of Renewable Energy Resources is proposed for amendment).
- References to application of Tariff No. II attached to the Renewable Energy Law for unlicensed projects would be removed throughout from the Regulation on Unlicensed Energy Generation (Article 20(c) of the Regulation on Unlicensed Energy Generation is proposed for amendment, while Articles 21 and 31 of the Regulation on Unlicensed Energy Generation are proposed for annulment).
- The calculation method for additional incentives for unlicensed projects within the scope of Tariff No. II of the Renewable Energy Law would be removed (Article 23 of the Communiqué Regarding Application of Regulation on Unlicensed Energy Generation and Communiqué Regarding Application of Regulation on Unlicensed Energy Generation is proposed for amendment).

Please see this link for full text of the draft Regulations (only available in Turkish).

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