

Recent Developments in the Turkish Energy Market

The Prime Ministry of Turkey issued a circular regarding the establishment of the Energy Investments Tracking and Coordination Board to facilitate implementation of the action plan of the Turkish Government regarding energy generation from local resources and the Privatisation High Council has approved the tender awards in relation to the privatisation of 6 state-owned hydroelectric power plants.

Establishment of the Energy Investments Tracking and Coordination Board

Increasing the share of local energy generation to minimise dependency on energy imports and ensure supply safety has been a priority for Turkey for a number of years. It was no surprise therefore to see "energy generation from local resources" as one of the priority transformation programmes in the 10th development plan - covering the period between 2014 and 2018 - prepared by the Turkish Ministry of Development and approved by the Turkish Parliament.

On November 2014, an action plan was prepared by the Ministry in relation to this programme as approved by the High Planning Council on 16 February 2015. The targets of the programme are:

- increasing the share of primary generation from local resources to 35% (from 27% at the end of 2012);
- increasing the energy generation based on local coal to 57 billion kWh (from 32 billion kWh at the end of 2013); and
- commissioning 10.000 MW hydroelectric capacity by 2018.

The four main components of the action plan to achieve the above goals are (1) utilising local coal for electricity generation; (2) increasing exploration and generation activities for petroleum and natural gas within and outside Turkey; (3) utilising water resources for electricity generation; and (4) utilising renewable resources other than water for electricity generation.

The Prime Ministry of Turkey issued a circular (published in the Official Gazette dated 24 February 2016) establishing the Energy Investments Tracking and Coordination Board (the "**Board**"). The main goals of the Board are tracking, supervising and co-ordinating the approval process of investments to be made by the public and private sectors and expediting the investment process in respect of electricity generation and transmission facilities on lignite fields and other fields that may be made available for private enterprise to develop in consideration for royalties.

The Board will be chaired by the Undersecretary of the Ministry of Energy and Natural Resources and will be made up of high ranking officials from a variety of public authorities, including the Ministry of Finance, the Undersecretariat of Treasury, the General Directorate of Forestry and the Energy Market Regulation Agency.

The circular also provides that all governmental institutions and entities must, in a diligent manner, provide the Board with any support and assistance that it requires to conduct its work and implement its decisions.

The principles and procedures of the Board's activities, the number of annual meetings and their dates will be determined by the Board. The Ministry of Energy and Natural Resources will be responsible for tracking and coordinating the implementation of the Board's decisions.

The establishment of the Board signals a significant step forward in the Government's plan to increase energy generation from local resources and momentum behind the plan is now growing.

Privatisation of State-Owned Hydroelectric Power Plants

Both the Electricity Sector Reform and Strategy Paper issued by the High Planning Council in 2004 and the Electricity Energy Market and Supply Safety Strategy Paper approved by the High Planning Council in 2009 envisage the privatisation of state-owned power plants in order to liberalise the energy market and to enhance efficiency, quality and capacity by using the resources of the private sector.

For this purpose, hydroelectric power plants ("HEPPs") constructed and operated by Devlet Su İşleri (*State Hydraulic Works*) have been transferred to Elektrik Üretim A.Ş. (*State Owned Electricity Generation Company*) and a number of thermal and hydroelectric power plants have been privatised through asset sales or transfers of operation rights.

On 29 July 2015, tender announcements for 5 more groups of HEPPs were published in the Official Gazette. The final decisions of the tender commissions relating to the privatisation of 4 of these groups through transfers of operation rights have been approved by the Privatisation High Council on 22 February 2016 and have become final. A summary on the 4 awards that have been made is set out in the chart below.

The most valuable tender, the 5th group comprised of Doğankent, Kürtün and Torul HEPPs, was reported to have been awarded to Kolin İnşaat Turizm Sanayi ve Ticaret A.Ş. for TRY 1,225,100,000 on 18 December 2015. The decision of the Privatisation High Council on this tender is expected soon.

3 more groups of HEPPs (Şanlıurfa HEPP; Tortum HEPP and Adıgüzel and Kemer HEPPs) are currently at tender stage.

	Asset	Winning bidder	Tender amount (TRY)
Group 1	Manavgat HEPP and related immovable	Kibar Holding A.Ş.	370,000,000
Group 2	Fethiye HEPP and related immovable	Eti Alüminyum A.Ş.	128,025,000
Group 3	Karacaören 1 and Karacaören 2 HEPPs and related immovable	Gama Enerji A.Ş.	515,000,000
Group 4	Kadıncık 1 and Kadıncık 2 HEPPs and related immovable	İc İçtaş Hidroelektrik ve Termik Enerji Üretim ve Ticaret A.Ş.	864,100,000

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

Yegin Çiftçi Attorney Partnership, Kanyon Ofis Binası Kat 10, Büyükdere Cad. No. 185, 34394 Levent, İstanbul, Turkey
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