

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Republic of Turkey
Reporting Period:	From 31/12/2018 to 31/12/2019
Report Date:	27/03/2020
Implementing Agency:	Ministry of Environment and Urbanization General Directorate of Environmental Management
Contact Person:	<ul style="list-style-type: none"> • Head of the Department- Tuba Seyyah (tuba.seyyah@csb.gov.tr) • PMR Technical Coordinator- Engin Mert (engin.mert@csb.gov.tr) • PMR Project Assistant- Hatice Kübra Çelik (haticekubra.celik@csb.gov.tr)

Grant Executed By:	Recipient: Ministry of Environment and Urbanization General Directorate of Environmental Management
Grant Effectiveness and Closing Dates:	21/02/2019 – 31/12/2020
Grant Amount (USD):	USD 2,000,000
Funding Mobilized (USD):	N/A
Funding Committed (USD)	USD 1,076,766.39

2. OVERVIEW

PMR Turkey project consist of two phases. First phase of the project started in 2013 and completed at the end of the 2018. Second phase of the project started in 2019 and will be completed at the end of the 2020.

Second Phase of the project is officially started in March 27, 2019 and it is planned to complete in December 31, 2020. Second Phase objectives and summary of the components are given below;

Project Development Objective Indicator 1- Developing the legislative and institutional foundations for piloting an ETS

The indicator measures whether a draft climate change law and ETS regulations is developed and draft institutional framework developed for a pilot ETS in Turkey by the end of 2020.

Three stakeholder feedback rounds, best-practice country examples (California and UK), one bulleting and a Gap Analysis report were completed by March 2020. International and local consultants will develop the legal hierarchy mapping by the end of April 2020 and draft legal and institutional framework will be finalized by the end of September. The delivered reports and feedback meetings started the discussions on climate change law and ETS regulation development in Turkey.

Project Development Objective Indicator 2- Establishing the Technical Foundations for Piloting an ETS in Turkey

The indicator measures whether an ETS Cap and allocation plans for MRV sectors are established, an ETS registry developed, a simulation software developed and related technical studies are done by the end of 2020.

All studies to achieve the objective of this indicator are still going on. To develop the ETS Cap and Allocation plans, economy-wide emission trajectory will be developed by the end of April 2020. ETS Simulation application (TurkSim) SDD and draft source code was developed and tested in COP25 and SDD of the ETS registry will be drafted at the end of the April 2020. To complement these technical works, a technical study that explores the impact of the Paris Agreement Article 6 to Turkey will be analyzed.

Table 1. PMR Turkey Progress per Phase II Components

PMR Turkey Activities	Progress
Development of legal and institutional infrastructure for piloting an ETS	Will be completed in September 2020
Identification of the emission cap and development of the national allocation plan	Will be completed in June 2020
Development of the ETS transaction registry in Turkey	Will be completed in October 2020
Development of emission trading simulation for Turkey	Will be completed in June 2020
Assessment of Article 6 market mechanisms of the Paris Agreement and options for Turkey	Will be completed in October 2020

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

<p>Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?</p>	<p>No.</p>
<p>N/A</p>	

Implementation Progress by Component

<p>A. Component 1: Developing the draft legal and institutional infrastructure for piloting an ETS in Turkey</p> <p>This component specifically targets the development of the draft Climate Change Law with pilot ETS legal framework and institutional setup.</p>	
<p>Status:</p>	<p><i>Will be Completed by September 2020</i></p> <p>This component is planned to complete by September 2020. Within the framework of the project, 1 kick-off meeting, 5 one-on-one stakeholder feedback rounds and 1 closure conference are carried out by the Consultants and the MoEU. Until the end of the 2019, kick-off and 2 stakeholder feedback rounds were held in Ankara with participant from public, private sectors, academia and NGOs.</p> <p>In the kick-off and first stakeholder feedback round, best practice examples were discussed in July 2019. It is decided to analyze UK and California after the consultation. In the second stakeholder meeting, UK and California best practice examples and comparison with Turkish legal system were discussed in October 2019. Additionally, elements of the Climate Change law and ETS regulation and possible institutional set-up were discussed with the stakeholders. This comparison was documented in the GAP report in December 2019.</p> <p>Next Steps;</p> <ul style="list-style-type: none"> - Third stakeholder feedback round in February 2020 - Finalization of the GAP report after the third stakeholder feedback round - Turkish legal system hierarchy analysis in April 2020 - First draft legal and institutional framework in May 2020 - Fourth stakeholder feedback round in May 2020 - Second draft legal and institutional framework in June 2020

	<ul style="list-style-type: none"> - Fifth stakeholder feedback round in June 2020 - Final draft legal and institutional framework in July 2020 (in English) - Closure conference in July 2020 - Final draft legal and institutional framework in September 2020 (in Turkish)
Comments:	None
<p>B. Component 2: Improving the technical foundations for piloting an ETS in Turkey:</p> <p>Conducting technical infrastructure studies for piloting an ETS in Turkey, (i) Identification of the emission cap and development of the national allocation plan; ii) Development of the ETS transaction registry in Turkey; (iii) Development of emission trading simulation for Turkey; (iv) Assessment of Article 6 market mechanisms of the Paris Agreement and options for Turkey.</p>	
Status:	<p>i. Identification of the emission cap and development of the national allocation plan;</p> <p>Will be Completed by June 2020</p> <p>The project aims to develop an emission trajectory between the years 2020 to 2035 with modelling. In the model 6 sectors will be modelled in TIMES-MACRO. These sectors are electricity production, primary and secondary steel production, cement production, paper and pulp production and refineries. Rest of the MRV sectors will be project with off-model analysis. Afterwards, an ETS cap and national allocation plans for each MRV sector will be developed which covers more than 50% of whole emissions in Turkey. In order to find the optimum ETS and design 16 different scenarios will be analyzed in TIMES-MACRO model. Furthermore, 20 one-to-one stakeholder meetings for data gathering, kick-off meeting, two stakeholder meetings and closure conference are planned.</p> <p>Until the end of 2019, data gathering stakeholder meetings were done between August and October 2019, assumptions in the model were set via stakeholder consultation and provided expert opinions in November 2019. "Data Availability and Quality Report" was submitted in December 2019. It is planned to have the emission trajectory in April 2020.</p> <p>Next Steps;</p> <ul style="list-style-type: none"> - Emission trajectory for the years between 2020-2035 in April 2020 - Stakeholder meeting on emission trajectory in April 2020 - Scenario development in April 2020 - Scenario results in May 2020 - Stakeholder meeting on scenario results, recommended cap and design parameters in May 2020 - First training in April 2020, second training in May 2020

	<ul style="list-style-type: none"> - Closure conference in June 2020 - Final Report in June 2020 <p>ii. Development of the ETS transaction registry in Turkey;</p> <p>Will be completed by October 2020</p> <p>This activity will be finalized in October 2020 with the delivery of the registry source. The objective of the software is to establish a platform with fundamental functionalities of a registry system.</p> <p>Within the framework of the project, 1 kick-off meeting, 1 inception meeting, 1 training and closure conference are carried out by the Consultants and the MoEU.</p> <p>Next steps;</p> <ul style="list-style-type: none"> - Kick-off meeting in February 2020 - Inception meeting in February 2020 - Software design document in April 2020 - Start of the code development in April 2020 - Development of the user and admin manuals in September 2020 - Delivery of the source code in October 2020 - Final report in October 2020 - Closure conference in October 2020 <p>iii Development of emission trading simulation for Turkey</p> <p>Will be completed by June 2020</p> <p>The objective of the assignment is to develop a web-based software for provide policymakers and stakeholders with a better understanding of ETS and virtual ETS experience.</p> <p>The simulation has Turkey specific projection data and sector structure. It runs on the web browsers and does not need a specific software installation. It is planned to have 5 different stakeholder simulation rounds with different ETS design rules. After each stakeholder round a report which analysis the market behavior will be prepared by the consultants. The source code of the simulation will be delivered to the MoEU.</p> <p>Within the frameworks of this component, kick-off meeting, closure meeting and 5 simulation rounds are planned. A SDD that defines the software technical specifications, manuals for admin and the users will be developed. Simulation round reports and final report will be presented at the end of the project.</p> <p>Kick-off meeting were held in July 2019. Software design document of the application were finalized in October 2019 and beta version of the</p>
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	<p>software were tested online in November 2019. Official launch of the software was done in COP 25 in Madrid.</p> <p>Next Steps;</p> <ul style="list-style-type: none"> - Admin and user manuals will be ready in February 2020 - First simulation round in February 2020 - Second simulation round in March 2020 - Third simulation round in April 2020 - Fourth simulation round in April 2020 - Fifth simulation round in May 2020 - Closure conference in June 2020 - Delivery of the source code in April 2020 <p>iv) Assessment of Article 6 market mechanisms of the Paris Agreement and options for Turkey.</p> <p>Will be completed by October 2020</p> <p>The objective of the assignment is to assess the impacts of the future carbon markets to Turkish economy with two scenarios; first Turkey's ratification of PA and not ratification.</p> <p>The Consultant will do a qualitative and quantitative analysis of Turkish economy and international context. Models that are delivered in the first phase of PMR Turkey will be used for the modelling analysis. Kick-off meeting of the project will be held in February 2020.</p> <p>Within the frameworks of this component, kick-off meeting, closure meeting, 2 high-level meeting and 4 stakeholder meeting simulation rounds are planned. A report that analyses the current situation and impact of the possible scenarios to Turkey and COP 25 summary report will be delivered. Additionally, consultant will prepare a negotiation strategy for Turkey on article 6 of PA for the COP26.</p> <p>Next Steps;</p> <ul style="list-style-type: none"> - Kick-off meeting in February 2020 - First stakeholder meeting in February 2020 - COP 25 summary report in February 2020 - Status report in May 2020 - Second stakeholder meeting in June 2020 - First high-level meeting in June 2020 - Third stakeholder meeting in September 2020 - Fourth stakeholder meeting in October 2020 - Second high-level meeting in October 2020 - Final negotiation strategy in September 2020 -
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Comments:									
<p>I) Component 3: Carrying out stakeholder training, consultation engagement and public awareness activities, including: (i) conferences and workshops to support the activities under Components 1 and 2; (ii) consultation meetings with stakeholders; and (iii) public awareness activities (media, high level public/private meetings, etc.).</p>									
Status:	<p>PMR Turkey Information Exchange and Steering Meetings between January 2019-December 2019</p> <p>A number of meetings and workshops were held over the course of the reporting period January 2019 to December 2019. These are summarized in the tables below according to the activity they relate to.</p> <p>Component 1: Developing the draft legal and institutional infrastructure for piloting an ETS in Turkey; was initiated in July 2019 and involved a number of stakeholder meetings. The main objectives of the meetings were to facilitate discussion on the elements of CC Law and ETS regulation, information collection, and gather feedback on case studies.</p> <p>Table 2. Developing the draft legal and institutional infrastructure for piloting an ETS in Turkey</p> <table border="1" data-bbox="544 1134 1372 1890"> <thead> <tr> <th data-bbox="544 1134 860 1186">Meeting/ Workshop</th> <th data-bbox="860 1134 1372 1186">Objectives</th> </tr> <tr> <th data-bbox="544 1186 860 1239">Dates</th> <th data-bbox="860 1186 1372 1239"></th> </tr> </thead> <tbody> <tr> <td data-bbox="544 1239 860 1396"> Opening meeting / 31.07.2019 </td> <td data-bbox="860 1239 1372 1396"> Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities. </td> </tr> <tr> <td data-bbox="544 1396 860 1890"> First stakeholder meeting round / 31.07.2019 02.08.2019 </td> <td data-bbox="860 1396 1372 1890"> Introduction to project and meeting objectives – Explanation of likely key ETS/CC legal and legislative issues especially relevant to Industry (Compliance allowances, trading/auctions, other market mechanisms etc.) Key challenges and barriers to project objectives foreseen (capacity, interactions with other mechanisms etc) Perspectives on institutional roles – competencies and authorities </td> </tr> </tbody> </table>	Meeting/ Workshop	Objectives	Dates		Opening meeting / 31.07.2019	Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities.	First stakeholder meeting round / 31.07.2019 02.08.2019	Introduction to project and meeting objectives – Explanation of likely key ETS/CC legal and legislative issues especially relevant to Industry (Compliance allowances, trading/auctions, other market mechanisms etc.) Key challenges and barriers to project objectives foreseen (capacity, interactions with other mechanisms etc) Perspectives on institutional roles – competencies and authorities
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	<p style="text-align: center;">Open discussion</p> <p>Second stakeholder meeting round / 9.10.2019 – 10.10.2019</p> <p>Introducing the case study examples;</p> <ul style="list-style-type: none"> -UK legal and institutional framework -California legal and institutional framework <p>Discussion on Climate Change Law</p> <ul style="list-style-type: none"> -Scope and Content -Sub-chapters of CC Law -Link with ETS -Long term goals in CC Law -Institutional framework <p>Discussion on ETS Regulation</p> <ul style="list-style-type: none"> -Design rules, enforcement and penalties -Institutional framework -Trading, registry, legal nature of allowances and implications and price/market control -Auctioning and use of revenues 								
	<p>Component 2: i. Identification of the emission cap and development of the national allocation plan; was initiated in July 2019 and involved a number of stakeholder meetings. The main objectives of the meetings were to facilitate discussion, data collection, validate input data.</p> <p>Table 3. Identification of the emission cap and development of the national allocation plan</p> <table border="1" data-bbox="544 1396 1372 1854"> <thead> <tr> <th style="background-color: black; color: white;">Meeting/ Workshop</th> <th style="background-color: black; color: white;">Objectives</th> </tr> <tr> <th style="background-color: black; color: white;">Dates</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening meeting / 05.08.2019</td> <td>Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities.</td> </tr> <tr> <td>First data gathering meeting rounds / August – September 2019</td> <td> <ul style="list-style-type: none"> -Introduction to TIMES-MACRO modelling -Data requirements -Discussion on available data </td> </tr> </tbody> </table>	Meeting/ Workshop	Objectives	Dates		Opening meeting / 05.08.2019	Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities.	First data gathering meeting rounds / August – September 2019	<ul style="list-style-type: none"> -Introduction to TIMES-MACRO modelling -Data requirements -Discussion on available data
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	<p>-Assumptions ad outputs</p> <p>-Next steps</p>						
	<p>Second data gathering meeting rounds / October – November 2019</p> <p>-Presenting data requirements specific for the sector</p> <p>-Explaining the Model</p> <p>-Discussion on specific data request from the sectors</p> <p>-Validation of the input data</p>						
	<p>Component 2: iii. Development of emission trading simulation for Turkey; was initiated in July 2019</p> <p>Table 4. Development of emission trading simulation for Turkey</p> <table border="1"> <thead> <tr> <th>Meeting/ Workshop</th> <th>Objectives</th> </tr> </thead> <tbody> <tr> <td>Dates</td> <td></td> </tr> <tr> <td>Opening meeting / 05.08.2019</td> <td>Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities.</td> </tr> </tbody> </table>	Meeting/ Workshop	Objectives	Dates		Opening meeting / 05.08.2019	Introduction of the project activities and informing stakeholders on the project objective and outputs. Announcing next activities.
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	<p>Other meetings and events</p> <ul style="list-style-type: none"> - Communication Strategy stakeholder meetings were held in Istanbul and Ankara. İstanbul meeting was held with the participation of private sector, finance sector, NGOs, academia and media representatives on 11 and 12 November 2019. Ankara meeting was held on November 26, 2019 with the participation of public sector. The main objective of the meetings was gathering inputs for the communication strategy of PMR Turkey. 						
	<p>Website statistics</p> <p>The PMR Turkey website (www.pmr-turkey.org) has been live since June 2016. It has proved a very effective tool through which the MoEU shares all World Bank and PMR knowledge products related to carbon pricing and all PMR Turkey documents, reports, presentations, and photos of the meetings. The website pages are also available in English. Website interface will be modernized and transferred under the MoEU’s domain in 2020.</p>						
	<p>Social Media:</p> <p>The PMR Turkey social media accounts in LinkedIn and Twitter will be live in March 2020.</p>						

Comments:	PMR Turkey hired a senior communication expert develop a communication strategy for PMR Turkey.
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4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p> <p>Developments: Climate Change Law discussions and TURKSIM have gathered high attention from key stakeholders, especially in the private sector. Both capacity building workshops and reports have catalyzed data collection, understanding, and discussions about carbon pricing within the public and private sector. There has been no major policy and regulatory changes since the last ISR in 2019.</p>
<p>Important changes in the technical design or approach related to the Grant’s activities:</p> <p>Developments: There has been no change in the technical design or approach of the components.</p>
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant’s activities:</p> <p>This phase of PMR Turkey will completed on 31 December 2020. All activities were completed by that time as planned.</p>
<p>Coordination with other carbon pricing initiatives, including those funded by other donors:</p> <p>For the harmonization of EU ETS Directive and related regulations (to be implemented after the full membership in the EU) within the scope of Chapter 27: Environment, “Instrument for Pre-accession Assistance (IPA)” fund is allocated to the MoEU. The project planned to start on 2020 and end in 2023 It is expected that the project would consult PMR Turkey regarding their works conducted on legal and institutional framework on the development of ETS in Turkey in the beginning of the project and would work / develop its strategy accordingly.</p> <p>Republic of Turkey Ministry of Environment and Urbanization (MoEU) and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) agreed on starting the second phase of the “Capacity Development for The Implementation of a Monitoring, Reporting and Verification (MRV) System for Greenhouse Gas Emissions” project. Main objective of the project is to increase the institutional and human capacity on MRV in Turkey in order to create a solid foundation for future mitigation measures. The second phase aims to continue the success of the first phase. The main activities planned for the second phase are; revision of the MRV legal framework, analytical study on inclusion of aviation sector to MRV coverage, and benchmark studies for MRV sectors. Since carbon pricing and MRV are complementary due to their nature, both projects were completed each other with a good coordination during the first phase. In the second phase it is also planned that PMR and GiZ project will work together and increase the value of the project outcomes while avoiding any overlapping.</p>

Stakeholder engagement related to the Grant's activities:

The past year was mainly focused on the initiation and inception phases of the components. Since outputs and first results of the components will be introduced to the stakeholder in 2020, it is expected to be very active and fruitful in terms stakeholder engagement in 2020.

Other issues related to the Grant's activities
5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.

Summary of the First phase is given below;

Table 5. PMR Turkey Progress per Phase I Components

PMR Turkey Activities	Progress
Preparation of Monitoring Plans for Electricity Sector	Completed in June 2016
Preparation of Monitoring Plans for Cement Sector	Completed in April 2016
Preparation of Monitoring Plans for Refinery Sector	Completed in June 2016
Verification of Emission Reports for Electricity Sector	Completed in June 2016
Verification of Emission Reports for Cement and Refinery Sector	Completed in June 2016
Analytical Report 1- Roadmap for the Consideration of Establishment and Operation	Completed in December 2016

of a Greenhouse Gas Emissions Trading System in Turkey	
Analytical Report 2- Assessment of Market Based Emission Reduction Policy Options for Turkey	Completed in May 2017
Analytical Report 3- Assessing the Economic, Fiscal and Social Impacts of Carbon Pricing through Modelling	Completed in June 2018
Analytical Report 5- Assessment of Carbon Leakage Risk for Turkey under Carbon Pricing Policies	Completed in June 2018
Synthesis Report- Implementation Of Carbon Pricing in Turkey	Completed in June 2018