

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 04/08/2016 to 02/28/2017
Report Date:	02/28/2017
Implementing Agency:	Ministry of Environment and Urbanization General Directorate of Environmental Management
Contact Person:	<ul style="list-style-type: none"> • Expert- Tuba Seyyah (tuba.seyyah@csb.gov.tr) • Expert- Buket Akay (buket.akay@csb.gov.tr) • PMR Technical Coordinator- Zeren Erik Yaşar (zeren.erikyasar@csb.gov.tr) • PMR Project Assistant- Sertaç Berber (sertac.berber@csb.gov.tr)

Grant Executed By:	Recipient: Ministry of Environment and Urbanization General Directorate of Environmental Management
Grant Effectiveness and Closing Dates:	12/17/2013 – 06/30/2018
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	N/A
Funding Committed (USD)	USD 1,950,000

2. OVERVIEW

Project Development Objective Indicator 1- Piloting of the MRV system in the electricity sector

The indicator measures whether Turkey's greenhouse gas monitoring, reporting and verification (MRV) system is piloted among installations within the electricity sector by the end of 2015.

Piloting of MRV system for electricity, cement and refinery sectors was completed by July 2016 including both the preparation of the monitoring plans and verification of emission reports. As reported in the previous ISRs, the MRV regulation and its guidelines were fully implemented at 18 electricity, 5 cement and 1 refinery installations with the support of international and national consultants. The implementation of the MRV pilots have built capacity and enabled learning-by-doing for both the Ministry and the private sector – as further described in **Table 2** below.

Project Development Objective Indicator 2- Submission of a Carbon Markets Policy Options Document to the Coordination Board on Climate Change and Air Management (CBCCAM)

The indicator measures whether a policy options document on carbon market policy instruments is submitted to the CBCCAM for its consideration by March 2017.

The “Carbon Pricing Policy Options for Turkey” to be presented to the Coordination Board on Climate Change and Air Management (CBCCAM) will be prepared as the very final output of the PMR Turkey Project. This Synthesis Report will provide analysis and recommendations for consideration by the CBCCAM on the suitability of carbon pricing mechanisms for Turkey drawing upon the results of the following activities and delivered reports; i) Analytical Report 1- *Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas Emissions Trading System in Turkey*; ii) Analytical Report 2- *Assessment of Market Based Emission Reduction Policy Options for Turkey*; and, iii) Analytical Report 3- *Assessing the Economic, Fiscal and Social Impacts of Carbon Pricing through Modelling*.

In addition to these studies, marginal abatement and cost curves (MACC) for the major sectors of Turkey (energy, industry and transport) will be developed with the complementary support of the PMR Policy Analysis Work Program. This activity will run in parallel to the “Analytical Report 3” mentioned above, ensuring operational synergies and avoiding overlaps. The combination of these 2 activities will provide Turkey with very comprehensive capacity and tools (e.g. models) on the macro- economic impacts, sectoral abatement and cost implications of suitable carbon pricing scenarios.

For the successful delivery of all components, PMR Turkey was extended until June 2018.

The table below provides a summary of the progress of the PMR Turkey Activities:

Table 1. PMR Turkey Progress per Component

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 of a Greenhouse Gas Emissions Trading System in Turkey	Completed in December 2016
Analytical Report 2- Assessment of Market Based Emission Reduction Policy Options for Turkey	TBC in May 2017 80% Complete
Analytical Report 3- Assessing the Economic, Fiscal and Social Impacts of Carbon Pricing through Modelling	To be initiated in March 2018 0%
Synthesis Report- Carbon Pricing Policy Options for Turkey	To be initiated in September 2017 0%

3. IMPLEMENTATION REPORT BY COMPONENT

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

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?	While there is no change nor deviation from the MRP. The project completion deadline has been extended until 06/18/2018 with the objective of completing all project activities successfully. This extension only concerns the project timeline and has no budgetary implications.
N/A	

Implementation Progress by Component

<p>A. Component 1: Piloting MRV procedures and practices in the electricity, cement and refinery sectors, seeking broader engagement with other relevant stakeholders (e.g. accreditation bodies, verifiers etc.). This component specifically targets the preparation of Monitoring Plans, Emissions Reports, and Verification Reports in the three piloted sectors in order to identify data discrepancies and other readiness issues in the whole MRV cycle.</p>	
Status:	<p>Completed by July 2016</p> <ul style="list-style-type: none"> ▪ Preparation of monitoring plans (MPs) and emission reports (ERs)

for cement, electricity and refinery voluntary installations.

▪ **Verification of MPs and ERs**

All MRV Piloting components under the PMR Turkey were completed by July 2016. They consisted of 5 contracts in total: 3 components aimed at preparing Monitoring Plans and Emission Reports of 24 installations (18 electricity, 5 cement, 1 refinery) and 2 components aimed at the verification of the Emission Reports.

Within the framework of the project, site visits were carried out by the Consultants and the MoEU for each installation – both during the preparation of the Monitoring Plans and verification of Emissions Reports. Each installation benefitted from the site visits in terms of building capacity on how to meet MRV requirements due to the opportunity to work with the consultants one-to-one.

The MoEU and the Turkish Accreditation Agency also received “Training for Trainers” from the verification experts on how to carry out verification services and the EU accreditation rules for verifiers.

The table below summarizes the benefit gained through MRV pilots both from the Ministry and private sector point of view.

Table 2. MRV Pilot Benefits for the MoEU and Installations

Sector	MRV Pilot Benefits
Ministry of Environment and Urbanization	<ul style="list-style-type: none"> - The Ministry implemented the whole MRV scheme for the first time under the PMR Turkey Project. The pilots, hence, provided a valuable chance to road-test the regulation and the online register to identify aspects that need revision and improvement. - Within the framework of the pilots, site visits were carried out all 22 installations both to develop the monitoring plans and to verify the emission reports. The site-visits enhanced the Ministry staff’s understanding on how the regulation could be implemented on site; on the questions, bottlenecks and issues at the practical level which is very important experience as “regulation-makers” - The MRV Pilots included trainings

	<p>addressed at the Ministry and Turkish Accreditation Body to improve capacity on verification and accreditation.</p> <ul style="list-style-type: none"> - The trainings and lessons-learned conferences which were realized to increase the capacity among installations contributed into strengthening the good relations between the Ministry and the private sector.
	<p>Pilot Installations and Sectors</p> <ul style="list-style-type: none"> - For the installations, the MRV regulation together with the Communiques on how to make the calculations and prepare the reports has been perceived quite challenging to understand and implement initially. As the pilots were implemented ahead of the official enforcement of the regulation, the experiences and lessons-learned gained helped those and the related sectors (such as ceramics, glass) to comply with the regulation. - The pilots were especially beneficial for the electricity sector for 2 reasons: (i) Turkish electricity sector is very fragmented in terms of fuel, technology, capacity, age and ownership (state-owned vs. privatized); (ii) There have been significant data and calibration gaps depending on their age. Hence, the selection was realized to have a good representation of the sector as much as possible. This resulted in the selection of 18 installations with different features. This enriched the representation of lessons-learned, bottlenecks and experience assuring that non-pilot installations benefit from the outcomes as much as possible.

	<ul style="list-style-type: none"> ▪ Closure Conference of the MRV Pilots <p>The closure conference was organized in February 2016 to disseminate the results and lessons-learned from the project with the wider stakeholders, especially, the other installations and sectors which did not participate in the MRV pilots. This one-day event brought together about 120 participants from various Ministries and industries – including not only companies from the electricity and cement sectors but also paper, glass, and ceramic manufacturing. Lessons-learned from MRV pilots were summarized in brochures and were distributed at several PMR Turkey workshops as well as at the 14th PMR Partnership Assembly (Peru) and at COP-22 (Marrakech). The brochure can be reached on PMR Turkey’s website: http://pmrturkiye.org/wp-content/uploads/2016/12/IRDbrosur-min.pdf</p>
Comments:	None
<p>B. Component 2: Conducting analytical studies to inform decision making on the use of market based instrument(s) (MBI), including inter alia, (i) study on consideration of ETS for the MRV sectors with a detailed analysis into piloting ETS within the electricity sector; ii) recommendations for selection of MBIs and modeling for sectors covered and uncovered by the MRV regulation; (iii) GHG Market Modeling Outcomes for selected sectors covered and uncovered by the MRV regulation. In addition, a synthesis report “Market-Based Instruments – Policy Options” of the above studies will be prepared for consideration by policy makers, and be submitted Coordination Board on Climate Change and Air Management (CBCCAM)</p>	
Status:	<p>i. Analytical Report 1: Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas Emissions Trading System in Turkey¹</p> <p>Completed by December 2016</p> <p>The project provided Turkey with an analytical assessment on the suitability and feasibility of ETS in Turkey. The assessment was composed of 5 major parts; (i) design elements of an ETS and global examples, (ii) policy interaction analysis with existing policies and strategies, (iii) legal and institutional gap analysis to implement ETS, (iv) ETS implementation roadmap addressed at the public sector, and (v) ETS readiness guide for private sector.</p> <p>The assignment included extensive capacity building and feedback workshops on ETS in 2016 (14-days in total), on each of the 5 topics listed above. Several group works were formed during those workshops which were very critical to extract both the required information and views from different stakeholders. They also enabled participants to gain deep knowledge about the topics which resulted in high ownership</p>

¹ Named as “Study on consideration of ETS for the MRV sectors with a detailed analysis into piloting ETS within the electricity sector” in the MRP.

	<p>of the project.</p> <p>The final deliverables of the work have been published on PMR Turkey website in English:</p> <p>a. ETS Roadmap for Turkey: Provides the Government with step-by-step guidance on designing and establishing an ETS: http://pmrturkiye.org/wp-content/uploads/2017/01/ETSFinalReport_EN.pdf</p> <p>b. ETS Guidance for Plant Operators: A guide for the private sector towards increasing their preparedness in case ETS is implemented in Turkey: http://pmrturkiye.org/wp-content/uploads/2017/01/PMR-Turkey-Private-Sector-Guidance.pdf</p> <p>On 12-13 December 2016, the Closure Conference of the project activity took place with the participation of about 250 people in total over 2 days. During the conference, besides the introduction of the final project outputs, the Turkish version² of the “Emissions Trading in Practice: A Handbook on Design and Implementation” was also launched. USB sticks were distributed to the participants with all project deliverables, presentations and recent PMR knowledge products which were translated into Turkish such as the “Carbon Leakage Report³”.</p> <p>The Closure Conference also hosted several international speakers. Speakers from the EU Commission, ICAP and Vivid Economics joined day 2 and respectively delivered presentations on ETS experiences in the EU, global implementation of ETS and carbon leakage. There was also a session on the “private sector readiness for ETS” where speakers from CEMBUREAU (cement), EDF (energy) and “EUROFER” (iron-steel) highlighted how installations within the EU prepared for the EU ETS compliance.</p> <p>The presentations are available at: http://pmrturkiye.org/2017/01/03/emisyon-ticaret-sistemini-ets-turkiyeye-uygunlugunun-degerlendirilmesi-kapanis-toplantisi-ile-ets-bilgilendirme-toplantisi-gerceklestirildi/ (Note: although the text is in Turkish in the link, presentations of international speakers are in English.</p> <p>ii) Analytical Report 2: Assessment of Market Based Emission Reduction Policy Options for Turkey⁴</p>
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² Turkish version of the ETS Handbook is available on: http://pmrturkiye.org/wp-content/uploads/2017/01/Uygulamada-Emisyon-Ticareti_TR.pdf

³ The Turkish version of the report is available on: <http://pmrturkiye.org/wp-content/uploads/2016/06/karbon-ka%C3%A7a%C4%9F%C4%B1.pdf>

⁴ Named as “**Recommendations for selection of MBIs and modeling for sectors covered and uncovered by the MRV regulation**” in the MRP.

	<p>On-going, %75 complete</p> <p>This activity was initiated in May 2016 with the objective of assessing and advising on the suitability of different market-based instrument (MBI) options for Turkey, aside from ETS. MBIs to be considered within the framework of the study include carbon tax, scaled-up crediting mechanisms, energy efficiency trading, renewable energy trading or other suitable trading schemes, as well as other mechanisms leveraging climate finance such as result-based finance (RBF).</p> <p>The analysis looks at (i) how each MBI functions with an assessment on their effectiveness including international experience and examples for each sector; (ii) how revenue recycling can be established and why it is important; (iii) policy interaction analysis with the current policies and potential MBIs; and, (iv) recommendation on suitable MBIs for Turkey.</p> <p>Since the start of the project, 1 informatory meeting and 5 workshops have been organized for public and private sector representatives. The workshops were designed to gather feedback and guidance from the stakeholders on different sub-activities of the work. According to the feedback received, each sector was assigned a MBI for further analysis as shown in the table below:</p> <table border="1" data-bbox="542 1003 1338 1415"> <thead> <tr> <th>Sector</th> <th>Selected MBIs for the analysis</th> </tr> </thead> <tbody> <tr> <td>Energy</td> <td>Carbon Tax, Renewable Energy Certificate Trading, Result-based Finance</td> </tr> <tr> <td>Industry</td> <td>Carbon tax, Scaled-up Crediting Mechanism in the form of India's Perform, Achieve, Trade Scheme</td> </tr> <tr> <td>Transport</td> <td>Carbon Tax, Scaled-up Crediting Mechanism</td> </tr> <tr> <td>Waste</td> <td>Scaled-up Crediting Mechanism, Result-based Finance</td> </tr> <tr> <td>Buildings</td> <td>Result-based Finance, Energy Efficiency Certificates Trading Scheme</td> </tr> </tbody> </table> <p>The project's final "Feedback Workshops" were held on 13-16 March 2017 with public and private sector representatives. The project is expected to be completed in May 2017 with a closure conference.</p> <p>iii) Analytical Report 3: Modelling Fiscal, Economic and Sectoral Impacts of Carbon Pricing in Turkey⁵</p> <p>To be initiated in March 2017</p> <p>The procurement process of this task will be completed in March 2017 and</p>	Sector	Selected MBIs for the analysis	Energy	Carbon Tax, Renewable Energy Certificate Trading, Result-based Finance	Industry	Carbon tax, Scaled-up Crediting Mechanism in the form of India's Perform, Achieve, Trade Scheme	Transport	Carbon Tax, Scaled-up Crediting Mechanism	Waste	Scaled-up Crediting Mechanism, Result-based Finance	Buildings	Result-based Finance, Energy Efficiency Certificates Trading Scheme
Sector	Selected MBIs for the analysis												
Energy	Carbon Tax, Renewable Energy Certificate Trading, Result-based Finance												
Industry	Carbon tax, Scaled-up Crediting Mechanism in the form of India's Perform, Achieve, Trade Scheme												
Transport	Carbon Tax, Scaled-up Crediting Mechanism												
Waste	Scaled-up Crediting Mechanism, Result-based Finance												
Buildings	Result-based Finance, Energy Efficiency Certificates Trading Scheme												

⁵ Named as "GHG Market Modeling Outcomes for selected sectors covered and uncovered by the MRV regulation" in the MRP.

	<p>the project was initiated with two important meetings which will take place on 7-9 March. On March 7th, the “Methodology and Work Plan” will be organized with the Consultants and the MoEU to discuss and validate the final project work plan and timelines, roles and responsibilities and expectations from the assignment. On 8-9 March, a “Steering Workshop” (SW) will be organized with the participation of key line ministries and private sector associations. The objective of the SW is to allow the Consultants able to gather the necessary information and guidance from local stakeholders to identify the baseline and comparative policy scenarios so that they initiate the work in the right direction.</p> <p>The project is expected to be completed by March 2018.</p>
<p>Comments:</p>	<p>After the launch of the Analytical Report 3, the only remaining component will be the “Synthesis Report” which will provide comprehensive and informed recommendations on carbon policy package for Turkey – based on the analytical reports. The Synthesis Report will be the final deliverable of the PMR Turkey Project and will be presented to the “Coordination Board on Climate Change and Air Management” and other decision-making bodies. The procurement for this activity will start during the summer of 2017. As mentioned above, this activity will be completed by the development of marginal abatement and cost curves (MACC) for the major sectors of Turkey (energy, industry and transport) with support of the PMR Policy Analysis Work Program. The combination of these 2 activities will provide Turkey with very comprehensive capacity and tools (e.g. models) on the macro-economic impacts, sectoral abatement and cost implications of suitable carbon pricing scenarios.</p>
<p>I)</p>	<p>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>
<p>Status:</p>	<p>PMR Turkey Information Exchange and Steering Meetings between April 2016- March 2017</p> <p>Continuously implemented throughout the project</p> <ul style="list-style-type: none"> • ETS-related workshops <p>2016 has been “the ETS year” for PMR Turkey during which several workshops and meetings took place with extensive agendas targeting both the public and private sectors. The table below shows the dates and topics of all workshops and meetings on the topic of ETS which took place in 2016. A complete list is provided below.</p>

Table 3. Analytical Report 1: Meetings and Workshops

Meeting/ Workshop Dates	Objectives
20-21 January 2016	Capacity building meeting on ETS
9-12 February 2016	Workshop on the design elements of an ETS
15-18 March 2016	Workshop on possible ETS scenarios for Turkey
July 2016	One-to-one meetings with the line ministries to identify legal and institutional needs and gaps required for an ETS in Turkey
20-23 September 2016	Workshop on the legal and institutional gap analysis, ETS implementation roadmap for the government and ETS readiness guideline for private sector
12-13 December 2016	Project closure and ETS capacity building conference

The component “**Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas Emissions Trading System in Turkey**” and the stakeholder workshops were a great success. Stakeholders shared that they significantly benefitted from the capacity building and interactive workshops which in turn also resulted in high levels of ownership and contribution on their end.

- **Workshops related to MBIs (other than ETS)**

Meetings and workshops which took place under the component “**Assessment of Market Based Emission Reduction Policy Options for Turkey**” are listed in the table below

Table 4. Analytical Report 2: Workshops and Meetings

Meeting/ Workshop Dates	Objectives
12 May 2016	Capacity building meeting on MBIs
2 July 2016	Steering Workshop with stakeholders on how each MBI functions and how they are implemented globally.

	<table border="1"> <tr> <td data-bbox="527 201 868 294">5 October 2016</td> <td data-bbox="868 201 1421 294">Feedback workshops to gather feedback on Chapters 2 and 3 of the report.</td> </tr> <tr> <td data-bbox="527 294 868 420">13-16 March 2017</td> <td data-bbox="868 294 1421 420">Feedback workshops to collect insight from the key stakeholders on the recommended MBIs for Turkey.</td> </tr> </table> <p>Modelling-related Meetings and Workshops</p> <p>On 8-9 March, the “Steering Workshop” for the Analytical Report 3 and “MACC Assignment” (Please, see “Additional Information” section at the end of this ISR) will host representatives both from the key line ministries and private sector associations of the major emitting sectors. The workshop will be composed of several working groups aimed at providing the Consultants with the information and feedback and data required to initiate the work – such as the development of the baseline scenarios and comparative scenarios. The workshop also served as an important tool for the participants to build knowledge on economic modelling in relation to carbon pricing and NDC implementation.</p> <p>Website</p> <p>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, photos of the meetings. It also hosts our online bulletins and announcements. In December 2016, the website attracted more than 1000 visitors with different IP numbers.</p> <p>The English version of the website is under construction.</p> <p>Online Bulletins</p> <p>Since September 2016, PMR Turkey issued 6 online bulletins. The bulletins have so far been developed by the Consultants to share key findings of the analytical work under the PMR Turkey project and any international developments related to the topic. Each bulletin is sent to about 500 stakeholders.</p> <p>PMR Working Group Meetings</p> <p>During the reporting period, the PMR Working Group was convened 3 times to discuss the scope of activities for additional PMR funding.</p> <p>The Ministry has established the “PMR Working Group (WG)” under the “Climate Change and Air Management Coordination Board - Emission</p>	5 October 2016	Feedback workshops to gather feedback on Chapters 2 and 3 of the report.	13-16 March 2017	Feedback workshops to collect insight from the key stakeholders on the recommended MBIs for Turkey.
5 October 2016	Feedback workshops to gather feedback on Chapters 2 and 3 of the report.				
13-16 March 2017	Feedback workshops to collect insight from the key stakeholders on the recommended MBIs for Turkey.				

	<p>Reduction WG” composed of key ministries for carbon pricing. Those include the Ministry of Energy and Natural Resources, Ministry of Finance, Ministry of Industry, Ministry of Economy, General Directorate of Treasury, Istanbul Stock Exchange and Capital Markets Board of Turkey. The WG meets on ad hoc basis to steer the project and provide strategic feedback whenever necessary.</p> <p>PMR Turkey Side Event at COP-22</p> <p>PMR Turkey organized a successful side-event on carbon pricing at COP-22 in Marrakech called “Carbon Pricing is Going Global”. The side event hosted invaluable speakers from PMR Implementing Countries and the World Bank and (China, Chile, Mexico, Turkey) who shed light on the latest developments on carbon pricing globally and in their home countries. Brochures on the PMR Turkey project and the different MBIs analysed were distributed during the event. A poster showing the highlights of PMR Turkey was also printed and displayed at the Turkish Pavilion.</p> <p>Brochures</p> <p>Brochures were prepared and distributed in several events (including COP-22) in order to highlight the activities under PMR Turkey and their results, and raise awareness on specific topics covered by the analytical reports. We also share the brochure on our website:</p> <ul style="list-style-type: none"> - PMR Turkey: http://pmrturkiye.org/wp-content/uploads/2016/12/PMR-brosuru-min.pdf - ETS component: http://pmrturkiye.org/wp-content/uploads/2016/12/ETS-brosuru-min.pdf - MBI component: http://pmrturkiye.org/wp-content/uploads/2016/12/MBI-brosuru-min.pdf - Lessons-learned in MRV Pilots: http://pmrturkiye.org/wp-content/uploads/2016/12/IRDbrosur-min.pdf <p>Besides the above, presentations on PMR Turkey were delivered at the “Istanbul Carbon Summit” in April 2016 and “Sustainability and Risk Management” in December 2016.</p>
<p>Comments:</p>	<p>Workshops organized in 2016 have enabled both significant capacity building and data/feedback gathering from local stakeholders. The level of participation, attention, and contribution was particularly high and resulted in a very good visibility and ownership of the project with local stakeholders. This will in turn provide both the MoEU and the PMR Turkey project with a broad and active stakeholder base to implement</p>

other projects.

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant's objectives and activities:

Developments:

Both the “Roadmap for Establishment and Operation of an ETS in Turkey” and “Assessment of Market Based Emission Reduction Policy Options for Turkey” have gathered high attention from the energy sector community. Both capacity building workshops and resulting report have catalyzed discussions about carbon pricing within the public and private sector. The most recent developments about carbon pricing which have surfaced in the budgets, strategy documents and regulatory preparations of ministries are summarized below. Although, these steps have been already planned by the corresponding institutions, capacity building workshops organized by PMR Turkey provided a multi-stakeholder and interactive environment for public and private sector institutions to discuss for the first time the applicability of the MBIs, including sharing of roles and responsibilities, which clearly had an impact in accelerating or taking forward those planned activities. PMR Turkey has been invited to deliver presentations about the work and outputs which have started to generate high attention from the ministries (for high management teams), academy and media.

- Since 2012, the Ministry of Energy and Natural Resources (MENR) has stated in its annual budget that it would initiate the preparatory work regarding ETS within the electricity sector, based on international experience and practice. The PMR Turkey, through the ETS related activities, has significantly supported the Ministry with such preparatory work and capacity building. The ETS workshop and the final reports have provided strong initial basis and readiness to work towards alternative carbon pricing policy scenarios for the electricity sector in a more concrete and deeper way. The PMR Turkey team is invited to the MENR to deliver a presentation on “ETS Roadmap for Turkey”. The meeting is expected to initiate important discussions on the applicability of carbon pricing within the energy sector.
- Energy Exchange Istanbul (EXIST) announced in their Corporate Strategy for 2016-2020 that it would start preparations to develop market infrastructure for ETS in 2018 and also work on an ETS design beginning 2019. EXIST representatives participated in the PMR workshops regularly and actively as well as provided very detailed comments on the ETS Report.
- General Directorate for Renewable and Energy (GDRE) and EXIST have been working to develop a draft regulation to establish a “Renewable Energy Certificate Trading Scheme” (RETS) in Turkey. The draft regulation is expected to be circulated for stakeholder comments in 2017. RETS is one of the MBIs assessed under Analytical Report 2 which will layout an implementation roadmap for RETS. The PMR Turkey team has been invited to the GDRE to deliver a presentation about the results of the work as well. During the meeting, one of the discussion points will be how PMR can further support development of the RETS in Turkey.
- The implementation of the MRV regulation has been progressing well with about 600 installations (out of about 800) have submitted their monitoring plans, collectively representing about %55 of the national 2013 emissions. By April 2017, those installations will submit their verified emission reports for 2015 and 2016. In the meantime, the MoEU has provided trainings and held examinations to license verifiers. The online reporting register

(built with GIZ support) has been fully completed in 2016 and has been functioning very well.

Important changes in the technical design or approach related to the Grant's activities:

Developments:

There has been no change in the technical design or approach of the components.

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Developments:

Political developments in Turkey have incurred some delay in the procurement process for the Analytical Report 3 and thus in the project timeline overall.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments:

The PMR and GIZ have been the main financial resources that support Turkey in building capacity on MRV and carbon pricing instruments. These two projects were developed by the same Ministry staff in a common set-up in order to avoid any duplication of efforts and maximize synergies. The GIZ and PMR projects are complementary. The GIZ project aims to help Turkey set up the underlying infrastructure of the national MRV system. It has sought to establish the data management system (i.e. registry platform and tools to upload the required reports), development of a number of guidelines on how to prepare MPs and ERs. It also aims to build the internal capacity of the MoEU on how to assess those reports, as well as how to set the eligibility criteria for the local accreditation body and the accredited verifiers. It has also sought to improve the MRV Regulation and to develop the supporting implementing legislation. Both projects have been managed by the Department of GHG Monitoring and Trading, which limits the risk for overlap to occur. In addition, the PMR Turkey Technical Coordinator and the GIZ Project Coordinator meet regularly to coordinate between the two projects.

Challenges:

The number of meetings organized under both the PMR and GIZ projects, combined with other projects managed by the same department has been challenging. Finding appropriate dates for such meetings to take place required much coordination effort in order to deal with the busy schedule of ministries and stakeholders involved in the definition of the national climate strategy (who are a rather small group of people).

Lessons learned:

There has been good synergy with the GIZ project which mainly aims to build capacity on MRV for the installations. The PIU has benefited from the industry's appreciation for the trainings and guidelines on MRV and the collaborative environment built during the GIZ project

Stakeholder engagement related to the Grant's activities:
<p>Developments:</p> <p>As reported in the previous ISR, we were looking into organizing roundtable meetings with international experts to be able to meet more sector specific questions of the stakeholders. However, due to very busy meeting schedule created by the MoEU addressing the same people on the issue of climate change, we decided take the advantage of the Closure Conference of the Analytical Report 1 on ETS. Hence, we invited the international speakers to deliver targeted presentations on Day 2 of the Closure Conference.</p> <p>Challenges:</p> <p>The Climate Change Department is one of the busiest departments within the Ministry with both national and international climate change agenda and several projects such as PMR and GIZ. All of this results in back-to-back meetings, or sometimes overlapping due to time limitations which in turn may overload stakeholders with MoEU meetings.</p> <p>Lessons learned:</p> <p>Although, there is an established common calendar system within the department, we still might not be able to avoid overlaps of meetings due to time pressure. For this reason, we try to share the invitations with the participants as soon as we know when meetings will take place. Also, we work towards optimizing how our meetings are spread across the whole year. So far, it has worked best if we organized one event per month only.</p>
Other issues related to the Grant's activities
N/A

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.

PMR Turkey was granted \$ 300.000 through the PMR Policy Analysis Work Program. This additional support will be dedicated to two areas:

1. Development of Marginal Abatement and Cost Curves for Turkey

This activity will support the MoEU in building capacity for effective Nationally Determined Contribution (NDC) implementation, in particular through the development of sectoral emissions mitigation marginal abatement cost curves (MAC) curves for key sectors of the Turkish economy. Using the developed MAC curves, different mitigation options will be assessed and compared. Recommendations will be made on the design of a comprehensive mitigation strategy including timing of various actions. The model(s) and

supporting tools used and/or developed with data collected to populate them will be handed over to the MoEU for future use. Appropriate guidance and training will be provided to build capacity with technical staff of the MoEU and other key stakeholders.

The MACC project will be executed in parallel to “**Modelling Fiscal, Economic and Sectoral Impacts of Carbon Pricing in Turkey**” (Modelling Assignment) due to strong synergies available between the two projects. Data collection and processing, stakeholder meetings and trainings, input-output relationship and assessments made using the same scenarios will provide the MoEU with a very comprehensive picture with both macro and micro-economic impacts of carbon pricing in Turkey and emission reduction and costs corresponding to the same scenarios for the major industries.

The kick-off and steering meetings of the MACC project will take place together with those organized under the “Modelling Assignment” on March 7-9.

2. Hiring of an international modelling expert:

Although, the “Modelling Assignment” (MoEU-executed) and “MACC” (WBG-executed) are commissioned under two separate contracts, from a technical perspective they consist of common and/or complementary activities. The international modelling expert will provide technical guidance to MoEU on how these two projects can best be integrated to ensure management and delivery as one project.. The expert will also provide helpdesk and peer-review support for the MoEU to ensure technical quality of deliverables. The expert will also support the MoEU during the main face-to-face meetings organized during the projects, such as the “Steering Workshop” and interim project meetings.