

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 05/25/2015 to 04/08/2016
Report Date:	04/08/2016
Implementing Agency:	Ministry of Environment and Urbanization General Directorate of Environmental Management
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Grant Executed By:	Recipient: Ministry of Environment and Urbanization General Directorate of Environmental Management
Grant Effectiveness and Closing Dates:	12/17/2013 – 06/30/2017
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	N/A
Funding Committed (USD)	USD 1,700,000

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.

It was decided that MRV pilots would not only cover 18 electricity installations, but also 5 in the cement and 1 in the refinery sector in order to expand the learning base of the Turkish MRV regulation with both Ministry staff – responsible for approving the monitoring plans – and the operators. Within the framework of MRV Pilots, Monitoring Plans (MPs) and Emission reports (ERs) of volunteering facilities were prepared with support from consultants, and were then verified by the contracted verifiers. The completion of these activities have taken more time than initially expected (i.e. end 2015) but the pilots are now very close to completion.

The progress for the 3 pilot sectors is summarized in the Table below.

Pilot Sector	Preparation of Monitoring Plans and Emission Reports	Preparation of Verification Reports
Cement	Completed by September 2014	Completed by March 2016
Refinery	Completed by September 2015	Completed by March 2016
Electricity	Completed by September 2015	<p>Expected to be completed by the end of May 2016.</p> <ul style="list-style-type: none"> - Verification site visits were completed in December 2015. - Draft verification reports were prepared and shared with the installations in February 2016. - Installations are working towards revising their monitoring plans and emissions reports based on the comments of the verifiers.

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

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

The “Carbon Markets Policy Options Report” to be presented to the Coordination Board on Climate Change (CBCC) 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 CBCC on the suitability of carbon pricing mechanisms for Turkey drawing upon the results of the following activities and delivered reports; i) *Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas Emissions Trading System in Turkey*; ii) *Assessment of Market Based Emission Reduction Policy Options for Turkey*; and, iii) *Assessing the Economic Impacts of Carbon Pricing through Modelling*.

The first activity is currently being prepared and is expected to be completed by November 2016. The procurement for the second activity is ongoing and the activity is expected to start in May 2016. The third activity is expected to start in August 2016 and to finish in August 2017.

In spite of smooth implementation, it is anticipated that the timeline of project activities will need to be extended. Careful review of the procurement plan has been performed in light of remaining activities, and the Ministry will communicate possible extension request to the PMR Secretariat accordingly.

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?	No
N/A	

Implementation Progress by Component

- 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.

Status:	<ul style="list-style-type: none"> Preparation of monitoring plans (MPs) and emission reports (ERs) Completed - Cement and Refinery Pilots After the successful verification of the MPs and ERs from the cement and refinery installations, the two contracts related to their preparation will be concluded by the end of April 2016 with the submission of the final reports by the consultants. Ongoing - Electricity Pilots The verifiers hired under the project activities shared the draft verification reports with the installations in February 2016. Currently, operators are working with the consultants in charge of MPs and ERs preparation to address the feedback received during verification. The project is expected to be completed in May 2016. Verification of MPs and ERs (Almost) Completed - Cement and Refinery Pilots Verification reports of the cement and refinery installations are now completed. The project will be finalized by the end of April 2016 with: <ul style="list-style-type: none"> - The submission of the “final report” summarizing the lessons-learned throughout the project as well as verifiers’ recommendations for both the Ministry and the operators; and, - Delivery of training on ISO 14065 and ISO 14066 by the verifiers, to take place on April 18-19, 2016. On-going - Electricity Pilots Verification site visits were carried out in December 2015 in the 18 pilot electricity generators. Draft verification reports were shared with the installations in February 2016. Currently, electricity operators have been reviewing their MPs and ERs in order to address the issues raised by the verifiers. The verification of electricity installations is expected to be completed by the end of May 2016. Closure Conference of the MRV Pilots 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 Ministries and industries – including not only companies from the electricity and cement sectors but also paper, glass, and ceramic manufacturing.
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<p>Comments:</p>	<p>The MRV Pilots should now be completed by May 2016, while the initial planned end date was December 2015. The reasons for this delay are summarized below:</p> <ul style="list-style-type: none"> - Preparation of the MP and ERs As 2015 was the first year of reporting for the Turkish industry, significant capacity building was needed among the installations, and the gathering of data and related documents took much longer than initially foreseen in the electricity and refinery facilities. The delay in the preparation of the MPs and ERs resulted in the postponing the verification process as well. On the contrary, there was no delay experienced in the preparation of MPS and ERs in the cement pilots. With regards to the electricity pilots, it is important to stress that the privatization of state-owned power plants was one of the most critical obstacles since there was no relevant staff available to manage MRV requirements for at least 4 to 5 months. Further, the contracted consultant experienced difficulties to handle the number of piloted installations (18) within the given timeframe. - Verification of ERs Verification of MRV pilots was carried out under 2 different contracts (i.e. one for cement and refinery, and one for electricity) for which the same company was hired. The electricity verification was postponed mainly due to the delay in the preparation of the MPs and ERs – as explained above With regards to verification activities in the cement and refinery sectors, significant implementation delay was due to issues with the hired consultant not fulfilling certain tasks required under their assignment.
<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 (CBCC).</p>	

Status:	<p>Under implementation</p> <p>i) Study on consideration of ETS for the MRV sectors with a detailed analysis into piloting ETS within the electricity sector, updated as “Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas Emissions Trading System in Turkey”.</p> <p>The activity was initiated in November 2015 with a wider scope covering all MRV sectors in the analysis. The analytical report and series of related workshops represent a cornerstone for Turkey in terms of building capacity related to ETS design and implementation. Further, the discussion on potential ETS scenarios for Turkey will contribute to assessing how ETS and other current and future policies would interact, and to identify the existing technical and legal gaps for Turkey to establish ETS. The project, which will last for one year, will produce with two final documents: a. An “ETS Roadmap for Turkey” providing the Government with step-by-step guidance on designing and establishing an ETS; and, b. A guide for the private sector towards increasing their preparedness in case ETS is implemented in Turkey.</p> <p>So far, the following activities were carried out within the framework of the project:</p> <ul style="list-style-type: none"> - 9-10 and 11-12 February 2016: “ETS Workshops” were organized separately for the public and private sectors. The workshops aimed at enhancing the capacity of the public and private sector related to design and operation of ETS in order to create a fruitful discussion environment during the ETS Scenario Workshops which held subsequently in March 2016. A total of around 130 people participated in the workshops. The workshops included interactive sessions in groups, and EPA’s ETS Simulator was also run at the end of the 2nd day with the objective to ground the theory into practice. - 15-18 March 2016: “Workshop on ETS Turkey Scenarios” was organized separately for the public and private sectors with the aim of discussing and developing possible ETS scenarios. The scenario workshops have been very useful both in terms of putting the ETS theory into practice, and providing insights from the participants as inputs to the analytical report. Feedbacks on these events have been very positive from both the public and private sectors. The participants were very pleased with being included as early in the learning and consultation process around ETS. - The first draft of the first chapter of the report was submitted to the Ministry.
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	<p>ii) Recommendations for selection of MBIs and modeling for sectors covered and uncovered by the MRV regulation:</p> <p>Updated as “Assessment of Market Based Emission Reduction Policy Options for Turkey” in the RFP.</p> <p>The contract for this activity will be signed by the end of April 2016. The activities will start in May 2016 and continue for one year.</p> <p>The objective of the work is to assess and advise 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 are carbon tax, scaled-up crediting mechanisms, energy efficiency trading, renewable energy trading or other suitable trading schemes and other mechanisms leveraging climate finance such as result-based finance (RBF).</p> <p>iii) GHG Market Modeling Outcomes for selected sectors covered and uncovered by the MRV regulation</p> <p>The procurement process of this task will be initiated in May 2016.</p>
<p>Comments:</p>	<p>This last analytical activity which consists of modelling work on the selected MBIs has been delayed, mainly because the preparation phase for national INDC submission demanded substantial work and resources but also time on the side of the Ministry to analyze and consult on the outcomes of the Paris Agreement. The TOR for this activity will be prepared in April 2016.</p>
<p>C. Component 3: Carrying out stakeholder training, consultation engagement and public awareness activities, including: (i) conferences and workshops to support the activities under Parts 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>Under implementation</p> <p>PMR Turkey Information Exchange and Steering Meetings, April and June 2015</p> <p>The PIU met with the representatives of key ministries and the private sector on April 29th and June 16th, 2015 to present the planned PMR activities and collect feedback. The scope of the ETS analytical work was expanded accordingly to cover all MRV sectors from only electricity sector as initially envisaged in the MRP. Further feedback and buy-in was also secured for the rest of the analytical activities.</p>

	<p>Establishment of “PMR Working Group”</p> <p>The Ministry has established the “PMR Working Group (WG)” under the “Climate Change Coordination Board - Emission 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>18-19 January 2016: “Capacity building seminars on ETS” were organized convening public and private sectors separately one day for each. These aimed at familiarizing the stakeholders with the key concept of ETS in preparation of the workshops held in February and March with the consultants. The presentations were mainly delivered by the Ministry, in particular using the draft PMR/ICAP “ETS Handbook” as a very resourceful document for preparation. The MoEU had the first 4 chapters of the report translated into Turkish. A total of 110 people participated.</p>
<p>Comments:</p>	<p>The stakeholder engagement activities are progressing timely in parallel to the development of the analytical work. The PIU has been working towards organizing the roundtables which target more specific capacity building needs of stakeholders. So far, all stakeholders have expressed their satisfaction for being included in the early stages of this process, - especially the industry.</p>

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p>
<p>Developments:</p> <ul style="list-style-type: none"> - Turkey submitted its iNDCs to UNFCCC on 30/09/2015 with a target to reduce emissions up to 21% by 2030 compared to Business-as-usual (BAU) scenario: After the submission of the iNDC, the Ministry has concentrated its current efforts to pave the way towards the preparation of an iNDC Action Plan to ensure the mitigation goal is achieved. The capacity building activities that are delivered so far under the PMR project have positively contributed to these discussions, in particular as to whether and how carbon pricing could be one of the policy solutions within the overall national climate policy mix. With the upcoming analytical work on carbon taxes, scaled-up crediting mechanisms, energy efficiency trading and result-based finance, Turkey will advance the scope of the carbon pricing alternatives and will be able to better evaluate if any or combination of few carbon pricing policies could be implemented or not. PMR has been the anchor for starting an informed-decision making process on carbon pricing in Turkey, and it is hoped that further results from the modelling work will support take this process forward.

- **The implementation of the MRV regulation has been progressing well with about 600 installations have submitted their monitoring plans totaling to about %55 of the national emissions in 2013.** An inventory study revealed that the number of installations with the obligation of reporting is about 800. The remaining 200 facilities that have not reported so far are considered to be small emitters such as brick and tiles manufacturers which would not cause any major deviations from the current levels of reported emissions. The development of the online registration platform has progressed significantly and now allows for the submission of both the emission reports and monitoring plans. The new module for the submission of verification reports by verifiers is about to be completed.

Challenges:

Future decisions regarding domestic climate change mitigation policies – and the development of carbon pricing in particular – will be driven by the ambition given to Turkey’s near- to longer term national emissions reduction trajectory. More clarity on Turkey’s next steps in that regards, and on the political support different options will received, is expected by the end of 2016.

Lessons learned:

The PIU has been following the discussions on Paris Agreement and iNDCs and will make sure that all relevant stakeholders are engaged during the preparation work around the modelling and synthesis report activities, with the objective to ensure relevance and alignment with national priorities.

Important changes in the technical design or approach related to the Grant’s activities:**Developments:**

It was originally planned in the MRP to study the design elements and roadmap for ETS in the electricity sector, while only exploring modalities for expansion to other sectors. Based on the several stakeholder meetings with key stakeholders carried out in April and June 2015, it was decided that this activity should analyze the suitability of an ETS for Turkey covering all MRV sectors, and prepare comprehensive preparation roadmaps and guidelines for both the private and public sectors. In addition, it was advised that the study should benefit an audience as large as possible in terms of capacity building and learning. Further decisions as to either start piloting ETS in the electricity sector only, or in all MRV sectors will be considered in light of the results of this study.

Challenges:

Decision on the level of detail vis-à-vis the expansion of the scope needs careful attention, so that the work does not yield generic results. In this sense, the TOR is the key to ensuring the level of detail expected from the work. The PIU has worked very closely with the PMR Secretariat and other experts from the PMR expert pool to ensure that the TOR is robust in that regards.

Lessons learned:

The expansion of the scope of the project, and, hence, the diversity of the stakeholders has proved to be the right decision so far. As the successive ETS workshops build upon each other, attendance of the same participants has been important. To achieve this, it was important to bring together (more or less) the same people from different institutions, firms, backgrounds,...etc., who have the capacity to

provide professional insights, enriched the discussions while conveying the key concerns of stakeholders on ETS.

The stakeholders have also expressed their satisfaction with being included in these discussions, and appreciate the opportunity to learn on such a technical topic and with the support of international experts.

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

Developments:

The PIU has encountered some serious difficulties to work with the consultants in charge of the verification activities. This in turn delayed such activities.

Challenges:

Successful delivery of the verification activities was however achieved due to efforts from the PIU to reach an agreeable and practicable solution. The core project deliverables- i.e. the verification reports- were eventually delivered and the related contract will shortly be closed.

Lessons learned:

PMR implementation realized at the national level most often requires international consultants' involvement due to lack of local expertise. It is very important that consultants recognize that those projects bear national importance and are implemented under the World Bank and the host country rules which firmly acknowledge "good will of parties" to be able to successfully implement the contract. The standard lump-sum agreement contract template lacks any intermediary penalty provisions for the hosting country to help it enforce the contract provisions.

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:

Developments:

During this reporting period, the PIU has organized several stakeholder meetings that have been summarized above. These can be categorized as below:

PMR Stakeholders Exchange of Information Meetings:

A first meeting was held on 16/07/2015 before the launch of the PMR analytical work packages and addressed a wide range of participants from public and private sectors. The aim of that meeting was to present the objectives and expected results from those activities and to collect feedback. With this meeting, the scope of the ETS assessment was expanded from being electricity only to cover all MRV sectors. As the project progressed, such exchanges were channeled through a "PMR Working Group Meetings" with the public sector representatives, and "PMR Technical Workshops/Meetings" with both the public and private sector. See section "**Implementation Progress by Component**" for more detail.

The PIU is currently looking into organizing several roundtable meetings in 2016 to address specific needs of both the public and private sector. The preliminary topics for planned roundtables are:

- Lessons-learned from EU ETS and Recommendations for Turkey
- Carbon pricing in relation to carbon leakage and international trade
- ETS and taxation
- Carbon pricing in relation to energy pricing and electricity trade

Challenges:

The PIU has had difficulty to organize the roundtables due to procurement process not allowing for the payment of per diem or fees to experts without a contract in place. In addition, contracting speakers coming for a short amount of time is not possible due to the requirement for them to pay local axes in order to be able sign a contract with the Ministry. To overcome this barrier, the PIU postponed the roundtables and will include those costs to the PMR budget allocated to logistics for meetings.

The Ministry has also leveraged other means to access further international expertise on ETS, in particular available in the public sector. For example, the Ministry applied to the Technical Assistance

and Information Exchange fund of the EU Commission, hoping to strengthen exchanges and learning on the EU ETS.

Lessons learned:

The PIU has been engaging with the key stakeholders from early stages of the project, and maintains the same level of engagement for each specific activity. Stakeholder meetings not only help us to increase the level of ownership and attention towards the project, but also provides very useful inputs for the PIU to formulate the activities and related TORs. We have gathered very positive feedback on how the Ministry has been inclusive and open for comments from different sectors and institutions, which has helped raising both the credibility and profile of PMR Turkey Project.

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.

N/A