

Turkey: A Boost To Wind & Solar

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Turkey has been active over the last year in molding its renewable energy market. Long discussed feed-in tariffs were increased with an amendment made to the Renewable Energy Law.¹ The wind license applications which have been suspended since 2007 are issued. The EMRA² issued a number of communiqués one of which sets forth the on-site measurement obligations to obtain licenses for wind or solar power plant applicants. The Ministry of Energy solicited opinions from the market players and public in general on draft electricity market law published it on its web-site. Although EMRA has not yet announced any specific date for license applications for solar power plants, the recent Measurement Communiqué³ may be deemed to be a hint that EMRA could collect the license applications for solar power plants in the first half of 2013.

This Article will give a brief overview on licensing of wind and solar power plants in light of the recent updates the Renewable Energy Law provides.

Energy Production Licenses in Turkey

There are two key legislations regulating energy licenses in Turkey, the Electricity Market Law⁴ and the License Regulation⁵.

There is no limitation to foreign investment capital so long as the applicant is a limited liability company or a joint stock company established in Turkey.

The licenses are issued for a maximum of 49 years and can be renewed.

There is a peculiar provision regarding the date of application for wind and solar licenses. A company can apply to the EMRA for a license only on the date reserved by the EMRA for collecting wind or solar license applications. The EMRA has not yet granted any Solar Licenses, neither has it announced a date to collect applications for solar licenses.

The production capacity restriction for each solar license is restricted to 50 MW and the total capacity for the initial licenses for the first batch of solar power plant applications will be a maximum of 600 MW. This restriction was brought by the amendment to the Electricity Market Regulation on August 11, 2011 but there are talks that EMRA will not delay announcing a second application date after the end of 2013.

Incentives:

The Renewable Energy Law and the Electricity License Regulation introduce certain advantages for wind and solar investors which relates to (a) feed-in tariffs, (b) license fees, (c) land use or acquisition and (d) use of local components.

a) Feed-in Tariff Mechanism

The cornerstone of the Renewable Energy Law is the feed-in tariff mechanism setting forth an obligation for the electricity suppliers to purchase their electricity firstly from accredited renewable energy power plants. The FIT system has been structured such that the State obliges the electricity suppliers to purchase electricity primarily from accredited renewable energy power plants.

The Renewable Energy Law also distinguishes between the type of the renewable energy used to generate electricity and applies USD Cent 7.3 kW/h for wind plants and 13.3 kW/h for solar plants during the first 10 years which will commence operations. The Cabinet of Ministers is authorized to set new prices for the feed-in tariff mechanism thereafter.

b) License Fees

In a standard license application, %1 of the license fee is paid to EMRA for the application to be evaluated. The renewable energy license applicants are exempt from paying the balance. Another incentive is the postponement of any license fee payment until 8 years after the power plant goes into operation. The Measurement Communiqué requires the applicants to make on-site measurements. The measurement period is one year for wind plants and 6 months for solar.

c) Land Rights

Generally, if there are multiple license applications for the same site, then TEIAS (the national grid company) opens a contest and the highest bidder signs an agreement with TEIAS. For solar energy licenses, the License Regulation grants a priority to the land owner of the site of the project above other applicants for that site.

Another incentive is the 85% discount on the consideration for the lease, right of use, or right of easement on the State owned land to be used for transportation and transmission. The discount will apply during the first 10 years after their establishment of the power plant. The incentive applies to the facilities which commence operations before 2016. The Renewable Energy Law provides a possibility to construct renewable energy power plants on sites which are not in the construction zones such as agricultural land.

d) Use of Local Components

The Renewable Energy Law introduces an increase used in a renewable energy power plant.

If a solar or wind power plant uses local components listed in the Renewable Energy Law, the feed-in tariff applied to that power plant will be increased by USD Cent 0,6/kWh and USD Cent 3.5/kWh. These components range from power generators of wind turbines to solar PV modules.

The advantage applies during the first five years of operations for facilities which begin to operate until 31 December 2015. The Cabinet of Ministers is authorized to set new prices for the feed-in tariff mechanism thereafter.

Investors willing to benefit from this advantage must prove that the components they used are produced in Turkey and obtain a "Local Component Document" from the Ministry of Energy.

In Summary

Turkey is still paving the path, through legislative changes for attracting further investment in wind and solar energy production. The incentives are significant and are welcomed developments. That being said there is still need for further legislative development. For instance, the application of the local component incentive is liable for a more realistic interpretation. Turkey may also be in a situation where it will need to consider its international obligations in strict application of this scheme.⁶

Footnotes

1. The Renewable Energy Law numbered 5346 and dated May 18, 2005

2. The Energy Market Regulatory Authority

3. Communiqué on Measurements Standards for Licenses on Wind and Solar Energy published in the Official Gazette dated February 22, 2012 and numbered 28212. The Measurement Communiqué sets forth that 6 months' on-site measurement must be made before making a license application

4. The Electricity Market Law numbered 4628 and dated March 3, 2001

5. The Electricity Market License Regulation published on August 4, 2002 in the Official Gazette numbered 24836

6. Turkey is a party to the General Agreement on Tariffs and Trade. Recently, the European Union and Japan challenged Canada before the WTO Dispute Settlement Board for a local component incentive in Ontario.