

1. Is there any regulatory authority which is responsible for energy market in Turkey? What is the principal legislation that regulates the energy market?

Principally, the Energy Market Regulatory Authority ("EMRA") regulates and controls the energy market. Ministry of Energy and Natural Resources ("MENR") is responsible for making energy policies in coordination with related institutions and public authorities.

In Turkish Energy Law, there are several laws, regulations, by-laws and resolutions for each energy sub-sector that regulate the related energy market. The Turkish energy market has been regulated by the main laws below:

Electricity Market:

- Electricity Market Law
- Renewable Energy Law
- Nuclear Power Plants Law
- Geothermal Energy Law

Natural Gas, Oil and LPG Market:

- Natural Gas Market Law
- Petroleum Market Law
- LPG Market Law

2. Are there any legal reforms in Turkish energy market?

Numerous reforms have been made in Turkish Energy Law in accordance with its energy policy for the future. The main legal reforms are as follows:

- Unlicensed electricity manufacturing has been made possible since 2010 under certain conditions.
- The support mechanism for power generation from renewable resources has been enacted in 2010 which provides incentives to electricity manufacturers from renewable resources.

- By virtue of legal amendments in Electricity Market Law in 2013, licensing procedures have been simplified and liberalization process of the electricity market has been accelerated.
- Within the Draft of New Natural Gas Market Law, the liberalization process of the natural gas market will be accelerated.

3. How can a person/legal entity penetrate Turkish energy market? Are there any restrictions for foreigners?

There are diverse possibilities for penetration the Turkish energy market depending on the sub-sector in which a person/legal entity intends to invest and on his/her investment capital. An investor may operate in energy manufacturing, wholesale, sale, retail and also storage in natural gas. For example, in some cases, the establishment of a company may not be required. Because of these factors, it is essential to determine the right sub-sector, market activity and the right location for energy manufacturing. Before the market penetration, the license and declaration procedures before public authorities also shall be considered. As conclusion, if the legal and financial conditions are fulfilled, the energy market penetration is possible for anyone regardless his/her nationality.

4. Are there any incentives which are provided by authorities in energy market?

In accordance with the long term plans, there have been many incentives provided within the legislation in energy market. Depending on the market situation and market prospects, legislation in each sub-sector provides different incentives. The most essential incentives are as follows:

- Tariff incentives, tax exemptions/reductions and land allocation facilities for renewable energy manufacturing,
- Incentives for investments in Liquefied Natural Gas (LNG),
- Shorter license periods and less license requirements in natural gas,
- Incentives for investments in fixed plants in natural gas storage.

5. What are the recent developments in energy market in Turkey?

There have been developments in the energy market, mainly in renewables through legal reforms in 2013. These legal reforms are as follows:

- The feed-in tariff incentives in renewable energy have been extended until 2020.
- The premium incentives for local equipment in renewable energy manufacturing have been extended until 2020.

- The Parliament has been working on the Draft of New Natural Gas Market Law recently which regulates the privatizations in natural gas market and the unbundling of BOTAŞ.
- The market activities and market share of private companies have been increased due to the new legislation in natural gas and electricity markets.
- The New Electricity Market Law which has entered into force on 30.03.2013 sets out the establishment of an energy stock exchange.

6. What are the main electricity generation sources in Turkey? Are there any nuclear power plants in operation or under construction?

Main electricity manufacturing resources are renewables such as wind, hydropower, geothermal, solar and biomass; coal, natural gas and fossil fuels. Nuclear power is not used in power generation in Turkey. However, private sector companies may establish and operate nuclear power plants and benefit from the incentives which are regulated by the related laws. Two nuclear power plant projects named Akkuyu and Sinop Nuclear Power Plants are topical. Akkuyu Nuclear Power Plant Project is under construction in cooperation with the Russian Federation and its operation start is expected until 2023. The negotiations for Sinop Nuclear Power Plant Project are in progress with Japan and start of its construction process is expected in 2017.

7. Is the unlicensed electricity manufacturing possible and what are the limits of unlicensed electricity manufacturing?

Unlicensed power generation is allowed to persons or legal entities which have electricity subscription. Within the Regulation on Unlicensed Electricity Manufacturing the limit of unlicensed power generation has been increased to 1 MW. According to the same regulation, applicants may also be exempted from company establishment under certain conditions. Moreover, anyone who produces unlicensed electricity from renewable energy resources may benefit from the feed-in tariffs that have been stated in the related laws.

8. Is there an energy stock exchange in Turkish energy market?

At present, an energy stock exchange does not exist in Turkish energy market. The energy transactions are indexed to day-ahead market. However, the establishment of an Energy Stock Exchange has been regulated within the new Electricity Market Law and the institutions have been working on its establishment. The Energy Stock Exchange ("EPIAŞ") is expected to be put into operation in 2014 and it will be the market operator where the intra-day and day-ahead transactions will take place.

9. What are the privatization policies in energy market in Turkey?

The government has been working on the liberalization of the Turkish energy market since 2004. For that purpose, the privatization processes have been accelerated within the new legislation in electricity, oil and gas markets. Firstly, the production, transmission, distribution and retail activities have been separated in

different institutions. The privatization process in electricity market has been started with the restructuring and privatization of Turkish Power Distribution Company ("TEDAŞ") and of the most of its affiliated companies. Moreover, small and big thermal power plants and hydroelectric power plants have been privatized and privatization processes of several power plants are in progress. Accordingly, market share of private companies in power generation and distribution has been increasing year over year. In natural gas market, the privatization of local natural gas distribution has been completed to a large extent. The recent Natural Gas Market Law leads up privatizations and liberalization within its clauses such as the restructuring of BOTAŞ and decrease of its market control. In conclusion, the privatization policy in Turkish energy sector does not intend the revenue increase of the state, on the contrary, target of the privatizations is the establishment of a liberalized energy market.

10. What are the projections/expectations for energy market in Turkey in the future?

The energy market is one of the most rapidly developing and promising industries in Turkey. Legal reforms and investment opportunities contribute to increase of number of the investments such as new energy projects TANAP, Akkuyu and Tuz Gölü Projects in energy market in Turkey. Moreover, liberalization of Turkish energy market through privatizations, restructuring of institutions has made Turkish energy market more attractive for investors. Especially the establishment of EPIAŞ will lead up the increase of the number of foreign investments in Turkish energy market and accordingly, it is expected that Turkish energy market will approach to its growth targets until 2023.