Assessment of the Türkiye Emissions Trading System Regulation

September 2026

The Türkiye Emissions Trading System Regulation (the "**Regulation**") was published in the Official Gazette No. 33353 dated August 27, 2026, and entered into force on the same date. Pursuant to the Climate Law No. 7552 (the "**Climate Law**"), the Regulation sets out the fundamental rules governing the scope of the Türkiye Emissions Trading System ("**ETS**"), greenhouse gas emissions permits, monitoring, reporting and verification, the allocation of allowances, and the operation of the market.

The Regulation repeals the Regulation on the Monitoring of Greenhouse Gas Emissions, published in the Official Gazette No. 29003 dated May 17, 2014. Below, you can find the summary of the key obligations applicable to businesses and the principal changes compared with the Draft Regulation on the Türkiye Emissions Trading System (the "**Draft Regulation**"), which was published for public consultation on July 22, 2025.

Scope and Facility Categories

The Regulation applies to the monitoring, reporting and verification of greenhouse gas emissions arising from the activities listed in Annex 1, as well as the procedures and transactions relating to the implementation of the ETS. Facilities or parts of facilities used for research, development and testing activities, facilities or parts of facilities exclusively using biomass, and military units fall outside the scope of the Regulation.

Facilities carrying out the activities listed in Annex 1 are classified as follows, based on their conservatively calculated annual emissions determined by reference to their installed capacity:

Category	Conservatively calculated annual emissions
Category A	50,000 tonnes CO_2 (eq.) or less
Category B	more than 50,000 tonnes CO_2 (eq.) and up to and including 500,000 tonnes CO_2 (eq.)
Category C	more than 500,000 tonnes CO_2 (eq.)

The ETS applies to Category B and Category C facilities. Although Category A facilities, as well as facilities belonging to schools, universities, hospitals and defence industry entities, fall outside the scope of the ETS in respect of the relevant activities, they remain subject to the monitoring, reporting and verification obligations applicable to the Annex 1 activities.

Emissions Permit and Monitoring, Reporting and Verification

Companies falling within the scope of the ETS are required to obtain a greenhouse gas emissions permit from the Directorate of Climate Change (the "**Directorate**") for each facility in order to carry out activities that generate greenhouse gas emissions. Where more than one facility is located at the same address, a single permit may be obtained. Permit applications must be assessed within a maximum period of sixty (60) days; however, where the Directorate requests additional information or documents, the period between notification of such request and submission of the requested information and documents is not included in the sixty (60)-day period. Where any information, document or report submitted with the application is incomplete or incorrect, the relevant deficiencies or errors must be notified within ten (10) business days from the application date and must be rectified within three months following notification. Permits are valid for five years, and renewal applications must be submitted at least six (6) months prior to expiry. Any changes concerning the activity, facility, category or permit holder that may require the permit to be updated must be notified to the Directorate within thirty (30) days from the date on which such change occurs.

The intentional submission of false, misleading or inaccurate information, documents or declarations, as well as the termination of the facility's operations or the technical impossibility of resuming its operations, constitute grounds for cancellation of the greenhouse gas emissions permit.

Companies are required to submit their greenhouse gas emissions monitoring plan to the Directorate at least six months prior to the date on which monitoring first commences. Where a plan is found to be unsuitable, an additional period of thirty (30) days is granted to rectify the relevant deficiencies. A separate monitoring methodology plan must also be prepared in respect of activity-level data used as the basis for free allocation. This plan sets out the facility-related data and the methodologies for monitoring such data and forms the basis for the activity level report.

Greenhouse gas emissions and activity levels relating to the preceding calendar year must be reported electronically to the Directorate by April 30 of the following year; the Directorate may extend this deadline by up to one month. The greenhouse gas emissions report must be verified before it is submitted to the Directorate and, as a rule, verification must be carried out by independent and accredited verification bodies appointed through MEDAS. Verification bodies must be accredited by TÜRKAK in the relevant fields in accordance with ISO/IEC 17029. Analyses relating to calculation factors must be carried out by laboratories accredited in accordance with the applicable standards; where it is documented that the use of such laboratories is not technically feasible, other laboratories may be used provided that they are demonstrated to meet requirements equivalent to TS EN ISO/IEC 17025.

Where the operator changes for any reason, the new operator is deemed to assume, without the need for any further action, the previous operator's commitments and obligations under the Regulation, and the change must be notified to the Directorate within thirty (30) days at the latest. The relevant data and records must be retained for at least ten (10) years.

Allocation, Market Structure and Flexibility Mechanisms

For each system year, an emissions-intensity-based ETS cap is determined. The cap comprises the aggregate amount of free allocations and allowances allocated to the primary market and is set out in the National Allocation Plan. The National Allocation Plan is envisaged to be published in the Official Gazette within sixty (60) days following the deadline for submission of verified greenhouse gas emissions reports. Free allocations are determined on the basis of a sub-installation-level benchmarking methodology, taking into account the relevant benchmark value, free allocation rate, sectoral activity coefficient and verified activity level.

Each allowance represents the right to emit one tonne of CO_2 (eq.) greenhouse gas emissions. EPİAŞ has been designated as the market operator of the ETS market, and the Transaction Registry System is also operated by the Market Operator. Allowances are offered for sale in the primary market in accordance with an auction calendar determined by the Directorate and may be traded in the secondary market through continuous trading. Companies are required to surrender allowances corresponding to their verified greenhouse gas emissions through the Transaction Registry System by the last business day of November of the relevant compliance year.

The Regulation also provides for flexibility mechanisms including banking, borrowing, offsetting, market stability, an additional reserve and a complementary allowance price mechanism. Carbon credits generated from projects carried out in Türkiye may be used towards fulfilment of the allowance surrender obligation, subject to a limit to be determined by the Carbon Market Board. Agreements may also be entered into for the mutual recognition of allowances between the Türkiye ETS and other emissions trading systems. The additional reserve and complementary allowance price mechanisms are further designed as supplementary tools for managing allowance shortfalls.

Pilot Phase and Transitional Period

The ETS will commence with a pilot phase. The scope, duration and implementation principles of the pilot phase will be determined by the Carbon Market Board, taking into account the opinions of the relevant public institutions and organisations and civil society organisations. Companies falling within the scope of the pilot phase are required to submit their first monitoring methodology plans within two (2) months following the entry into force of the Regulation; the Directorate may extend this period for up to six (6) months..

Companies that will fall within the scope of the ETS are required to obtain a greenhouse gas emissions permit within three (3) years from July 9, 2025, the date on which the Climate Law entered into force, and therefore, as a general rule, by July 9, 2028. Following a decision of the Carbon Market Board, the Directorate may extend this deadline for up to two (2) years following its expiry. During the transitional period, companies will be deemed, on a one-off basis, to hold the required permit. The first implementation period will consist of two sub-periods. Activities relating to the transmission and storage of natural gas and crude oil will remain outside the scope of the ETS until the end of the first implementation period, while continuing to be subject to the applicable monitoring, reporting and verification obligations.

Key Areas of Preparation for Companies

The Regulation envisages a comprehensive compliance process involving not only environmental and sustainability teams, but also legal, finance, operations, information technology and internal control functions. The key areas of preparation for companies may be summarised as follows:

Area of preparation	Area of preparation
Scope and permitting	Classify facilities by reference to the activities listed in Annex 1 and the applicable emissions categories; establish a timetable for permit applications, renewals and change notifications.
Data and reporting	Identify emission sources, meters, laboratory processes and data owners; align the greenhouse gas emissions monitoring plan with the monitoring methodology plan.
Verification	For companies falling within the scope of MEDAS, arrange the appointment of a verification body and establish an internal timetable to ensure that the independent verification process is completed before the April 30 reporting deadline.
Free allocation	Monitor sub-installation boundaries, benchmark values and activity-level data; track the thirty (30)-day application period following publication of the National Allocation Plan.
Carbon budget	Develop scenarios for requirements relating to free allocations, the primary and secondary markets, the additional reserve and the complementary allowance price mechanism; determine authorities for the purchase and sale of allowances and establish applicable price and risk limits.
Internal control	Establish control mechanisms among the legal, finance and operations functions in relation to record retention, changes concerning operators and facilities, the allowance surrender obligation and potential sanctions.

Key Changes Compared with the Draft Regulation

While the fundamental structure of the ETS has been retained in the final Regulation, significant changes have been made to the implementation timetable, certain compliance deadlines and market mechanisms. The principal differences between the Draft Regulation and the Regulation are summarised below:

Subject	Draft Regulation	Final Regulation
Pilot phase and first implementation period	The pilot phase was set for 2026–2027 and the first implementation period for 2028–2035. The activities falling within the scope of the pilot phase were specifically listed, and specific rules were envisaged for the pilot phase, including 100% free allocation, a prohibition on offsetting and rules governing market transactions.	The fixed dates, the list of activities covered by the pilot phase and the detailed pilot-phase rules have been removed. The scope, duration and implementation principles of the pilot phase will instead be determined by the Carbon Market Board, taking into account the views of the relevant stakeholders. The first implementation period will continue to consist of two sub-periods, but no specific dates have been prescribed.
Key compliance deadlines	The first monitoring methodology plan was required to be submitted by the end of 2025. A period of 60 days was provided for rectifying deficiencies in monitoring plans and for change notifications; 15 business days for free allocation applications; and 5 business days for requested corrections.	Companies falling within the scope of the pilot phase are required to submit their first monitoring methodology plan within two months following the entry into force of the Regulation, and the Directorate may extend this period for up to six months. The periods for rectifying deficiencies in monitoring plans and for change notifications have been reduced to 30 days, while the periods for free allocation applications and requested corrections have been extended to 30 days and 10 business days, respectively.
Use of carbon credits	Carbon credits generated from projects carried out in Türkiye could be used up to a fixed cap corresponding to 10% of the allowance surrender obligation.	The fixed 10% cap has been removed, and the Carbon Market Board has been authorised to determine the applicable limit.
Clarifications regarding scope and permit applications	Facilities falling below the thresholds set out in Annex 1 could, upon request, be brought within the scope solely for monitoring, reporting and verification purposes. No specific period was prescribed for the initial notification of deficiencies in permit applications.	The provision allowing facilities below the applicable thresholds to opt into the scope upon request has been removed, as has the ground for permit cancellation linked to the cancellation of the workplace opening and operating licence. It has been expressly clarified that facilities belonging to schools, universities, hospitals and defence industry entities that fall outside the ETS remain subject to monitoring, reporting and verification obligations. Transmission and storage activities relating to natural gas and crude oil have also been excluded from the ETS until the end of the first implementation period.
ETS cap and additional reserve	The ETS cap was defined as the aggregate of the free allocation amount, the primary market allowance amount and, where used, the additional reserve.	The additional reserve has been removed as a component of the ETS cap and may not exceed 10% of the ETS cap.
Electronic notification and KEP	Facilities falling within the scope of the ETS were separately required to have access to the National Electronic Notification System and the KEP system.	This specific requirement has been removed. Notifications will be made in accordance with Notification Law No. 7201, and transactions under the Regulation will, unless otherwise provided, be carried out through the Directorate's electronic system.

Sanctions

The Regulation sets out in detail how the sanctions stipulated under Article 14 of the Climate Law will apply within the scope of the ETS. The principal sanctions may be summarised as follows:

(I) Failure to Submit the Verified Greenhouse Gas Emissions Report within the Prescribed Period

Category	Annual emissions range	2026 administrative fine
Category A	50,000 tonnes CO_2 (eq.) or less	TRY 627,450
Category B	more than 50,000 tonnes – 250,000 tonnes	TRY 2,509,800
Category B	more than 250,000 tonnes – 500,000 tonnes	TRY 5,019,600
Category C	more than 500,000 tonnes – 2,000,000 tonnes	TRY 8,784,300
Category C	more than 2,000,000 tonnes	TRY 12,549,000

For Category B and Category C facilities falling within the scope of the ETS, the relevant base administrative fine is applied at twice the applicable amount. In addition, until the relevant report is submitted, transactions involving allowances held in the Transaction Registry System, other than transactions necessary to fulfil the allowance surrender obligation, will be restricted.

(II) Operating without a Greenhouse Gas Emissions Permit

The calculation of the applicable administrative fine differs depending on whether the company has a verified annual greenhouse gas emissions report.

If a verified annual emissions report is available, an administrative fine of TRY 6.2745 per tonne of CO_2 (eq.) shall be calculated on the basis of the annual emissions report submitted to the Directorate during the previous five years that records the highest verified emissions level. In the absence of such a report, the administrative fines set out below shall apply on a tiered basis.

Kategori	Yıllık emisyon aralığı	2026 yılı ceza tutarı
Kategori B	50.000 ton üzeri – 100.000 ton	1.254.900 TL
Kategori B	100.000 ton üzeri – 300.000 ton	2.509.800 TL
Kategori B	300.000 ton üzeri – 500.000 ton	3.764.700 TL
Kategori C	500.000 ton üzeri – 2.000.000 ton	6.274.500 TL
Kategori C	2.000.000 ton üzeri – 5.000.000 ton	8.784.300 TL
Kategori C	5.000.000 ton üzeri	12.549.000 TL

Continuing operations under an expired or cancelled greenhouse gas emissions permit is also deemed to constitute operating without a permit.

(III) Breach of the Allowance Surrender Obligation

Breach	Consequence
Failure to surrender allowances in full or within the prescribed period	For each allowance not surrendered, an administrative fine is imposed in an amount equal to twice the higher of the weighted average allowance prices in the primary and secondary markets during the final three months of the relevant year.
Allowance shortfall	Payment of the administrative fine does not discharge the allowance surrender obligation; any outstanding allowances must additionally be surrendered in the compensation year.
Failure, for three consecutive years, to surrender on time at least 80% of the allowances required to be surrendered in each year	The greenhouse gas emissions permit is cancelled and no new permit will be issued for a period of three to six months.

During the pilot phase, administrative fines imposed for failure to comply with obligations under the Climate Law will be applied with an 80% reduction. Accordingly, the 2026 amounts set out above represent the applicable amounts before application of the pilot-phase reduction.

Conclusion

The Regulation establishes the fundamental implementation framework for an ETS based on mandatory carbon pricing in Türkiye. However, key elements of the system, including the scope and timetable of the pilot phase, the National Allocation Plan, benchmark values, free allocation rates, secondary rules governing market operations and the applicable offsetting rate, will be further clarified through decisions of the Carbon Market Board and secondary legislation to be issued by the Directorate and the Energy Market Regulatory Authority (EPDK).

Companies that may potentially fall within the scope of the ETS should assess the scope of their facilities and activities, identify their emission sources and sub-installation boundaries, and manage the applicable permitting, monitoring, reporting, verification and allocation timetables in coordination with their legal, finance, operations and internal control functions.

GenTemizer is a Turkish law firm based in Istanbul, Türkiye. We advise various businesses in relation to their investments, M&A, competition law/antitrust, project financing and construction projects as well as on operational and dispute resolution matters in the context of the Turkish regulatory framework. We have also advised investors in relation to government sponsored privatisation projects.

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For more information, you can contact us.

Göze Yıldırım
Partner
gyildirim@gentemizer.com

Ata Deniz
Senior Associate
adeniz@gentemizer.com

Gaye Yüce
Legal Trainee
gyuce@gentemizer.com

www.gentemizer.com