

Renewable Energy Resource Areas

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Although the concept of “renewable energy resource areas” (“**RERAs**”) was introduced in Turkish legislation in 2005, it remained mostly inactive until recent changes in the Electricity Market Law, which provided additional incentives for projects to be developed in RERAs. Such incentives and the first competition process expected to be announced in November 2016 show the dedication of the government for making the RERAs more operational in the near future.

I. General

A. What is a “renewable energy resource area”?

The concept of RERAs was introduced in 2005 by the Law on the Use of Renewable Energy Resources for the Generation of Electrical Energy No. 5346¹ (the “**Renewable Energy Law**”) with an aim to identify the feasible areas for renewable energy generation. The RERAs are not confined under the legislation to certain renewable resources; however, the relevant developments and declarations signal that the main target of the Turkish government is to maximize the benefits of solar and wind power by RERAs.

B. Licensed or license-exempt?

The power plants to be established in the RERAs are subject to the licensing requirements in accordance with the Electricity Market Law No. 6446² and Electricity Market Licensing Regulation³. Regulation on the Determination, Gradation, Protection and Utilization of Renewable Energy Resource Areas for Electricity Generation⁴ (the “**RERA Regulation**”) clearly states that RERAs cannot be used for license-exempt power plants.

C. How to invest?

The allocation of a project site located in a RERA to an investor will be made in accordance with the competition procedure to be determined by the relevant regulations. Currently, there is no effective regulation

¹ Published in the Official Gazette No. 25819 dated 18 May 2005.

² Published in the Official Gazette No. 28603 dated 3 March 2013.

³ Published in the Official Gazette No. 28809 dated 2 November 2013.

⁴ Published in the Official Gazette No. 28834 dated 27 November 2013.

on the competition procedures of RERAs; however, the draft regulation which is elaborated under Section C below aims to set out the procedure.

D. Is there any existing RERA?

The Ministry of Science, Industry and Technology and the Ministry of Energy and Natural Resources (the “**Ministry of Energy**”) executed the Cooperation Protocol Concerning the Area Allocation for the Investors at Karapınar Energy Specialized Industry Region on 7 May 2015 (the “**Protocol**”). The Protocol has not been shared with the public; however, according to the press news, it provides the establishment of two specialized industry regions as RERAs in Karapınar province of Konya. The first one, which is Karapınar Energy Specialized Industry Region Part I with an area of 27,186,031 m² (“**Karapınar Part I**”), has been declared as a RERA in accordance with the announcement of the Ministry of Energy published in the Official Gazette on 9 September 2015. The second one is Karapınar Energy Specialized Industry Region Part II with an area of 32,400,845 m² (“**Karapınar Part II**”) but this area has not been declared as a RERA yet. The total capacity of these RERAs is expected to be 3,000 MW as 1,400 MW for Karapınar I and 1,600 MW for Karapınar II.

II. New Incentives for RERAs

The renewable energy based power plants on the RERAs can benefit from all incentives provided for the renewable energy based power plants. However, the recent amendments introduced by Law No. 6719 Amending the Electricity Market Law and Certain Other Laws (the “**Amending Law**”) to the Electricity Market Law on 4 June 2016 provided additional incentives to the power plants to be constructed in RERAs as follows:

- for such power plants, a separate domestic equipment usage threshold will be determined under a regulation to be issued by the Ministry, which is expected to facilitate the use of domestic equipment incentive by such power plants;
- prior to the Amending Law, in practice, the transmission lines required for the connection of renewable energy based power plants to transformers were constructed by the generation companies and the cost of construction was reimbursed by Türkiye Elektrik İletim Anonim Şirketi (“**TEİAŞ**”), the state-owned electricity transmission company. The Amending Law provides that these lines will be constructed by TEİAŞ itself prior to the date of operation of the relevant power plant;
- the Amending Law provides that measurement data will no longer be required with regard to power plants to be constructed on renewable energy resource areas.

III. Draft Regulation on RERAs

The Renewable Energy General Directorate of the Ministry of Energy published the “Draft Regulation on Renewable Energy Resource Areas” (the “**Draft Regulation**”) on its website to receive the comments of the interested parties.

The main features of the Draft Regulation can be summarized as follows:

- The Draft Regulation provides a “full picture” in respect of RERAs, whereas, the RERA Regulation only governs the initial phases. Namely, under the Draft Regulation, rules and procedures pertaining to the following aspects are provided: (i) determination of potential RERAs; (ii) feasibility and infrastructure studies in respect of RERAs, (iii) publication of final RERAs in the Official Gazette, and *ex officio* registration of RERAs in the relevant zoning plans; (iv) pre-requisites and procedures for the applicants that wish to invest in these RERAs, (v) competition procedures where there are multiple applications for a RERA; and (vi) the requirements that the investors of the RERAs should comply with during the preliminary license as well as the generation license stages.
- Reiterating the requirement introduced with the recent amendments to the Electricity Market Law, the Draft Regulation provides a minimum requirement for domestic equipment usage in

the generation facilities to be established in RERAs. The Draft Regulation refers to the Communiqué on Domestic Products for the definition of domestic equipment and stipulates that the type and percentage of the domestic equipment to be used in the facility will be provided in the announcement to be made by the Ministry of Energy regarding the capacity allocation on RERAs.

- Under the RERA Regulation, only the state-owned lands can be subject to the RERA procedures. However, the recent amendments introduced to the Electricity Market Law stipulates that privately owned lands can be subject to expedited expropriation procedures, if such lands are determined as RERAs. In parallel, the Draft Regulation recognizes that the RERA studies can be conducted on privately owned lands.
- Based on the lowest bid submitted per kilowatt, the Draft Regulation stipulates specific rules pertaining to the competition procedures regarding the RERAs. This competition procedure is in parallel to the recent relevant amendments introduced by the Amending Law.

IV. What is Next?

As elaborated under Section C above, a draft regulation which provides the competition procedures regarding RERAs has been published by the Ministry of Energy for comments of the public. According to press news, the draft regulation was expected to be issued in September 2016 but it has not been published yet. The competition for Karapınar Part I, on the other hand, is expected to be announced in November 2016.

According to press news, two other RERAs are expected to be declared after the competition for Karapınar Part I. Accordingly, the first one will be Karapınar Part II with a capacity of 1,600 MW, and the following one will be Niğde Bor Energy Specialized Industry Region with a capacity of 1,300 MW.

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