

New Feed-in Tariffs and Domestic Production Incentives for Renewable Energy Plants

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Authors: Mustafa Durakoğlu, Nazlı Başak Ayık, Ezgi Uysal

The long-awaited YEKDEM feed-in tariffs and domestic production incentives, which will apply to renewable energy plants in the post-2020 period, have been announced.

As explained in our previous article¹, recent amendments to the Law No. 5346 on the Utilization of Renewable Energy Resources for the Purpose of Electricity Energy Generation (the “**Renewable Energy Law**”) had set out that (i) YEKDEM² will continue to apply to the power plants which will be commissioned after 31 December 2020, and (ii) the feed-in tariffs and domestic production incentives will be denominated in Turkish Lira (“**TL**”); and had left the terms of implementation to be determined by the President of the Republic. In line with these principles set out under the law, the Decree No. 3453 dated 29 January 2021 (the “**Decree**”) was published in the Official Gazette No. 31380 dated 30 January 2021 and sets out the feed-in tariffs and domestic production incentives for renewable energy plants in the upcoming decade.

1) Feed-in Tariffs and Domestic Production Incentives

The Decree provides for the feed-in tariffs and domestic production incentives listed in the table below for the renewable energy plants which will be commissioned between **1 July 2021** and **31 December 2025**. As under the previous YEKDEM scheme, renewable energy plants will be entitled to the feed-in tariff for the first 10 years of operation and to benefit from domestic production incentive for the first 5 years of operation.

Type of Renewable Energy Plant		Feed-in Tariff (TL kurus ³ /kWh)	Term of Application of Feed-in Tariff (year)	Domestic Production Incentive (TL kurus/kWh)	Term of Application of Domestic Production Incentive (year)
Hydroelectric		40	10	8	5
Wind		32	10	8	5
Geothermal		54	10	8	5
Biomass	Land Fill Gas / Resources obtained from by-products produced from the processing of waste tires	32	10	8	5
	Biomethanization	54	10	8	5

¹ Please see <http://www.cakmak.av.tr/articles/Power/31102548.pdf>.

² Renewable energy support mechanism as envisaged under the Renewable Energy Law.

³ 0.01 TL.

Type of Renewable Energy Plant		Feed-in Tariff (TL kurus ³ /kWh)	Term of Application of Feed-in Tariff (year)	Domestic Production Incentive (TL kurus/kWh)	Term of Application of Domestic Production Incentive (year)
	Thermal Disposal (urban waste, vegetable oil waste, agricultural waste lacking food and feed value, industrial waste sludge and treatment sludge)	50	10	8	5
Solar		32	10	8	5

Principles and procedures regarding the implementation of the above-listed domestic production incentives will be further detailed by a regulation to be issued by the Ministry of Energy and Natural Resources.

2) Escalation Mechanism

Following the amendments to the Renewable Energy Law, the major concern of the sector was that TL-based tariffs and incentives would obstruct financing of renewable investments as project financings in Turkey are typically denominated in USD or Euro. In order to mitigate this concern to a certain extent, the Decree includes an escalation mechanism in which the prices will be escalated every three months, subject to a ceiling price. Escalation mechanism basically works as follows:

- Quarterly adjustments will be made in January, April, July and October each year; the first adjustment being on 1 April 2021;
- The escalation formula will take into account changes in (i) the Domestic Producer Price Index at the rate of 26%, (ii) the Consumer Price Index at the rate of 26%, (iii) USD and Euro rates (at the rate of 24% each); and
- In any event, the feed-in tariffs will not be higher than the TL equivalent⁴ of the ceiling prices set out in the table below:

Type of Renewable Energy Plant		Ceiling Price (USD-cent/kWh)
Hydroelectric		6.40
Wind		5.10
Geothermal		8.60
Biomass	Land Fill Gas / Resources obtained from by-products produced from the processing of waste tires	5.10
	Biomethanization	8.60
	Thermal Disposal (urban waste, vegetable oil waste, agricultural waste lacking food and feed value, industrial waste sludge and treatment sludge)	8.00
Solar		5.10

⁴ To be calculated by using the average buying rate of USD published daily by Turkish Central Bank for the second, third and fourth months before the first month of the third-month period when the tariff will be applied.

Çakmak Avukatlık Ortaklığı

Piyade Sokak, No. 18
C Blok, Kat:3, 06550
Çankaya, Ankara - Turkey

T +90 312 442 4680

Zorlu Center, D Lobisi, T3 Katı,
Daire 356, Levazım Mahallesi,
Koru Sokak No:2 34340
Beşiktaş İstanbul – Turkey

T +90 212 939 7560

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