



# Türkiye's First Climate Law Proposal Submitted to Parliament

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On 20 February 2025, Türkiye's first comprehensive Climate Law Proposal ("**Law Proposal**") marking a new era in the country's fight against climate change was submitted to the Grand National Assembly of Türkiye ("**Parliament**"). We reviewed the Law Proposal's provisions aiming to strengthen climate policies within a legal framework.

## Purpose and Scope of the Law, General Principles and Provisions

The Law Proposal actively combats climate change in line with Türkiye's green growth vision and net-zero emission target. It establishes a clear framework for reducing greenhouse gas emissions and enhancing climate adaptation efforts, ensuring both strategies work together. The Law Proposal introduces planning and implementation instruments to solidify the 2053 Net Zero Emission Target and achieve the goals outlined in Türkiye's Nationally Determined Contribution, as established in the international agreements to which Türkiye is a party.

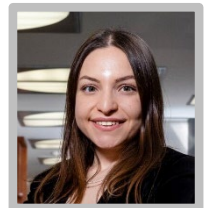
The Climate Change Directorate ("**Directorate**") established under the Ministry of Environment, Urbanization and Climate Change, will oversee activities to combat climate change. These efforts require cooperation among public institutions, organizations, and both natural and legal persons. The Law Proposal also establishes new institutional structures and a carbon market while imposing new obligations on public and private sector stakeholders.

## Planning and Action Instruments

As part of the planning instruments, the Directorate will develop and implement national climate strategies and action plans. Each province will have a Climate Change Coordination Board ("**Board**") responsible for adopting local action plans. Additionally, the Directorate will conduct sectoral vulnerability and risk analysis.



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The Law Proposal outlines three action instruments to fight against climate change:

**Financial instruments:** These include, amongst others, developing climate finance resources, insurance and green and sustainable capital market instruments, establishing support mechanisms for zero waste and recycling, developing incentives to direct financial resources toward climate change mitigation, and establishing Türkiye's Green Taxonomy and a Carbon Border Adjustment Mechanism (“**CBAM**”) to detect embedded greenhouse gas emissions in goods imported into the Turkish Customs Territory.

**Technology instruments:** These include, amongst others, for The Directorate to collaborate with institutions to develop and promote clean technologies, such as carbon capture and storage and hydrogen technologies, to combat climate change. These efforts also include establishing research and application centers with institutes.

**Capacity-building instruments:** These include, amongst others, conducting awareness campaigns, providing training and implementing capacity-building activities to increase public awareness of climate change, updating educational programs, and working on development of a green workforce.

## Carbon Pricing

### What is the Emissions Trading System?

Under the Law Proposal, the Directorate will establish an Emissions Trading System (“**ETS**”) and distribute national allowances. The ETS is a market-based mechanism that aims to reduce greenhouse gas emissions by setting a cap on total emissions for a specific region or sector. Within this cap, businesses receive emission allowances, each granting the right to emit a certain amount of carbon. Businesses that emit less than their allocated amount can sell surplus allowances, while those exceeding their allocation must purchase additional allowances.

The Law Proposal requires businesses engaged in activities that directly cause greenhouse gas emissions, as specified by regulations, to obtain an emission permit from the Directorate before carrying out these activities. These businesses must submit annual allowances matching their verified annual greenhouse gas emissions. Businesses with a surplus or deficit can buy or sell allowances in the ETS market, which Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ) will operate. The Law Proposal also establishes a Carbon Market Board to oversee ETS operations and clearly defines the roles and responsibilities of various actors, including Carbon Market Board, the Directorate, Energy Market Regulatory Authority, and the ETS market operator, in market operation and supervision.

### What are carbon credits and offsetting?

The Law Proposal permits businesses covered by the ETS, which are required to submit allowances equal to their annual greenhouse gas emissions, to fulfil part of this obligation through offsetting. Businesses can achieve this by obtaining carbon credits through reduction or mitigation activities and initiatives that enhance carbon sinks. The Law Proposal requires the Directorate to establish a national carbon crediting and offsetting system and mandates the registration of projects generating carbon credits in Türkiye within a centralized system.

### What are the benefits of establishing a national carbon pricing mechanism?

The European Union (“**EU**”) applies an equivalent cost to imported products under CBAM to align them with EU-produced goods that incur carbon costs under the EU ETS. To comply, exporters obtain a CBAM certificate and pay an amount based on the carbon content of their exported products. However, if the exporting country has its own carbon pricing system, the payments made there are deducted from CBAM payments.

Since Türkiye is one of the EU's largest trading partners, Turkish exporters must bear CBAM cost for products exported to the EU unless Türkiye establishes its own carbon pricing mechanism. This issue is especially critical for high-emission sectors with significant international trade, such as iron and steel, cement, aluminum, fertilizers, and electricity. To address this, the Law Proposal establishes the ETS and mandates the Directorate to allocate national allowances, aiming to minimize carbon costs for businesses exporting to the EU. This approach ensures that carbon costs paid to the EU remain in Türkiye and supports green transformation of key industries. By enabling businesses to trade allowances, the ETS provides a pathway to invest in lower-cost emission reduction solutions, easing the financial burden of high-cost investments.

#### What is the compliance deadline?

Businesses within the scope of the ETS must obtain emission permits within three years from the law's effective date to continue operations that directly cause greenhouse gas emissions.

The Law Proposal introduces a pilot phase before fully activating the ETS. The Carbon Market Board will establish the procedures and principles for this phase. During this period, administrative fines for non-compliance with the law's obligations will be reduced.

### **Administrative Sanctions**

The Directorate will be able to impose administrative fines and other sanctions, such as permit revocations, on those who fail to comply with the law and its secondary legislation.

### **Final Remarks**

We consider the Law Proposal a pioneering step in Türkiye, marking significant progress toward aligning with the EU's European Green Deal greenhouse gas emission reduction targets. It holds great importance for many public and private sector stakeholders, particularly industrial enterprises. Secondary legislation to be enacted after the law's adoption will determine the procedures and principles for operating newly introduced mechanisms such as CBAM and ETS.

Parliament's Committee on Environment accepted the Law Proposal on 27 February 2025. Upon the general assembly approval and publication in the Official Gazette, the Law Proposal will come into effect.