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Draft Regulation on Türkiye's Emissions Trading System: Structure, Implementation Timeline, and Key Topics for Business

Türkiye's Climate Law No. 7552, which launches a new period in the country's climate policies, was published in the Official Gazette on 9 July 2025 and entered into force. The Law aims to control greenhouse gas emissions and support low-carbon development in line with the country's green growth vision and the 2053 net-zero emissions target. In this context, the legal basis has been established for setting up, for the first time in Türkiye, a nationwide carbon pricing system.

One of the secondary regulations envisaged by the Law, the Draft Regulation on Türkiye's Emissions Trading System (ETS), was opened for public consultation by the Presidency of Climate Change on 22 July 2025. The draft foresees a market mechanism operating in an integrated manner with the monitoring, reporting, and verification (MRV) processes; it aims to make businesses' carbon emissions measurable, manageable, and tradable.

This regulation, on the one hand, establishes the basic administrative framework that will ensure the implementation of the Climate Law, and on the other hand, is considered an important component of Türkiye's alignment process with the EU Emissions Trading System (EU ETS) and the Carbon Border Adjustment Mechanism (CBAM). By laying down the procedures and principles for establishing a national carbon market, the regulation defines the infrastructure of a new era both environmentally and economically.

General Structure of the Regulation and Legal Bases

The Draft Regulation on Türkiye's Emissions Trading System (ETS) is based on the Climate Law and related legislation; it frames how the monitoring, reporting, verification, and trading of greenhouse gas emissions will be carried out within a national market system. Together with emission permitting, MRV, and the allocation regime, it sets out the administrative, technical, and financial arrangements that cover the establishment, operation, supervision, and compliance tracking of the carbon market.

The draft gathers the operation of the system under eight main headings.

1. General provisions: includes the purpose, scope, legal basis, and key definitions of the regulation.
2. Emission permit: regulates the application procedures, validity periods, renewal, and revocation conditions for installations to be included in the system.
3. Monitoring–Reporting–Verification (MRV): sets out the obligations for the measurement, reporting, and approval of emission data by independent verifier organizations.
4. Allocation regime: explains free allocation, the auction method, the emissions cap, and benchmarking principles.
5. Carbon market mechanisms: covers the operation of primary and secondary markets, tools to ensure price stability, and flexibility mechanisms.
6. Surrender obligation: sets the principles regarding the obligation to surrender allowances equal to verified emissions.
7. Administrative sanctions and supervision: regulates administrative penalties regarding non-compliance, misleading statements, surrender shortfalls, and unauthorized activities.
8. Provisional and final provisions: define the transition provisions between the pilot period (2026–2027) and the full implementation period (2028–2035).

With this structure, the Draft Regulation aims to support Türkiye's greenhouse gas reduction targets with economic instruments and to make permanent a market-based carbon management infrastructure. In this way, the regulation becomes not only an environmental regulation but also an integrated

climate policy instrument that directly interacts with energy, industry, and finance policies.

Scope and Emission Permit

The Emissions Trading System will be implemented gradually to cover industrial installations whose greenhouse gas emissions are above a certain threshold. The foundation of this system is the registration, monitoring, and limitation of emissions arising from businesses' activities. The regulation defines scope at the installation level and places the concept of an "emission permit" at the center of the system.

Installations operating in Türkiye are assessed under three categories:

- Category A installations are businesses with annual emissions up to 50,000 tonnes CO₂-equivalent and are not included in the system.
- Category B installations are businesses emitting between 50,000 and 500,000 tonnes CO₂-equivalent.
- Category C installations are large-scale businesses emitting more than 500,000 tonnes CO₂-equivalent.

Category B and C installations are obliged to obtain an emission permit from the Presidency of Climate Change in order to continue their activities. This permit is an official document showing that the operator manages and records greenhouse gas emissions in accordance with the system rules.

Emission permit applications are made electronically, and a separate application is prepared for each installation. During the application process, businesses must submit documents such as the monitoring plan, technical information forms, and details of qualified personnel. The Presidency may request additional information and documents where necessary or grant time to remedy deficiencies. Applications are evaluated within 60 days at the latest, and a permit valid for five years is granted to eligible installations.

Before the end of the permit period, businesses are obliged to apply for renewal within six months. In case of a change in the nature or capacity of the activity or in the operator, the permit information must be updated. If permit conditions are violated, misleading information is provided, or obligations are not fulfilled, the emission permit may be revoked.

This system represents a new structure that integrates operating permissions with environmental performance. Thus, the emission permit becomes a core administrative element not only within environmental policy but also for sustainability management and corporate compliance processes.

Monitoring, Reporting, and Verification (MRV)

The reliable operation of the Emissions Trading System depends on the effective conduct of processes for the regular monitoring, reporting, and verification of greenhouse gas data. This three-stage structure constitutes the technical backbone of the system and guarantees the principle of measurability in the carbon market.

Each installation is obliged to prepare a Monitoring Plan to track emissions arising from its activities. This plan should include in detail the measurement methods, data sources, calculation principles, and control processes. To ensure that the methods used in calculating emissions conform to standards, the Monitoring Plan must be submitted to the Presidency of Climate Change at least six months before monitoring begins. The Presidency evaluates the plans and may request revisions where necessary.

At the end of the annual operating period, operators must prepare a Greenhouse Gas Emissions Report and an Activity Level Report including the previous year's emission quantities and production levels. These reports are prepared in accordance with the methodology specified in the monitoring plan and are submitted to the Presidency via the electronic system by 30 April each year.

The reliability of the reports is ensured by independent verifier organizations. These organizations are assigned via the central electronic system (MEDAS) and are accredited by the Turkish Accreditation Agency (TÜRKAK) according to ISO/IEC standards. Verifiers may not have any conflict of interest with operators during the verification process and must comply with the principles of impartiality and confidentiality.

Operators are obliged to keep all documents and data records underlying reporting for at least ten years and to present them for inspection upon the Presidency's request. This obligation strengthens the system's retrospective traceability and institutional audit capacity.

The MRV system is built on the greenhouse gas monitoring infrastructure that Türkiye has operated since 2014 and is integrated with a digital structure that supports the operation of the ETS. In this respect, it is considered a guarantee of transparency, accountability, and data security in the carbon market.

Allocation Regime and Market Mechanism

In the operation of the Emissions Trading System, carbon allowances are the main instrument for both environmental targets and market balance. The Draft Regulation bases the allocation system on the “cap-and-trade” principle; namely, it sets a total emissions limit and creates rights that can be traded within that limit. Each allowance represents the right to emit one tonne of carbon dioxide (CO₂) equivalent and is valid for a specified period.

1. National Cap and Allocation

For each system year, the national emissions cap represents the total amount of greenhouse gases that may be emitted across Türkiye. This cap is determined by the Presidency of Climate Change, taking into account economic growth projections and sector-based emission intensities. The cap is gradually tightened over time in order to achieve emission reductions.

Allowances are supplied to the market in two ways within this cap:

- **Free allocation:** provided to installations operating in carbon-intensive sectors, based on performance benchmarks determined using the benchmarking method.
- **Auctioning of allowances:** allowances sold by tender in the primary market.

Direction of revenues: Payments of the Complementary Carbon Price are transferred to the account where special revenues are used pursuant to Article 12 of the Law, and it is essential that the revenue be used in the relevant sectors; in addition, 50% of the market operator's transaction revenues are directed to the same account.

Each installation is obliged to surrender the amount allocated to it in line with the verified values in its emissions report. Amounts not surrendered are added to the following year's obligation and are subject to administrative sanctions.

2. Market Structure and Operation

Allowances are traded on two levels:

- **The primary market** is conducted through Energy Markets Operation Inc. (EPIAŞ) in line with the calendar announced by the Presidency.
- **The secondary market** is a continuous trading venue where operators can transfer allowances to one another.

A Market Stability Reserve mechanism has been established to maintain market stability. In the event of excessive price volatility, allowances in the reserve may be released to balance price increases; in the event of falling prices, supply may be constrained to ensure price stability.

3. Flexibility and Support Mechanisms

To facilitate compliance, the regulation defines several flexibility tools:

- **Banking:** transferring unused allowances to subsequent years for future use.
- **Borrowing:** using allowances from future years in the current period.
- **Offsetting:** carbon credits obtained from projects implemented within the borders of the Republic of Türkiye may be used to meet up to 10% of the surrender obligation.

These mechanisms help operators manage carbon costs and plan emissions-reduction investments while preserving market liquidity.

4. Pricing and Economic Effects

The carbon price is formed by market supply and demand; however, to prevent excessive volatility, floor and ceiling price ranges may be determined by the Carbon Market Board. The economic value of allowances will increasingly play a prominent role in both companies' financial statements and investment decisions. In this respect, the ETS becomes a new economic mechanism that directly affects decision-making in the industry, energy, and finance sectors beyond environmental policy.

Pilot Period and Implementation Timeline

Türkiye's Emissions Trading System (ETS) will enter into force according to a two-stage implementation schedule in order to allow businesses to adapt to the new structure. This approach aims both to test the technical infrastructure and to include sectors in the system gradually.

1. Pilot Period (2026–2027)

The pilot period is designed as the trial and institutional adaptation stage. In this phase, installations operating in carbon-intensive sectors covered by the EU's Carbon Border Adjustment Mechanism are included in the system as a priority (for example, cement, iron and steel, aluminium, fertilizers, and combustion/energy units with high thermal input).

To enable companies to get used to the new reporting and allocation processes, 100% free allocation is applied according to the benchmark method; where necessary, advance allocation may be provided. Offsetting will not be applied during the pilot period. Deficiencies identified in this period will provide input for improvements prior to full implementation.

To encourage compliance, administrative fines are applied with an 80% discount. Allowances issued in the pilot period are valid only for the pilot period and may be used until 30 April 2029 at the latest.

2. Implementation Period (2028–2035)

Full implementation begins in 2028 and is carried out in two sub-periods:

- First sub-period (2028–2030): In addition to those included in the pilot, other activities defined in the annexes of the MRV arrangements are brought into scope.
- Second sub-period (2031–2035): Free allocation rates may be changed by sub-period as envisaged in the relevant procedures and principles; the share of auctioning in the primary market may be increased.

In this period, the carbon market operates at full capacity; allowance prices are formed according to supply and demand conditions. The national emissions cap is reduced over the years in order to lower total emissions. The surrender obligation continues; operators surrender allowances equal to verified emissions by the last business day of November each year.

3. Transition Process and Compliance Expectation

Experience gained in the pilot period will be used to improve the market stability mechanism, price corridors, and verification processes before full implementation. Strengthening companies' institutional carbon-management capacities is of great importance in this transition process.

The regulation designs this as a transition period, thus offering both public authorities and the private sector the opportunity to prepare for full operation after 2028. In this respect, Türkiye's ETS aims to implement the first national carbon market experience with a systematic compliance model.

Administrative Sanctions and Corporate Responsibilities

The reliable operation of the emissions trading system depends on obligations being fulfilled on time and in full. For this reason, the regulation sets out in detail the cases of non-compliance, the administrative measures to be applied, and corporate governance expectations.

1. Non-Compliance and Types of Violation

- Conducting activities without obtaining an emission permit,
- Failure to fulfill monitoring, reporting, or verification obligations,
- Providing misleading or incomplete statements,
- Failure to surrender allowances equal to verified emissions by the last business day of November,
- Failure to submit information and documents requested by the Presidency within the prescribed period.

In these cases, administrative fines may be imposed and, where necessary, activities may be restricted or suspended, or the permit may be revoked.

2. Administrative Fines and Other Measures

Administrative fines vary according to the type of violation and the size of the installation. In the event of failure to fulfill the surrender obligation:

- The amount of the shortfall is added to the following year's surrender obligation, and
- The relevant administrative sanctions are applied.

This approach both strengthens deterrence and preserves the integrity of the system.

3. Corporate Responsibility, Internal Control, and Notification Infrastructure

The fulfillment of obligations is the responsibility not only of environmental units but also of company management bodies. In this context, operators are expected to:

- Clearly identify the persons responsible for MRV and surrender processes,
- Set out delegation of authority and signing rules clearly in internal directives,
- Bind data security, internal audit, and the reporting chain to corporate procedures.

Regarding notifications and official communications: Covered operators are required to obtain KEP and e-notification addresses. This infrastructure strengthens supervision by ensuring that decisions and notices are transmitted securely and traceably.

4. Compliance Culture and Continuous Improvement

The purpose of administrative sanctions is to encourage compliance rather than to punish. Therefore, operators are expected to make carbon management a permanent component of corporate risk management and sustainability strategies and to review and improve their processes periodically. Experience gained in the pilot period will form the basis of operational excellence during full implementation.

Alignment with the EU ETS and CBAM

Türkiye's Emissions Trading System (TR-ETS) is not only a national climate policy instrument but also one of the main elements of economic alignment with the European Union's carbon regulations. In this respect, the system is positioned at the intersection of environmental and trade sustainability.

The EU Emissions Trading System (EU ETS), which has been in force since 2005, is a carbon pricing mechanism based on the "cap-and-trade" principle. This

system introduces an annual cap on total emissions in energy-intensive sectors and allows the emission rights allocated to operators to be traded. TR-ETS is similar to the EU ETS in terms of core principles; however, it has a flexible structure in line with national conditions, especially a transition model that takes growth and competitiveness dynamics into account.

The EU's Carbon Border Adjustment Mechanism (CBAM) will move to full implementation as of 2026 and will impose a carbon-price obligation on importers for carbon-intensive products exported to the EU. This may cause carbon costs to be reflected directly to producers in countries such as Türkiye, which have intensive trade relations with the EU.

The introduction of TR-ETS establishes a domestic balancing mechanism; to the extent recognized by the EU, the portion of the carbon price paid in Türkiye can be credited against CBAM obligations on exports to the EU. In this way, Turkish industry will both align with EU standards and ensure that carbon revenues remain at the national level.

In this context, TR-ETS is not only an environmental regulation but also a strategic economic regulation. It is considered a critical tool for maintaining the sustainability of Türkiye's foreign trade structure, generating finance for the green transition, and advancing toward the 2053 net-zero target.

Conclusion and Assessment

The Draft Regulation on Türkiye's Emissions Trading System is one of the most comprehensive regulations that form the implementation pillar of Climate Law No. 7552. By placing the monitoring, reporting, and verification of greenhouse gas emissions on a legal basis, the system has established the institutional infrastructure of carbon pricing. Thus, environmental policy and market mechanisms meet within an integrated framework in Türkiye for the first time.

The regulation marks the beginning of a new period for industry and the public sector. Emissions management, beyond being an environmental responsibility, is turning into a decision-making area that directly affects financial planning, supply-chain management, technology investments, and corporate governance. Administrative permit processes, MRV obligations, allowance surrender, and market stability tools will reshape the business world's risk and cost calculations.

Strategic alignment with the EU ETS. The timely and reliable commissioning of TR-ETS is the most rational way to protect Türkiye's competitiveness against the EU's Carbon Border Adjustment Mechanism (CBAM). To the extent recognized by the EU, the crediting of the domestic carbon price paid against CBAM obligations will make the "external-source" carbon cost borne by export-intensive sectors manageable at home; at the same time, it will allow carbon

revenues to be recycled domestically to finance the green transition. In this framework, the predictability of the national carbon-price signal, the alignment of the auctioning/free-allocation balance with sectoral transition plans, and complementary supports (energy efficiency, renewable electricity procurement, process improvements, data/digital MRV capacity) will be the main determinants of competitiveness. Delay or uncertainty increases the risk of cost escalation and loss of market share in export-intensive sectors (e.g., cement, iron and steel, aluminium, chemicals).

This structure is a strategic policy instrument that simultaneously supports progress toward the reduction targets in Türkiye's nationally determined contribution and economic alignment with the EU's carbon regulations. Experience from the pilot period will provide input for refining price corridors, the stability reserve, and benchmarking methodologies prior to full implementation. On the corporate side, integrating climate risk into capital allocation by boards, simplified reporting and advisory support for SMEs, and Scope 1–2–3 emissions management across supply chains are critical success factors.

In conclusion, Türkiye's emissions trading system is not merely an environmental regulation; it is an integrated competitiveness architecture that transforms production, trade, and finance together, strengthens value-chain integration with the EU, and generates resources for green growth. Operating this architecture in a predictable manner will clarify companies' investment timelines and make the path toward the 2053 net-zero target concrete.



REFERENCES

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