

REPUBLIC OF TURKEY PRIME MINISTRY
Investment Support and Promotion Agency of Turkey
ISPAT

Energy Market in Turkey

May 2014



Agenda

- ❑ ISPAT – Investment Support and Promotion Agency of Turkey
- ❑ Investment Climate of Turkey
- ❑ Vision 2023 – Energy
 - ❑ Turkish Energy Market
 - ❑ Electricity Generation Opportunities and Incentives
 - ❑ Liberalization of the Natural Gas Market



ISPAT - Investment Support and Promotion Agency



- ❑ Attached to the Office of the Prime Minister and reports directly to the PM
- ❑ Established in 2007
- ❑ 2 offices: Ankara and Istanbul
- ❑ International representatives in 17 countries (including Spain)
- ❑ Private Sector Approach
- ❑ Guidance on Laws, Regulations, Site Selection, Sectoral Reports, Local Market Players, Potential Partners
- ❑ Confidential, Free of Charge



ANKARA



ISTANBUL



2023 Vision

- 
- ❑ One of the top 10 economies in the world
 - ❑ GDP: \$2 trillion, GDP per capita: \$25,076
 - ❑ Population: 82 million
 - ❑ Exports: \$500 billion
 - ❑ Single-digit inflation and interest rates

Investment Climate in Turkey

- ❑ National Treatment
- ❑ Guarantee of Transfers
- ❑ International Arbitration
- ❑ CIT from 33% to 20%
- ❑ Freedom to Invest
- ❑ Access to Real Estate
- ❑ Employment of Expats
- ❑ New Commercial Code



Source: UNCTAD, based on 159 company responses



Turkish Energy Market – International landscape

Over \$100B investment needed by 2023

Many international companies active in the sector

- ❑ \$5-8B of investment made every year
- ❑ \$6B M&A Deal value in 2013
- ❑ \$5.7B from privatizations
- ❑ \$13B Total FDI in 2013
 - ❑ \$2.5B FDI for electricity
- ❑ \$4.2B Total FDI in 2014 Q1
 - ❑ \$1.3B FDI for electricity



Source: PWC, Central Bank of the Republic of Turkey

2023 Vision and Targets - Energy



GENERATION & TRANSMISSION

- 125,000 MW installed generation capacity & 60,717 km transmission lines

NUCLEAR

- 8 nuclear reactors with 10,000 MW operational
- 4 nuclear reactors with 5,000 MW under construction

NATURAL GAS

- 5 bcm natural gas storage capacity

COAL

- Construct power plants with 18,500 MW

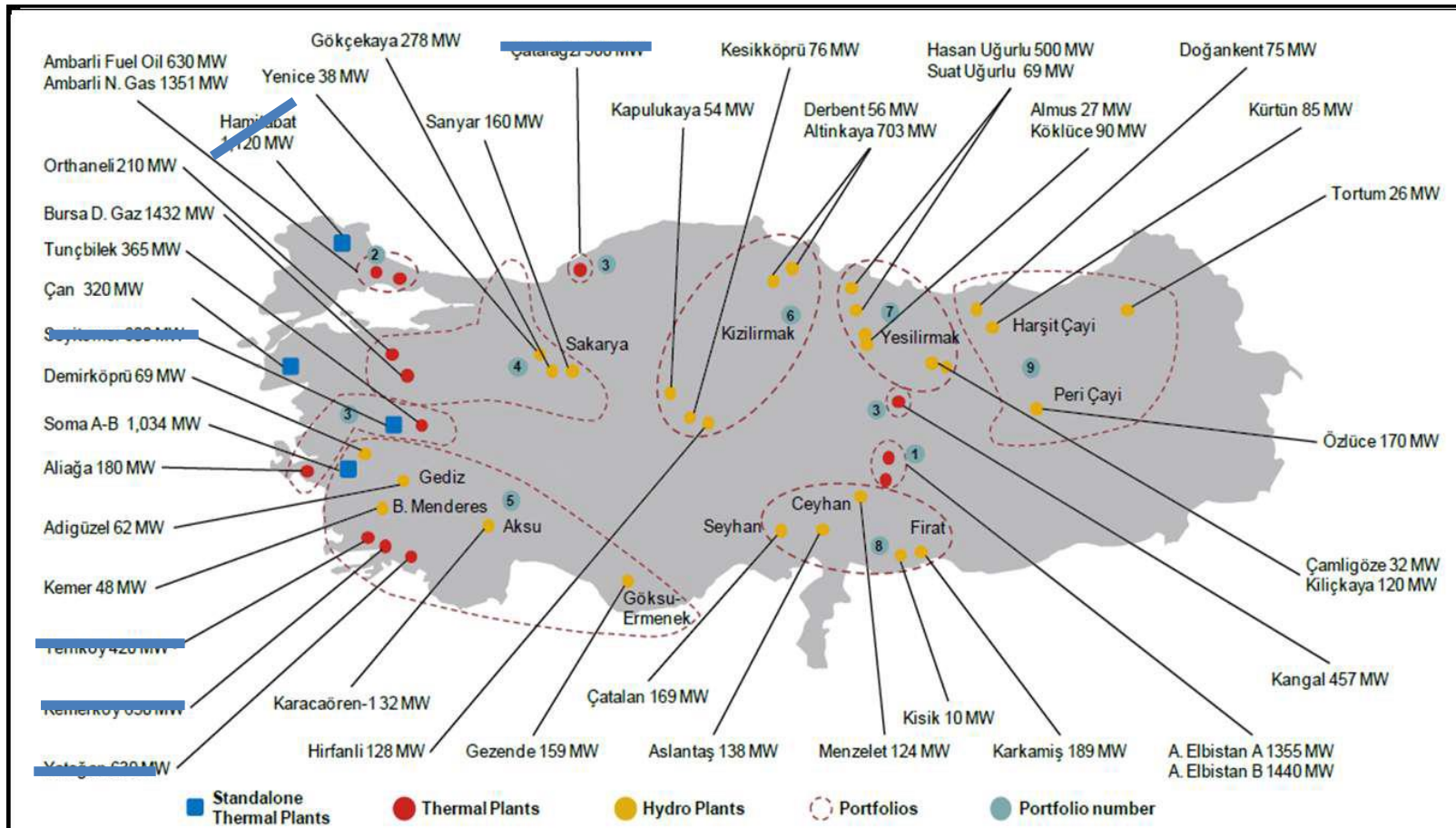
RENEWABLES

- Full utilization of hydro power
- 20,000 MW installed wind capacity
- 3,000 MW installed solar capacity
- 600 MW installed geothermal capacity



Privatization of Generation Assets – Map of Portfolios

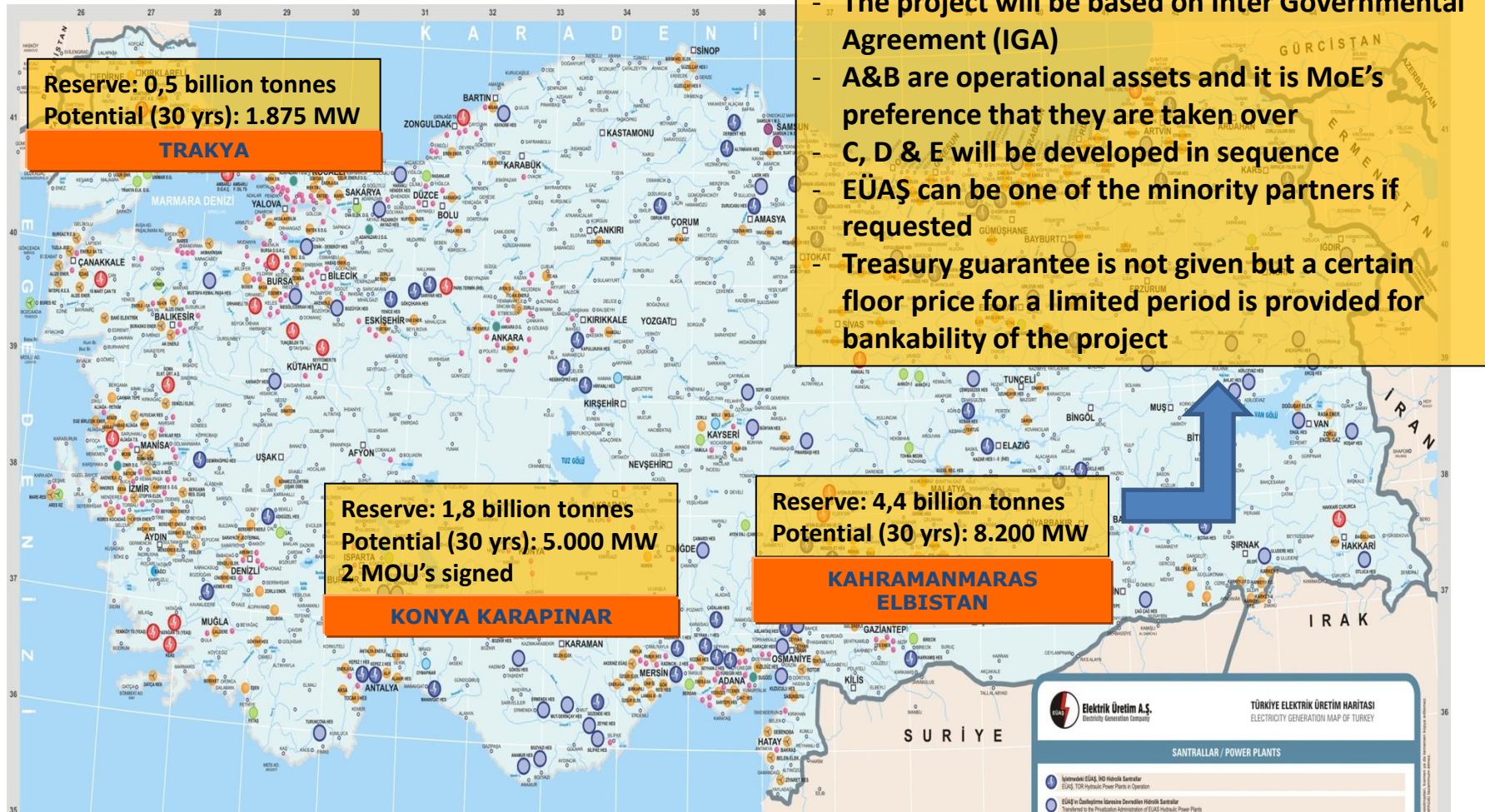
Privatization of state generation assets includes 17 thermal and 28 hydro power plants that are owned by EUAS*. Total installed capacity for the power plants is 16 GW (out of 24 GW).



*EUAS: Elektrik Üretim AŞ - State Electricity Generation Company



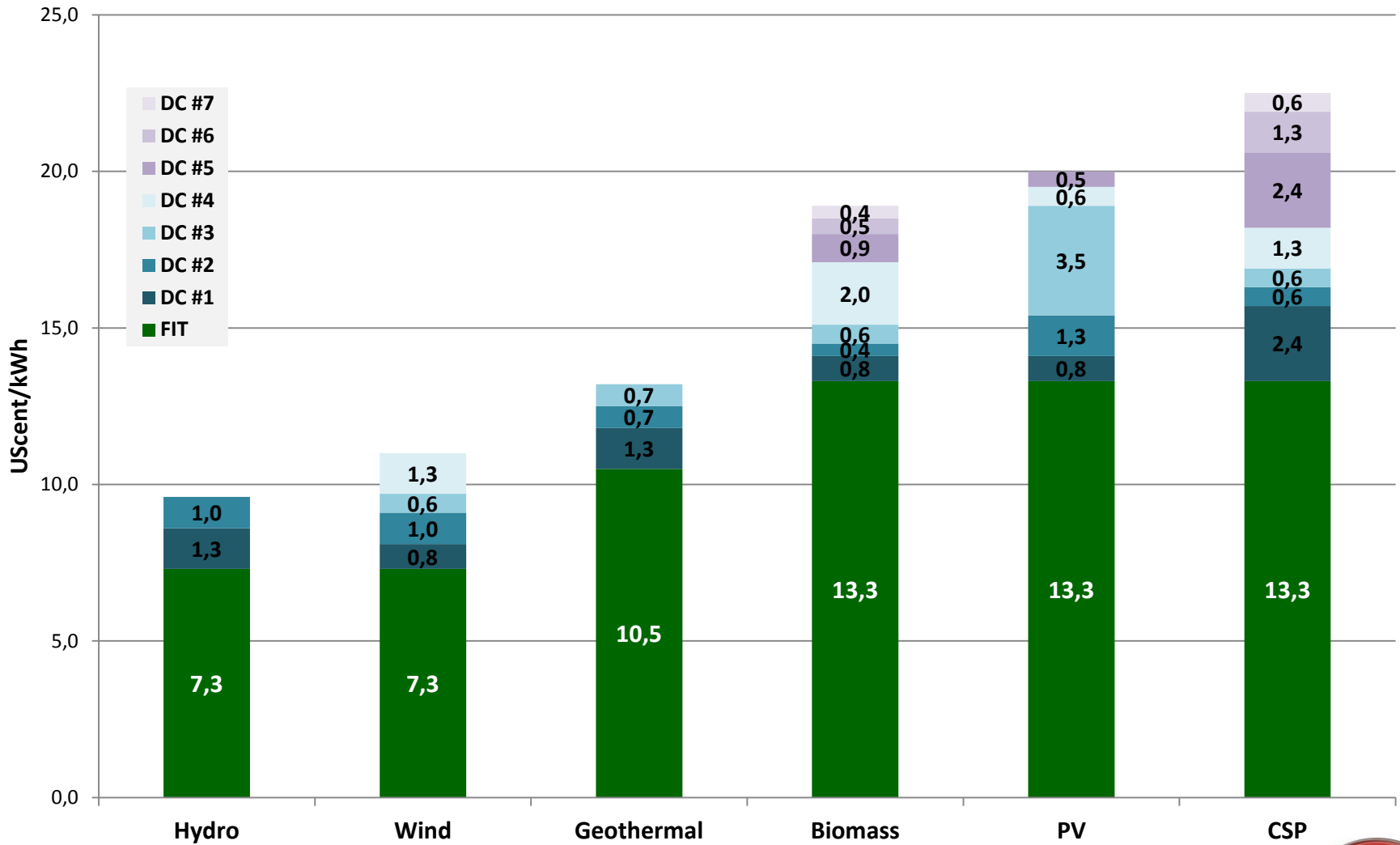
Large Lignite Reserves



- The project will be based on Inter Governmental Agreement (IGA)
- A&B are operational assets and it is MoE's preference that they are taken over
- C, D & E will be developed in sequence
- EÜAŞ can be one of the minority partners if requested
- Treasury guarantee is not given but a certain floor price for a limited period is provided for bankability of the project



Renewables – FIT Scheme



Investment Incentive Scheme for Manufacturing

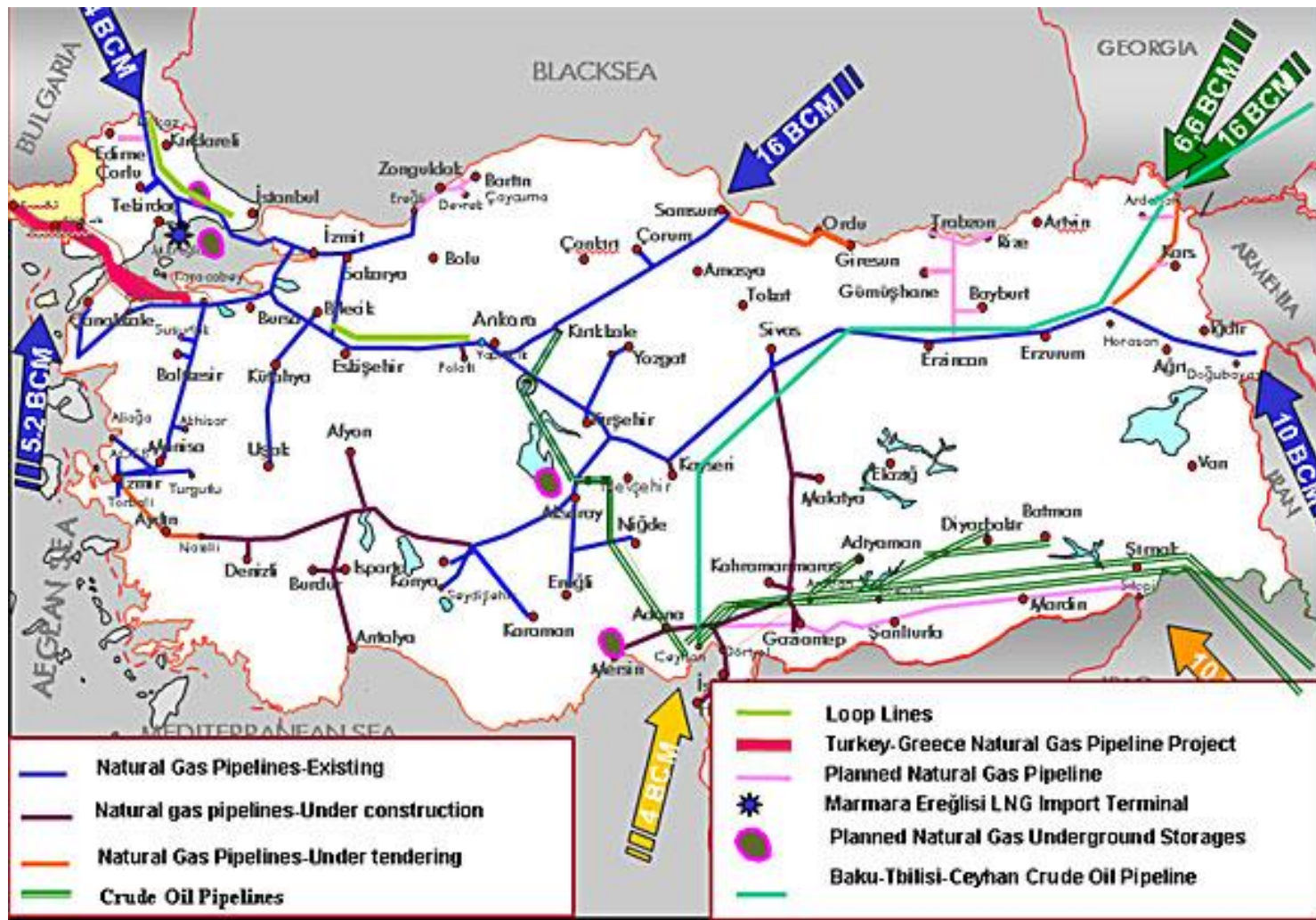


- V.A.T. Exemption (for the imported and domestically provided Machinery and Equipment)
- Customs Duty Exemption (for the imported Machinery and Equipment)
- Reduced Corporate Income Tax (C.I.T. between %2 - %10)
- Social Security Premium Support (Both Employer's and Employee's Share, for 2 - 12 years)
- Interest Support
- Income Tax Withholding Allowance
- VAT Refund for Construction Expenses



Oil & Natural Gas - Turkey as an Energy Corridor and Terminal

Turkey is located in close proximity to 71.8% of world's proven gas and 72.7% of oil reserves



Oil & Natural Gas – Liberalization of the Gas Market

- ❑ Unbundling of BOTAS
- ❑ 3rd party access to transmission network, LNG terminals, and storage facilities
 - ❑ Two LNG terminals, one storage facility active
 - ❑ New tariff methodology
- ❑ Increased activity on wholesale of natural gas
- ❑ Removing of import barriers for LNG and gas:
 - ❑ Contract transfer of 4 bcm by private sector between 2007 and 2009
 - ❑ Take-over of 6 bcm Russian Western Line by private sector in 2012
 - ❑ Contract transfer of 4 bcm Russian Western Line in 2014 and 2015
 - ❑ New capacity of 6 bcm Northern Iraq Line in 2016
- ❑ Privatization of gas distribution company IGDAS (Istanbul)
- ❑ TANAP: Dispatch of Shah Sea Gas Phase-II production through Turkey to Europe
 - ❑ \$10 billion natural gas pipeline project
 - ❑ Planned capacity of the pipeline is 16 bcm in 2020 (6 bcm to Turkey), 23 bcm in 2023 and 31 bcm in 2026.



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Contact Information:

Basak Avci

Sr Project Director / Sectoral and Strategic Analysis

E-mail: bavci@invest.gov.tr

Web: www.invest.gov.tr

Phone: (+90 212) 468 6900

