

TERMS OF REFERENCE

DESIGN OF EMISSIONS TRADING SYSTEM AND LEGISLATION DEVELOPMENT IN TÜRKIYE

1. OBJECTIVE

The objective of this contract is to deliver a comprehensive and detailed design of Emissions Trading System (ETS) in Türkiye and support the Directorate of Climate Change (DoCC) in development of ETS legislation.

2. BACKGROUND

Climate action in Türkiye

Türkiye ratified the Paris Agreement in October 2021, and in the same year announced a target to reach the net zero by 2053. After the ratification of the Paris Agreement, Türkiye's efforts have been focused on preparing plans and adopting policies to achieve these goals. Some of these efforts include establishing the DoCC which includes a carbon pricing department, initiation of major studies for the preparation of the draft Climate Law, organization of the Climate Council in 2022 and updating the first Nationally Determined Contribution (NDC) in line with the 2053 net zero target.

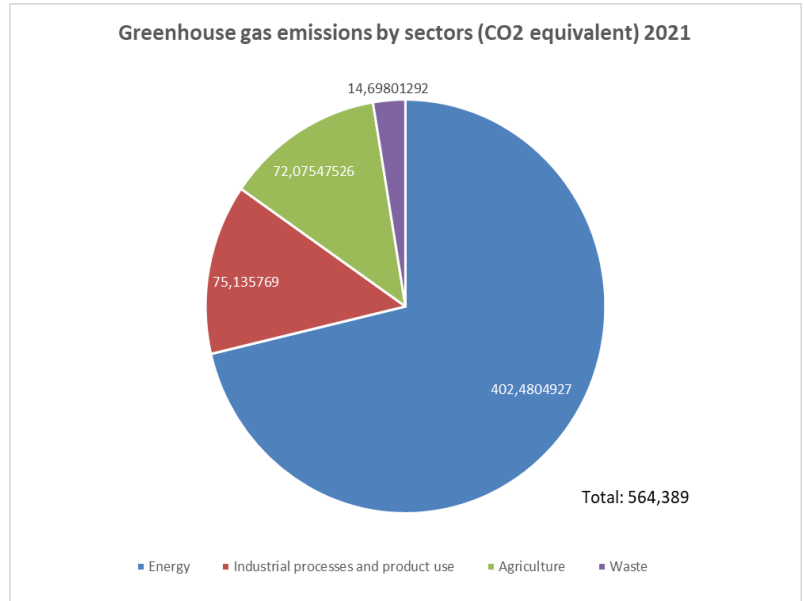


Figure-1: Greenhouse Gas Emission Shares by Sector, 2021

The following information is taken from Turkish Statistical Institution (TURKSTAT) Report, reflected in Figure 1¹ defines the greenhouse gas inventory of Türkiye.

The greenhouse gas inventory results revealed that overall greenhouse gas (GHG) emissions as CO2 equivalent (eq.) for the year 2021 compared to the previous year increased by 7.7% to 564.4 million tonnes (Mt).

¹ Source: <https://data.tuik.gov.tr/Bulten/Index?p=Greenhouse-Gas-Emissions-Statistics-1990-2021-49672&dil=2>

In 2021, the energy sector had the largest share of total GHG emissions with 71.3%. The energy sector was followed by the industrial processes and product use sector with 13.3%, the agriculture sector with 12.8%, and waste sector with 2.6% (Figure-1)

The energy sector emissions were calculated at 402.5 Mt CO₂ eq. in 2021, which increased by 188.4% compared to 1990 and also increased by 9.8% compared to previous year. Similarly, emissions from the industrial processes and product use sector were calculated at 75.1 Mt CO₂ eq. in 2021, which increased by 228.7% compared to 1990 and also increased by 10.6% compared to previous year.

Agriculture sector emissions were calculated at 72.1 Mt CO₂ eq. in 2021, which increased by 56.5% compared to 1990 but decreased by 1.5% compared to previous year. Waste sector emissions were calculated at 14.7 Mt CO₂ eq. in 2021, which increased by 32.6% compared to 1990 but decreased by 9.9% compared to previous year

85.2% of total CO₂ emissions originated from the energy sector including 32.7% of total CO₂ emissions originating from electricity and heat production which is a sub-category of the energy sector. The remaining 14.5% of CO₂ emissions originated from the industrial processes and product use sector and 0.3% from the agriculture and waste sectors in 2021.

Climate policy

Türkiye aspires to integrate its climate change policies into development policies, disseminate energy efficiency, enhance the use of clean and renewable energy source, participate actively in the international negotiations on climate change within and in doing so, become a country that provides its people with high living standards and welfare in low carbon world.² In Türkiye, climate change-related issues are regulated through the articles of various laws, but the main climate policy documents are:

- National Climate Change Mitigation Strategy and Action Plan (2024–30),³ covering key areas, including energy, buildings, industry, transport, waste, agriculture, land use and forestry, just transition and carbon pricing mechanisms
- National Climate Change Adaptation Strategy and Action Plan (2024–30)⁴
- Green Deal Action Plan (2021-2030)

In the 12th Development Plan of Türkiye (2024-2028) it is stated that the national emission trading system will be in effect, completing legislation and other necessary infrastructure. Besides, in a more comprehensive approach an evaluation on economic and social impacts will be conducted, considering a complementary carbon pricing to ETS. Moreover, in the context of carbon markets, it is aimed to make studies on national offsetting and conduct analysis on the participation to international carbon markets.

In the Medium-Term Program (2024-2026), establishing an emission trading system in Türkiye is one of the climate policies and legislative structure is aimed to be completed in the term.

² Green Deal Action Plan of Turkey, 2021 https://www.eesc.europa.eu/sites/default/files/files/green_deal_action_plan_of_turkey.pdf

³ https://iklim.gov.tr/db/turkce/icerikler/files/undp_azaltim_spread.pdf

⁴ https://iklim.gov.tr/db/turkce/icerikler/files/%C4%B0klim%20De%C4%9Fi%C5%9Fikli%C4%9Fine%20Uyum%20Stratejisi%20ve%20Eylem%20Plan_%202024-2030.pdf

Progress towards emissions trading

The development of an Emissions Trading System (ETS) as a Carbon Pricing Instrument (CPI), fits into Türkiye's climate and development strategies by reducing GHG emissions, according to the results of the Partnership for Market Readiness (PMR) Project, in a cost-effective manner, incentivizing modernization, and introducing innovative technologies. The first updated NDC of Türkiye also addresses ETS as a GHG mitigation measure.

In addition to these domestic drivers, Türkiye, as a candidate country to the EU, is targeting to develop ETS in the scope of harmonization of legislation and to mitigate the possible impacts of the EU's Carbon Border Adjustment Mechanism (CBAM). As such, Türkiye is seeking to establish a national ETS as a part of envisaged Climate Law. 12th Development Plan (2024-2028) and Medium-Term Program (2024-2026) also puts some targets and measures regarding ETS.

Türkiye has been conducting carbon pricing studies under the Partnership for Market Implementation (PMI)⁵ and its predecessor, the Partnership for Market Readiness (PMR), since 2013. Türkiye has been implementing a Monitoring, Reporting and Verification (MRV) system, which covers most of the installations in the energy and industry sectors.

"By-law on Monitoring of Greenhouse Gas Emissions", which is the first published legal by-law on the MRV system in Türkiye, was issued in 2012, revised in 2014, and followed by "Communiqué on Monitoring and Reporting of GHG Emissions" (2014) and "Communiqué on Verification of Greenhouse Gas Emissions Reports and Accreditation of Verification Bodies" (2017). Both communiqués were revised in 2021 and 2022, respectively. The By-law is in line with the EU Emissions Trading System (EU-ETS); excluding emissions trading, free allowance allocation, carbon capture, and storage.

The By-law covers greenhouse gas emissions from key sectors in Türkiye, such as the combustion of fossil fuels, oil refining, iron and steel, ferrous and non-ferrous metal production, primary aluminum production, mining industry, pulp and paper production, chemical industry, and acid production. More than 700 facilities, accounting for approximately 50% of Türkiye's total GHG emissions, has submitted their monitoring plans and have been monitored since 2015⁶.

3. SCOPE OF WORK

The Consultant shall work closely with the DoCC to run a full design process for a national ETS.

The core part of work is to deliver a detailed design and legislation development on ETS. The Consultant will also undertake specific analyses (considering national and international context), run a consultation process on design options, engage closely with the DoCC to ensure the options, recommendations and their impacts are well-understood by decision-makers. The envisaged Climate Law and further

⁵ The PMI is a World Bank trust fund that supports countries to design, piloting and implementation of emissions trading systems, offset crediting mechanisms and carbon taxes, in line with domestic priorities and capabilities. Specifically, the platform brings together developed and developing countries to share experiences and lessons learned with regard to these instruments. For more, see <https://www.thepmr.org/>

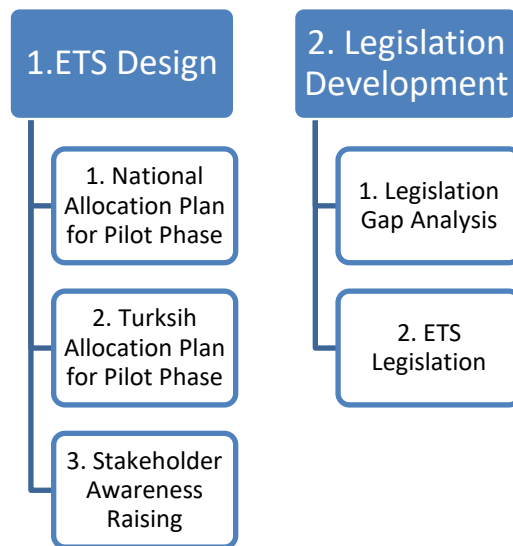
⁶ https://unfccc.int/sites/default/files/NDC/2023-04/T%C3%9CRK%C4%B0YE_UPDATED%201st%20NDC_EN.pdf

suggestions from the DoCC will set essential parameters for the options to be considered.

The Consultant shall undertake consultation on options for all elements of ETS design, including the scope, timeline, cap-setting approaches, allocation of allowances, revenue use and market flexibility and stability mechanisms. The Consultant, in close coordination with DoCC and stakeholders, will prepare the National Allocation Plan. The Consultant shall also draft legislation consistent with agreed ETS design. This will require the involvement of staff with experience in legislative drafting.

The Consultant shall design and support the DoCC to run a stakeholder consultation on identified design options. The consultation process will cover private sector, civil society, academia and public institutions and comprise publishing a consultation paper, seeking submissions, and multiple stakeholder roundtables. Specific feedback from experts should also be sought, for example through further workshops. Other elements of the proposed consultation should be outlined in the applicant’s proposal. The Consultant will summarize the results of this consultations for the DoCC and incorporate feedback into advice on design choices.

Scope of Work consists of 2 main topics, and their breakdowns are listed below:



1. ETS Design

The Consultant shall employ non-key experts within 2 weeks after contract start.

The ETS Design part will include following sub-components:

1.1. National Allocation Plan Studies for the Pilot Phase

Turkish ETS pilot phase is planned to start with a National Allocation Plan (NAP) which will outline the caps, the allowance allocation and the auction schedule for the pilot phase of the ETS.

The NAP will be determined after the scope, cap setting, and allowance allocation methodology have been agreed in the ETS design activity (1.2). The sectors and installations covered by the By-law on

Monitoring of Greenhouse Gas Emissions will be an important consideration. National Carbon Pricing Specialized Working Group recommended the covering of installations whose GHG emitting capacity is equal or higher than 500,000 tons CO₂ eq.

To support the planning for the NAP and ETS Design work, the Consultant will undertake two studies using available data: (i) possible options for bottom-up cap setting by analyzing historical emission data of the installations; and (ii) analysis of carbon leakage risk based on assessment of trade exposure and emissions intensity

Having reached a consensus on the cap and allocations, two sector experts shall be employed (as one for electricity and one for industry; see section 6 for the qualifications) and coordination between stakeholder public institutions, private sector and NGOs will be managed by key experts and sector experts.

Coordination meetings are essential aspects that contribute to the determination of the allocation approach. In this regard, at least 3 coordination meetings (at least once a month) shall be organized in order to ensure the acceptability of the components of the NAP.

1.2. Turkish ETS Design

Analysis and advice on design options will need to cover all foreseeable elements of ETS design to a level of detail that would enable work to start on legislation to implement the ETS. Table-1 below identifies at a high-level the scope of design elements to be considered. For each of the key design elements and implementation considerations, the table identifies the specific indicative questions to be addressed - along with some key considerations in the Turkish context.

The Consultant shall identify at least 2 suitable options for each element in the table below (and other elements as needed). The Consultant shall take into account all recommendations coming from the DoCC and stakeholders for the design options. The options to be considered can be reduced according to the existing policy (including that outlined in the envisaged Climate Law) as requested by the DoCC.

Overall approach on the ETS design is to present options with brief pros and cons. Adding any numerical basis, where relevant, will help to illustrate and explain options to stakeholders.

In addition to Key Experts, Sector Experts (Electricity and Industry) shall be included in the discussions such as policy interactions, cap and ambition setting, allocation etc. that necessitate a knowledge and understanding of sectoral dynamics, available technologies and specific existing and planned policy schemes towards sectors. Whenever necessary in this contract, the consultations with the sectors shall be conducted with the coordination of these experts.

Table 1 Design elements to be assessed (including but not limited to)

ETS element	Questions to address	Key considerations
Design elements		

<p>Scope</p>	<p>Which sectors, activities/emission sources and gases should be subject to an ETS?</p> <p>Are size thresholds needed to exclude small emitters? At what level/how should they be set?</p> <p>(How) should the scope evolve over time?</p> <p>Which entities such as hospitals and schools will be excluded from the scope?</p>	<p>Türkiye has already implemented an MRV system. Electricity and industry sector is under coverage of the By-Law of MRV.</p> <p>The evolving design of both the EU CBAM and the EU ETS will have implications for the appropriate scope but is not the only consideration.</p> <p>Avoid overlapping with other policies – what existing policies influence the choice of scope?</p> <p>Administrative cost is an important consideration for point of regulation and eligibility threshold.</p>
<p>Ambition and cap setting</p>	<p>What is the appropriate level of ambition for the ETS?</p> <p>What approach should be taken to setting the cap?</p> <p>How/when they should be communicated, reviewed and updated?</p>	<p>Türkiye’s targets set the upper bound for economy-wide emissions. The required ambition of the ETS will be influenced by the ETS scope, and the likelihood of policy and cost-effective emission reductions.</p> <p>An ETS can be built on an absolute emission cap, or an intensity-based approach. In assessing options, it will be important for the Consultant to consider priorities, needs, capacity, requirements stemming from implementation schedule etc.-.</p> <p>The EU CBAM rules for recognizing domestic carbon prices will be relevant.</p> <p>The economic impacts of higher ambition (e.g., on particular sectors or energy costs) will need to be considered in the context of Türkiye’s policy and development goals, and the potential revenue uses (this will be assessed in a separate project)</p> <p>For the cap setting process, it will be important to balance certainty with the flexibility needed to adjust to changing circumstances.</p>

<p>Allowance allocation and leakage prevention</p>	<p>What is the basis for receiving free allocation? How should free allocation work?</p> <p>What should be the allocation approach? What is the most suitable option among those two; having an absolute cap allocating free allowances before the compliance period or an intensity-based approach with (complete or partial) free allocation after the compliance period?</p> <p>What is the best approach to auctioning? How should these evolve over time? What should the auction schedule be?</p> <p>What is the best approach to deal with carbon leakage?</p>	<p>Previous PMR outputs have considered this issue but this may need to be re-examined in the context of greater ambition in Türkiye, the EU CBAM, proposed phase-out of free allocation in EU ETS, and improved institutional capacity.</p> <p>Allocation approach is one of the most important aspects regarding the design which indicates the decision on an absolute cap (no matter it based on a bottom-up or top-down calculation) or an intensity-based approach that considers the output (or production) in the free allocation calculations. Decision here will determine the allocation plan schedule, meaning that the allocation plans can be published after the compliance period in an intensity-based approach.</p> <p>Sectoral impacts and risk of carbon leakage should be considered.</p> <p>Another consideration should be the EU CBAM, i.e., trade relationship with the EU in sectoral level will be an input regarding the allocation scheme. From this point sectoral experts should balance the pricing level with the ambition, CBAM costs, sectoral dynamics etc.</p>
<p>Market Design</p>	<p>What laws will govern the primary and secondary markets for ETS units?</p> <p>What information should be published to facilitate a well-functioning market?</p> <p>How will financial derivatives</p>	

	<p>be treated under the ETS?</p> <p>Who can trade ETS units on the primary and secondary markets?</p> <p>What kind of scheme on the market participation should be used?</p> <p>What are the pros and cons of allowing OTC transactions in ETS market?</p>	
Flexibility measures	<p>What (if any) flexibility (e.g., banking/borrowing) should be adopted?</p> <p>What kind of offsetting scheme can be more suitable for Turkish ETS?</p>	<p>Türkiye conducts studies on the establishment of a National Carbon Credits Program in Türkiye which will create a scheme for offsets. Studying on the flexibility measure options, National Carbon Credits Program shall be articulated and included in the consideration of options.</p>
Market stability measures	<p>What market stability measures (e.g., price floors and ceilings or a supply-based system) should be adopted?</p>	
Piloting	<p>How should a pilot phase work (e.g., trading of unlimited free or set-price allowances, limited scope)?</p> <p>When should it start and end?</p>	<p>Türkiye has indicated it intends to start with a pilot phase.</p> <p>Timing will need to be considered in light of the likely start dates of the Türkiye ETS and the EU CBAM.</p>
Market management	<p>What information should be published to facilitate a well-functioning market?</p> <p>Who can trade ETS units on the secondary market?</p>	
Compliance and oversight	<p>What kind of compliance scheme should be designed?</p>	

	<p>How the workflows of compliance process can be designed among stakeholders?</p> <p>What is needed to ensure ETS compliance with suitable rules around penalties?</p> <p>How will the issues in the compliance process be specified (verified GHG emission report deadline, allowance surrendering deadline, sanctions, etc.)?</p> <p>According to market design parameters, how market oversight can be designed best?</p> <p>Which legal base and which organizations can suit best in order to have a robust market oversight scheme?</p>	
Revenues	<p>How revenue usage scheme should be designed?</p>	
Linkage	<p>What are the factors that affect the linkage possibilities?</p> <p>What can be challenges and benefits of linkages?</p>	

In assessing options, the Consultant will outline their pros and cons including, where appropriate, consideration of effectiveness; efficiency; and feasibility of implementation. The evaluation should also take into account PMR Türkiye’s related outputs, the emissions profile and market structure, MRV capacities and the existing legal and regulatory framework specific to Türkiye.

Due to the large number of design elements in an ETS, the design will be progressively discussed with stakeholders. It is envisioned that the design will be broken into 5-6 parts and each part will be consulted with stakeholders. The final number of parts and timing of consultations will be determined with the Consultant.

1.3. Stakeholder Awareness Raising

This component aims to raise the awareness of national stakeholders about the design of the ETS.

Once the final design is largely known, the Consultant shall contribute to the awareness raising of the Turkish stakeholders (public institutions, NGOs, sector organizations, universities, public etc.) with 3 regional stakeholder workshops by introducing how Turkish ETS is expected to operate and related legislation targeting an audience of 80 participants for each workshop. Workshops are expected to be held monthly according to the time schedule given in Table 2.

2. Legislation Development

2.1. Legislation Gap Analysis

The main regulatory framework of ETS will be in the Climate Law, with the Law defining the main features and providing a basis for secondary legislation that will define the details of the ETS design and implementation. The Consultant will develop draft secondary legislation using a legislation team consisting of 2 experts, one of which is Key Expert 2 (Senior Legislation Expert) and one is Legislation Expert with expertise in legislative drafting, trade law, administrative law, or environmental law (see section 6 for qualifications)

In preparation for drafting the legislation, the legislation team shall study the gaps, needs and likely approach to be taken in developing secondary legislation. The study will help to create an understanding of the status quo, interrelations of different laws in effect and the needs that may emerge in the course of the legislation development process. This may involve understanding different examples of ETS legislation, considering the law systems' different peculiarities, and drawing implications for the Turkish ETS legislation.

2.2. ETS Legislation

After the preliminary works stated above, the legislation team shall develop draft regulations based on the final design agreed by the DoCC. As the drafting will likely need to start before the final design is known, the approach of the legislation team should allow flexibility for different options in the course of development and finalization. The topics of secondary legislation should involve the list (not exhaustive) below as minimum, yet consolidation of particular topics in one legislation draft is possible and this should be presented to the DoCC for the final decision.

- Main workflows of the implementation
- Implementation periods
- ETS cap
- Free allocation
- Auctioning
- Revenue usage
- Market stability and flexibility mechanisms
- Transaction log
- Administrative fines
- GHG emission permit

- Other; ad hoc.

The team will conduct a consultation process on the drafts of secondary legislation with other institutions and organizations to receive views and opinions and incorporate these into subsequent drafts. The responsibility of the Consultant will continue after the draft documents, and it includes the support to the DoCC in finalizing the legislation and its publication.

4. APPROACH

The project will commence with a kick-off meeting in Ankara at the premises of the DoCC. Before the kick-off meeting, the Consultant shall provide an updated description of its team composition, methodology and a detailed work plan, which will be discussed and agreed in this meeting.

The Consultant will appoint Key Experts, in order to conduct coordination during contract and he/she will organize weekly online project management meetings with the DoCC and World Bank to discuss progress, action items and make decisions.

It is likely that monthly consultations with stakeholders will be needed to cover all the design elements and draft legislation. Design elements will be broken into tranches for consultation to make the meetings manageable. These consultations may utilize the existing National Carbon Pricing Specialized Working Group - founded according to Turkish Green Deal Action Plan (2021). Additional meetings may be called when necessary. The Consultant will set the agenda and, where relevant, prepare papers or presentations for discussion (e.g., drafts of deliverables), and write brief minutes of these meetings.

The Consultant will need to understand the national context in which the ETS would operate. This will involve research by the consultant to understand the full sectoral, economic, and fiscal context, and policy framework relevant to ETS design and implementation. In addition, the Consultant will consider relevant PMR outputs. ETS design options shall be presented as draft consultation paper to DoCC. This paper will be progressively written as we work through the design elements. The final design will be presented in the Final ETS Design Report. The DoCC will make final decisions on the design options to be considered following advice from and discussion with the Consultant and approve a final version of the Consultation paper sections and presentations before starting the consultation rounds.

The Consultant shall incorporate any stakeholder feedback in preparing final advice on design options. This will include advising on any further scenarios or sensitivities that should be modelled (under a separate contract) in order to inform their final advice.

The project will be undertaken through desk research and analysis, roundtables with stakeholders, and discussions with government counterparts. Local insights should be integrated with analysis based on academic and economic reasoning and stakeholder insights. Key lessons will also be gained from looking at a wide range of ETS designs in other jurisdictions and supporting policy measures and actions. Wherever possible the advice should draw on analysis and evidence specific to Türkiye, or otherwise in jurisdictions with similar characteristics e.g., any ETS in countries with similar regulatory environment, patterns of energy supply and use, and economic/industrial composition and development status. Primary data collection is not envisaged, besides qualitative stakeholder consultation.

The Consultant will be expected to incorporate advice from the DoCC and stakeholders on the relative

priority of different outcomes from design choices, institutional capacity within Türkiye to implement and comply with complex instruments, and other elements relevant to final design.

Under the topic of legislation development, the Consultant will establish a legislation team and the team will study simultaneously and with coordination with the DoCC, stakeholders considering finalized or narrowed down ETS Design options. The first duty will be a gap report regarding the general framework of Turkish legislation system and relevant laws. After that, drafting phase will start, including conducting consultations with relevant institutions. The team will support DoCC until the publication of the secondary legislations.

5. DELIVERABLES

A. ETS Design

A.1. Preparation of National Allocation Draft Plan for Pilot Phase

The Consultant shall produce a Draft National Allocation Plan (NAP) for the Pilot Phase of Turkish ETS. Based on the approach to cap setting and allowance allocation outlined in the ETS design report, the National Allocation Plan will:

- Outline the caps (amount by year) for the pilot phase;
- Outline the result of free-allocation (number of allowances to be allocated by year) for each firm;
- Outline the extent and timing of auctions (if any) for the pilot phase.

As part of the analysis to support the NAP, the consultant will undertake the following two analyses:

- i. To assess options for bottom-up cap setting, analysis of historical emission data of the installations that are in the scope of MRV System.
- ii. Analysis of carbon leakage risk based on assessment of trade exposure and emissions intensity. Free allocations are based on carbon leakage risk, and in principle the more an industry has carbon leakage risk the more it takes free allocation. In this regard, carbon leakage analysis should explain the carbon leakage risk degrees of each sector under the MRV system. Study method should be the same approach of EU ETS carbon leakage list, identifying method, data used with explanatory remarks. The consultant will consider Carbon Leakage Analysis conducted under the PMR Project, and shall sufficiently elaborate and explain the issue in sectoral level.

Under this component, two sector experts shall be employed (as 1 for electricity and 1 for industry) and with the Key Expert 1, Sector Experts will conduct coordination between stakeholder public institutions, private sector and NGOs in the NAP studies.

The plan should reflect the views of the stakeholders captured during consultations on the ETS design. In considering the allocation approach, the consultant will take into account the growth rates of the sectors, mitigation plan on the sectors, as including and considering other policy priorities of the country.

The results of the draft plan shall be presented to the decision-making body of ETS, Carbon Pricing Board, which is a foreseen body in envisaged Climate Law, and/or DoCC. (If it is considered necessary

by the DoCC the draft plan can be presented to Climate Change and Adaptation Coordination Board for approval) At least 3 coordination meetings shall be organized in order to ensure the acceptability of the components of the plan by the stakeholders. (Organization costs of the meetings will be met by another contract under PMI and the Consultant will be informed about this contract. The consultant will cover their own travel costs and cost related to preparation of meeting materials.)

A.2. Turkish ETS design

This sub-component has three deliverables:

- A.2.1. Consultation paper
- A.2.2. Policy interaction assessment report
- A.2.3. Final ETS Design Report

A.2.1. Consultation Paper

The Consultant will produce a consultation paper, in English and Turkish, outlining at least 2 most prospective options for each design element of the ETS, including outlining their pros and cons (including implications and potential impacts of each option) and clearly indicating the preferred approach. The consultation paper should include design parameters as stated in this ToR (Table-1) - additions may be made if necessary- and those outlined in the publications such as ETS Handbook of World Bank/ICAP. Also, the paper shall include components for pilot and implementation phases.

The Consultant will dedicate a section in the consultation paper for the “review of related outputs of PMR” (e.g., Roadmap for the Consideration of Establishment and Operation of a Greenhouse Gas ETS in Turkey etc., reports are available in <https://pmrturkiye.csb.gov.tr/>). PMR Project completed in the period of 2013-2021, as preliminary project of PMI, have outputs, assessments and recommendations regarding the design of Turkish ETS. Thus, the difference of the approach regarding the content shall be kept in mind, i.e., PMI Project’s target being the final step before the implementation, for this reason the manner of the components shall be more solid, and more decisive comparing to the PMR outputs which are primary capacity buildings as preparedness.

Given the large number of design elements for an ETS, design elements will be broken into tranches for consultation to make the meetings manageable and content digestible for participants. It is envisioned that the design could be broken into 5-6 tranches. Each tranche of design issues will involve writing that section of the Consultation Paper to be reviewed by DoCC before sending to stakeholders ahead of a design consultation workshop. The consultant will prepare any other materials that may be useful for the consultation meetings, such as a summary presentation. At meetings, the Consultant shall present any background info regarding the topic, guide questions on the consultation paper, address pre-submitted questions from participants, and facilitate additional questions and discussion. The DoCC will also attend, chair the meetings and will approve the agenda and invitee list.

It is envisioned that the 5-6 consultation meetings will occur according to the time schedule given in Table-2 and after each consultation meeting, a meeting minutes that include a summary of views and opinions of the participants, shall be prepared (no later than 2 days after the meeting) by the Consultant. The minutes will be submitted to the approval of stakeholders (also receive additional opinions and

recommendations if any). Submission for opinions of the stakeholders will be done by the DoCC in official writing format, in order to ensure a solid base contributing to the developments in the topics of design and legislation.

Consultation meetings will be delivered in-person in Ankara and will need to be delivered in both Turkish and English. (Translation services, and expenses regarding the organization of the venue and related logistics costs will be covered by another contract under PMI. The consultant is required to cover their own travel costs.)

The Consultant shall complete the consultation paper taking into account reviews by the DoCC and World Bank. During the consultation process on the consultation paper tranches, other outputs that are subject to progress (gap report, policy interaction report, legislation drafts under this contract or progress/results in modelling studies in a different contract under PMI etc.) shall be included to the consultation rounds for considerations. The aim here is to support discussions as far as possible with the overall progress made and contribute to coordination of activities.

This process will create the main inputs for the ETS Final Design Report.

A.2.2. Policy Interaction Assessment Report

The Consultant will develop the report (by utilizing the two Sector Experts), that articulates the interactions between the proposed ETS and existing national policies and the implications for ETS design or potential changes to the existing policy landscape. The evaluation will identify specific existing and planned national and sectoral policies which may interact with the ETS. For each existing and planned policy, the report should identify:

- Policy objectives, approach and scope (e.g., sectors or emissions coverage, target audience),
- Whether and to what extent they complement, overlap or conflict with the ETS. See Chapter 3 in the State and Trends of Carbon Pricing 2016⁷
- Administrative, institutional or implementation elements relevant for the analysis (e.g., administrative burden, overlap of institutional responsibilities).
- Implications and recommendations on how to address any issues that arise.

This analysis will require close engagement with government stakeholders to understand the relevant policy framework, including the latest developments of NDC planning and implementation.

The report shall be completed in 5th month of the contract. The report shall be completed upon the DoCC's confirmation and be presented in the consultation rounds with the consultation paper.

A.2.3. Final ETS Design Report

Upon completion of the consultation and government deliberations, the Consultant will develop a report

⁷ <https://openknowledge.worldbank.org/server/api/core/bitstreams/759965cc-fcd6-5167-b890-77efc4bdbffb/content>

that outlines the final policy position for each design element. The report will outline the rationale for the parameters recommended including any changes from the preferred position in the consultation report.

The Consultant must provide a draft version for feedback and discussion with the DoCC and World Bank. Upon confirmation of the DoCC and World Bank, the Consultant must provide the Final Report in both English and Turkish.

A.3. Stakeholder Awareness Raising

A.3.1. Workshops for National Stakeholders

After the finalization of the design elements of Turkish ETS and the secondary legislation finalized under this contract, the Consultant shall provide workshops for the national stakeholders of the ETS such as, participants, public institutions, NGOs, sector organizations, universities, public etc. The focus of the workshops will be outlining the final design of the ETS and help explain how the ETS will work. This will necessarily involve building the capacity of stakeholders on how emissions trading systems function.

In this context, 3 workshops shall be conducted for an audience of around 80 participants., The organizational items and the expenses will be covered by another contract under PMI project. Content structure, timing and logistics of the workshops will be determined in consultation with the DoCC.

All costs regarding the organization and logistics of the workshops will be covered by another contract under PMI. However, the Consultant will cover its own travel and accommodation expenses for the workshops plus preparation of workshop materials.

A.3.2. Observing Best Practices

The Consultant will prepare a component, which includes a study visit to a good practice example of ETS, for 10 staff from DoCC and stakeholders, for five working days. The Consultant's duty here is to supervise for organizing the event in selecting the country, content and the format of the training, and to accompany to the participants (by 1 staff, preferably Senior Emissions Trading System Expert) during the organization. The planning of the component is subject to the approval of DoCC.

One staff from the Consultant will join the study visit for the coordination of organizational and other aspects. Expenses of the Consultant staff (allowance, travel, logistics etc.) will be covered by the Consultant under this contract, while the allowances, travel and accommodation expenses of the other participants will be met by another contract under PMI.

B. Legislation Development

B.1. Legislation gap analysis report

Under the work plan of legislation development, the Consultant shall create a legislation team consisting of one Key Expert (Senior Legislation Expert) as head of legislation team and one Legislation Expert

preferably with background in trade law, administrative law, or environmental law (see section 6 qualifications) and experience drafting legislation.

In preparing for drafting the secondary legislation, the legislation team shall prepare a report on the gaps, needs and likely approach to be taken in developing secondary legislation. The report will help to ensure an understanding of the status quo, interrelations of different laws in effect and the needs that may emerge in the course of the legislation development process. This may involve understanding different examples of ETS legislation, considering the law systems' different peculiarities, and drawing implications for the Turkish ETS legislation. In addition, the report will include a timeline for preparing the secondary legislation, recognizing the different implementation phases and the expected process for developing the ETS design.

B.2. Drafting ETS secondary legislation

After the preliminary works stated above, the legislation team will develop secondary legislation drafts on ETS. This study should go hand in hand with the study of ETS Design Report and so may need to adapt as changes to design are made.

The outcomes of the component shall be:

- By-Law on ETS
- Pilot Phase Communique

By-Law on ETS will be the main secondary legislation dedicated to ETS. The regulation draft shall include (as introducing or giving details on topics and main framework described in the Climate Law), but is not restricted to:

- Rules and procedures
- Implementation scope and terms
- Application procedures
- Allocation of allowances
- Legal nature of the allowances
- Compliance
- Market design and principles
- Offset approach
- Market flexibility and stability
- Transaction logs
- Transparency
- Sanctions
- Data storage
- State of emergency
- Other; ad hoc

The legislation team shall draft a pilot phase communique which draw and define the particular framework of the pilot implementation. This communique will regulate all operative and practical aspects of the system, which means cap determination, allocation, market, workflows, organizational

division of labor, and sanctions, based on the hierarchy of the laws considering the articles of Climate Law and By-Law on ETS.

The team shall conduct the consultation process of the draft for other institutions and organizations views and opinions in the process, this means that the drafting and revising will be dealt together. The responsibility of the Consultant will continue after the draft documents, and it includes the support to DoCC in the finalizing the legislation and the publication.

C. Final Report

The Consultant shall deliver a brief (several pages) final report that provides information on the deliverables and stakeholder engagement process throughout project implementation period; showing that all requested items under this contract are completed.

6. TEAM COMPOSITION AND QUALIFICATION REQUIREMENTS FOR THE KEY AND NON-KEY EXPERTS AND CONSULTANT

A. GENERAL REQUIREMENTS OF CONSULTANT

The Consultant shall be a firm with experience in carrying out similar tasks, specifically to include the following minimum qualifications

- At least 3 years experience in environmental or climate sector.
- Completion of 1 service contract in environmental or climate sector.

B. SPECIFIC REQUIREMENTS OF CONSULTANT

- Experience in at least 2 technical assistance service contracts in the field of Emission Trading System.
- Experience in development/support of legislation in environmental or climate sector
- Experience in Emission Trading System design would be an asset.

C. TEAM COMPOSITION

The Consultant shall name key experts and the core team members for the specified roles within the Project Team and provide full curricula vitae and any other information considered relevant by the Consultant.

The Consultant can employ non-key experts more than the requested number in this Terms of Reference according to its methodology.

The minimum required experiences of proposed key experts are listed below.

C1. KEY EXPERTS

The Consultant shall employ following key experts with minimum requirements below.

Key Expert 1: The Senior Emissions Trading System Expert (1)

- At least 7 years of professional experience in environmental or climate sector;
- At least 3 years of professional experience in Emissions Trading System(s);
- Experience in the Emissions Trading System design would be an asset;
- Experience in projects with multilateral development banks is desirable;
- Experience in project management would be an asset;
- Having a bachelor's degree
- Excellent English writing and speaking skills;
- Clear, effective and professional communications skills;

Key Expert 2: The Senior Legislation Expert (1)

- At least 7 years of professional experience;
- At least 3 years of professional experience in legislation development;
- Experience on legislation drafting is required;
- Knowledge on carbon pricing is desirable;
- Clear, effective and professional communications skills;
- Having a bachelor's degree
- Having an academic title on the topics of trade law, administrative law, or environmental law would be an asset

C2. NON-KEY EXPERTS

The Consultant shall employ following non-key experts with minimum requirements below.

The Sectoral Expert (Electricity) (1)

- At least 5 years of professional experience in energy sector.
- Experience in GHG calculation, monitoring and verification is desirable;
- Excellent English writing and speaking skills;
- Clear, effective and professional communications skills;
- Having a bachelor's degree
- Fluency in Turkish would be an asset

The Sectoral Expert (Industry) (1)

- At least 5 years of professional experience in industry sectors.
- Experience in GHG calculation, monitoring and verification is desirable.
- Excellent English writing and speaking skills;
- Clear, effective and professional communications skills;
- Having a bachelor's degree

- Fluency in Turkish would be an asset.

The Legislation Expert (1)

- At least 2 years of professional experience
- Having a background in trade law, administrative law, or environmental law.
- Academic background is desirable;
- Experience on law drafting is desirable;
- Knowledge on carbon pricing is desirable;
- Having a bachelor’s degree
- Clear, effective and professional communications skills;

7. MILESTONES AND PAYMENT SCHEDULE

Table 1. Payment schedule and Milestones Table

TASKS	PAYMENT (% of the Contract Price)
Approval of Legislation Gap Analysis Report	25%
Approval of Policy Interaction Assessment Report	25%
Approval of Final ETS Design Report	25%
Approval of Final Report	25%

Table 2. Time Schedule for Deliverables

Deliverables	Time Schedule
Kick-off Meeting	First week
Turkish ETS Design Report	1 st – 9 th Months
Legislation gap analysis report	1 st -2 nd Months
Coordination with DoCC	1 st -12 th Months
Stakeholder consultations	1 st -9 th Months
Drafting ETS Secondary legislation	3 rd -9 th Months
Policy Interaction Assessment Report	5 th Month
Preparations of National Allocation Plan for Pilot Phase	5 th -7 th Months
Stakeholder Awareness Raising (Workshop Organizations)	10 th -12 th Months

8. CONTACTS

The Consultant shall report to the Project Coordinator from DoCC.

DoCC contacts

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