



# Navigating Carbon Markets for Strategic Advantage

” Türkiye's Climate Law  
No. 7552 and the  
Future of Global  
Carbon Markets

Prepared by:  
Atty. Yalçın Torun LL.M.  
Atty. Kaan Çırpan LL.B.

N E W S L E T T E R



A wide-angle photograph of a calm lake surrounded by a dense forest of tall, green trees. The water reflects the surrounding foliage, and the sky is overcast.

# A Strategic Guide for Clients, Investors, and Legal & Compliance Teams



**A New Era of Climate Governance:** On July 9, 2025, Türkiye's Climate Law No. 7552 entered into force, establishing the legal foundation for a national Emissions Trading System (TR ETS) and marking a pivotal moment in the country's economic and environmental policy.<sup>1</sup> This legislation is not merely a regulatory update; it is a strategic repositioning designed to achieve Türkiye's 2053 net-zero target and to proactively address external carbon pricing pressures, particularly from the European Union.

**The Intersection of CBAM and TR ETS:** The TR ETS is set to launch its pilot phase in 2026, coinciding directly with the full implementation of the EU's Carbon Border Adjustment Mechanism (CBAM).<sup>3</sup> This deliberate timing is a sophisticated policy choice. The TR ETS is designed to align with EU standards, ensuring that carbon revenues generated from Turkish industry remain in Türkiye to fund the green transition, rather than being collected by the EU, thereby protecting the competitiveness of Turkish exporters in their most critical markets.<sup>5</sup>

**Beyond Compliance - A Strategic Opportunity:** While the initial pilot phase provides a transition window with free allowances, this period is a critical dress rehearsal for future, more stringent obligations. Companies that proactively integrate carbon management into their core business strategy—from due diligence and M&A to green investment—will secure a long-term competitive advantage. This guide provides the actionable steps and strategic insights needed to turn this regulatory challenge into a catalyst for growth and market leadership. The guidance herein is based on a synthesis of the new Climate Law, draft regulations, and established international frameworks.



# I. The Genesis of Türkiye's Climate Legal Framework: Beyond Regulatory Compliance



## **Türkiye's First Comprehensive Climate Law: Binding Net-Zero Commitments**

Marking the first domestic legal framework that transposes Türkiye's Nationally Determined Contribution (NDC) under the Paris Agreement and its 2053 net-zero target into binding national law



## **Beyond Emissions Cuts: Embedding Justice and Green Transition**

It introduces new legal instruments such as a green taxonomy, carbon pricing mechanisms, and carbon credit schemes



## **Laying the Legal Groundwork for a National ETS**

It regulates emission allowances, carbon crediting and offset mechanisms, the powers of regulatory institutions, and the compliance and enforcement framework



## **From Regulation to Action: Clear Duties and Accountability**

It establishes requirements for annual reporting, monitoring, and planning of mitigation and adaptation measures, ensuring that the legislation serves not merely as a regulatory instrument but as a driver of action





# The New Regulatory Landscape: Türkiye's Foundational Climate Framework

## Contextualizing the Shift: From Global Pledges to National Law

Türkiye's journey toward a comprehensive climate framework is rooted in its international commitments. Following the ratification of the Paris Agreement in 2021, the country announced its 2053 net-zero emissions target, which provided the overarching objective for subsequent legislative action.<sup>2</sup> The Climate Law No. 7552 is the culmination of a multi-year preparatory process, building upon the mandatory monitoring, reporting, and verification (MRV) system that has been in place for approximately 770 entities since 2015.<sup>3</sup> This long-standing MRV framework, which is largely based on the EU system, has collected essential installation-level emissions data from 2015 to 2024, providing a robust, data-rich foundation for the new ETS.<sup>3</sup>





# The Climate Law No. 7552: The Legal Bedrock



The Climate Law serves as the legal bedrock for Türkiye's climate action, encompassing both mitigation and adaptation efforts.<sup>7</sup> Its core purpose is to reduce greenhouse gas (GHG) emissions and enhance climate resilience in line with the national green growth strategy. Critically for businesses, the law establishes the legal basis for a national ETS and other market-based instruments, signaling a permanent shift toward carbon pricing.<sup>1</sup> This landmark legislation provides the legal authority for the Ministry of Environment, Urbanization and Climate Change to enact secondary regulations that will govern the ETS's operational details.<sup>10</sup>





# The Institutional Backbone: A New Governance Structure for Carbon Markets

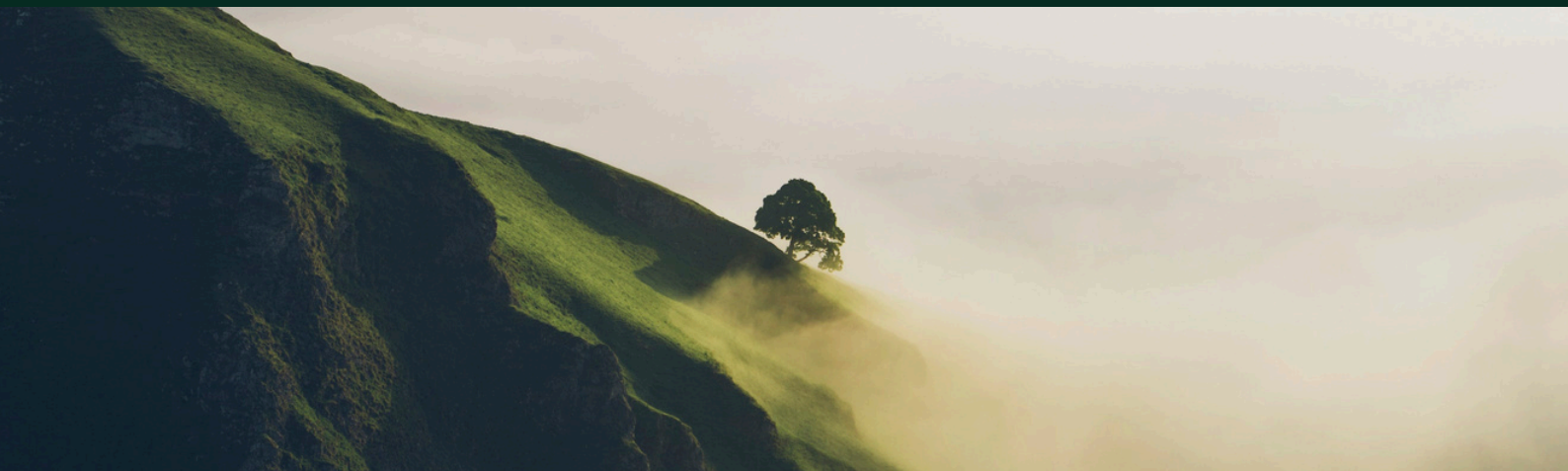


The implementation of the TR ETS is supported by a new and clearly defined institutional framework. Navigating this structure is essential for businesses to understand their reporting flows and compliance channels.

**Department of Carbon Pricing (DoCP):** This high-level board, chaired by the Minister of Environment, Urbanization and Climate Change, serves as the central governing body.<sup>1</sup> Its responsibilities are strategic, including the approval of national allocation plans, determination of free allowance distribution, and setting offsetting limits within the ETS.<sup>1</sup>

**The Directorate of Climate Change (DoCC):** Acting as the primary competent authority, the DoCC is responsible for the day-to-day management of the ETS, including permitting, MRV, and offset oversight.<sup>1</sup> Entities operating covered installations must obtain their GHG emission permits from this directorate.<sup>1</sup>

**Market & Registry Operators:** The Energy Exchange Istanbul (EXIST) or EPIAŞ, Türkiye's energy market operator, is designated to manage the TR ETS market and the registry system for allowances.<sup>3</sup> The Energy Market Regulatory Authority (EMRA) is responsible for establishing rules on market surveillance and overseeing against market abuse.<sup>3</sup>





# II. Navigating the Turkish Emissions Trading System: A Phased, Strategic Launch



## The Implementation Timeline: A Critical Window for Preparation

The TR ETS is designed for a phased, deliberate rollout, providing companies with a clear, albeit limited, window to prepare.

**Pilot Phase (2026-2027):** The system will launch with a two-year pilot phase, covering GHG emissions from installations above the specified threshold.<sup>3</sup> During this period, all allowances will be allocated for free based on benchmarking.<sup>1</sup> Additionally, administrative fines for non-compliance will be subject to an 80% discount.<sup>5</sup> This pilot period concludes on April 30, 2029.<sup>5</sup>

**First Implementation Period (2028-2035):** The system will transition to its first full, operational phase following the pilot.<sup>11</sup> This period is expected to feature a more stringent cap, and the allocation of allowances may transition from 100% free distribution to a mix of free allocation and primary market auctions.<sup>1</sup>

The phased timeline creates a strategic imperative for businesses. The period with 100% free allowances and discounted fines may give a false sense of security, but it is, in fact, a crucial dress rehearsal. The data on emissions and activity collected during the pilot phase will be used by the government to determine future benchmarks and allowance allocation rules. A company that fails to establish robust MRV systems or to optimize its operations during this low-stakes period could face significantly higher compliance costs, including full-priced fines and the need to purchase allowances, when the system becomes more stringent. Proactive engagement now is the key to securing a long-term competitive advantage.





# Table 1: The TR ETS Implementation Timeline & Compliance Checklist

Period	Dates	Key Features	Actionable Steps for Companies
Pre-Pilot	July 9, 2025 (Climate Law in Force) to 2026	Legal framework established; institutional bodies defined.	Secure emission permits from the Directorate of Climate Change. Establish internal MRV systems and prepare for third-party verification.
Pilot Phase	2026-2027	100% free allowance allocation based on benchmarking. 80% discount on administrative fines for non-compliance.	Finalize and submit monitoring plans. Conduct comprehensive, verified emissions reporting. Optimize operations to reduce emissions and establish a favorable benchmark for future periods.
Pilot Conclusion	April 30, 2029	Pilot phase officially ends.	Review performance during the pilot. Prepare for the transition to the full implementation phase with potentially stricter caps and auctioning.
First Implementation	2028-2035	Full, operational system. Transition from 100% free allowances to a mix of free allocation and auctions. Full fines for non-compliance.	Comply with full reporting and surrender obligations. Strategically manage allowance portfolios through trading, internal abatement, and the use of domestic offsets.

# Scope and Coverage: Understanding Your Obligations

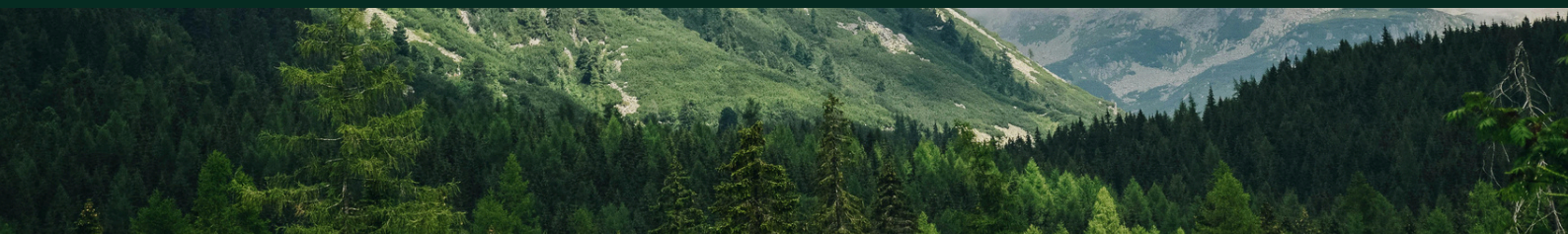


While specific details will be defined in secondary regulations, the TR ETS is expected to cover installations that directly cause greenhouse gas emissions.<sup>1</sup> The anticipated scope of coverage will be similar to the EU ETS, targeting energy-intensive industries such as power generation, iron and steel, cement, aluminum, and fertilizers.<sup>10</sup> The preliminary emissions threshold is set at installations with emissions above 50,000 tonnes CO<sub>2</sub> equivalent (CO<sub>2</sub>e).<sup>3</sup> (Category-B and C)

## The Mechanics of Compliance: How the System Works

The TR ETS operates on a market-based model that sets a cap on total emissions and allocates allowances to facilities.<sup>5</sup> The system is designed with a nuanced, intensity-based cap rather than a traditional, predetermined absolute cap.<sup>1</sup> This design is pragmatic for a developing, high-growth economy, as it allows the overall cap to be determined based on actual activity levels and benchmarks, ensuring the system can adapt to economic growth while still incentivizing efficiency improvements.<sup>1</sup>

Allowances are defined as tradeable, electronic instruments, each representing the right to emit one tonne of CO<sub>2</sub>e.<sup>1</sup> During the pilot phase, all allowances will be allocated for free based on historical emissions data or benchmark values.<sup>1</sup> In the future, the Carbon Market Board (CMB) is authorized to offer allowances for sale in primary market auctions.<sup>1</sup> Covered entities must annually surrender allowances equivalent to their verified emissions using the Transaction Registry System.<sup>5</sup> Compliance with this obligation is strict and penalties for failure are severe, including fines equal to twice the recent allowance price per missing allowance and the potential for permit revocation.<sup>1</sup>





# III. Strategic Intersections: CBAM, Linkage, and Domestic Markets



## The TR ETS as a Strategic Response to EU CBAM

Türkiye's decision to launch its ETS in 2026 is a direct and proactive response to the EU's Carbon Border Adjustment Mechanism, which begins its full implementation in the same year.<sup>4</sup> The European Union is Türkiye's largest trading partner, with exports to the EU representing over 40% of the country's total export markets.<sup>6</sup> Without a domestic carbon pricing mechanism, Turkish exporters of carbon-intensive goods, such as iron, steel, and cement, would be subject to the EU's CBAM, with the resulting carbon costs being paid to the EU.<sup>4</sup>

The TR ETS is a sophisticated economic and trade policy designed to protect Türkiye's national interests. By establishing a domestic carbon price, the law ensures that these carbon costs are paid within Türkiye, thereby providing a cost advantage to exporters and retaining critical revenue domestically.<sup>5</sup> The law earmarks these future revenues from allowance auctions exclusively for green transformation and climate action, with a portion allocated to just transition measures.<sup>3</sup> In this way, the TR ETS not only addresses climate commitments but also serves as a strategic instrument to finance the country's decarbonization efforts from within its own borders.

## Leveraging Domestic Credits: The "Turkuaz Credits" System

The new framework includes a key flexibility mechanism: the use of domestic carbon credits, known as "Turkuaz Credits".<sup>14</sup> These credits are generated from greenhouse gas reduction projects within Türkiye and can be used by covered entities to meet up to 10% of their annual surrender obligations after the pilot phase.<sup>3</sup>

This provision is a strategic tool designed to drive internal green investment. By limiting the use of offsets to those from projects developed within Türkiye, the government creates a robust financial incentive for domestic decarbonization efforts.<sup>14</sup> This directs capital toward national green projects such as solar energy facilities, wind farms, and energy efficiency improvements.<sup>8</sup> The system, supported by a World Bank-funded project, creates a self-contained, strategic mechanism to finance Türkiye's green economy, ensuring that the benefits of carbon pricing remain within the national economy and contribute directly to the 2053 net-zero target.<sup>15</sup>

# Potential for International Linkage



A key feature of the TR ETS is its design for potential future interoperability with other systems, particularly the EU ETS.<sup>5</sup> The legal framework allows for mutual recognition and inter-system electronic linkage, which could, in the future, allow Turkish allowances to be valid in foreign systems and vice versa.<sup>5</sup> This alignment enhances the credibility of the TR ETS and positions Türkiye for a stronger role in global carbon markets.<sup>8</sup>

Feature	Türkiye Emissions Trading System (TR ETS)	European Union Emissions Trading System (EU ETS)
Cap-Setting	Expected to be an intensity-based cap, determined ex post based on activity levels and benchmarks. <sup>1</sup>	Operates with a predetermined, absolute cap that declines annually. <sup>17</sup>
Allowance Allocation	Pilot Phase (2026-2027): 100% free allocation. <sup>5</sup> Future phases: expected to introduce auctions. <sup>1</sup>	A mix of free allocation and auctions. Free allocation is being scaled down over time. <sup>17</sup>
Offsets	Domestic-only offsets ("Turkuaz Credits") allowed up to 10% of surrender obligations after the pilot phase. <sup>3</sup>	Limited use of international credits, with focus on high-integrity projects and engineered removals. <sup>19</sup>
Coverage	Installations with emissions >50,000 tonnes CO <sub>2</sub> e. <sup>3</sup> Expected to cover power and energy-intensive industries. <sup>1</sup>	Installations with emissions >20 MW thermal input and specific industrial activities. <sup>12</sup>
Non-Compliance Penalty	Fines equal to twice the recent allowance price per missing allowance; permit revocation. <sup>1</sup> Pilot phase fines have an 80% discount. <sup>5</sup>	Fines of €100 per tonne of excess emissions, indexed to inflation. <sup>20</sup>





# Actionable Steps for Preparation, Compliance, and Strategy



## Operational & Technical Preparation: The MRV Foundation

Effective compliance begins with robust internal systems. The existing MRV legislation provides a strong foundation, but companies must now elevate their internal processes to a state of strategic readiness.

**Assess and Optimize:** Conduct a thorough assessment of your company's emissions footprint and current data collection methods. This initial step is critical for identifying potential data gaps or inaccuracies.<sup>20</sup>

**Strengthen Internal Systems:** Establish robust data collection and control protocols that ensure the integrity and accuracy of your MRV data. The Turkish MRV legislation is modeled on the EU system, providing a framework to follow.<sup>3</sup>

**Prepare for Verification:** Engage an accredited third-party verifier to ensure your data is accurate and compliant with national regulations.<sup>3</sup> This independent verification is a mandatory annual requirement and is essential for avoiding penalties.<sup>3</sup>





## Strategic & Financial Planning: Integrating Carbon into the C-suite Agenda

Carbon is no longer just an environmental issue; it is a financial and strategic factor.

**Financial Integration:** Incorporate future carbon costs and allowance prices into financial models and due diligence processes for M&A and new investments.<sup>10</sup> This is particularly important for foreign investors to accurately assess carbon-linked liabilities and risks.

**Decarbonization Roadmap:** Develop a long-term strategy for emission reductions that is aligned with the phased TR ETS timeline.<sup>10</sup> This strategy should identify opportunities for energy efficiency improvements, the adoption of clean technologies, and the potential to generate and sell domestic "Turkuaz Credits".<sup>14</sup>





# Legal & Compliance Readiness: Navigating the Regulatory Maze



Department	Key Task	Objective
Legal & Compliance	Draft and submit GHG emission permit applications; review secondary regulations as they are published; and formalize internal compliance protocols.	Secure operational permits and ensure adherence to all legal obligations and deadlines.
Finance & Accounting	Integrate carbon costs into financial models, budgets, and investment analysis. Track and report on carbon-related KPIs and manage allowance portfolios.	Understand the financial implications of the TR ETS and optimize costs and investments.
Operations & Engineering	Implement robust MRV data collection systems; identify and execute on-site emission reduction projects; and prepare for third-party verification.	Ensure technical accuracy of all reported emissions and reduce operational carbon intensity.
C-Suite & Strategy	Oversee the development of the company's long-term decarbonization roadmap and evaluate strategic opportunities in the new carbon market.	Position the company for long-term growth by turning regulatory change into a competitive advantage.

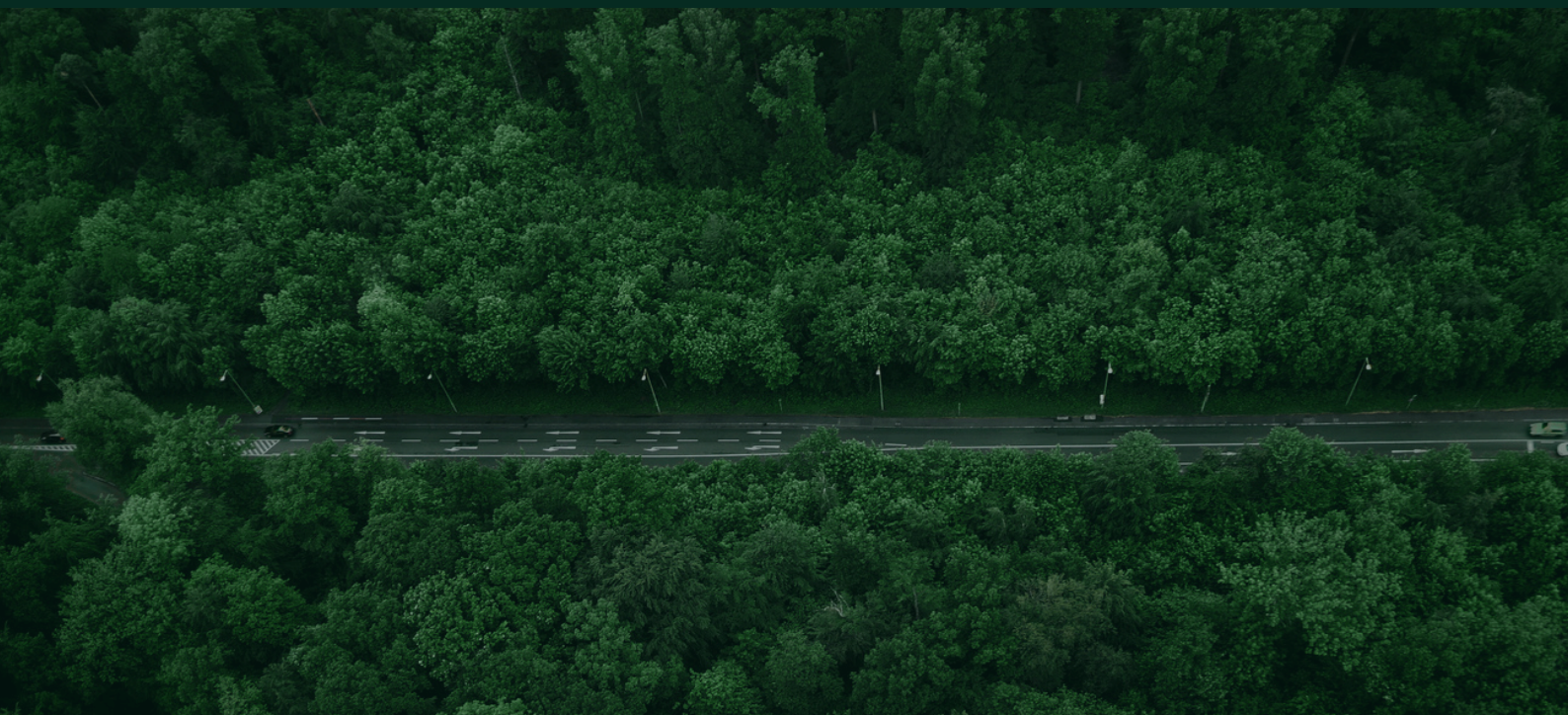


# V. Conclusion: From Regulatory Burden to Strategic Advantage



The enactment of Türkiye's Climate Law and the subsequent launch of its national ETS represent a major turning point. This is not a distant, theoretical change but an immediate and tangible shift with significant implications for businesses and investors. The TR ETS is a well-designed, strategic instrument that serves both environmental and economic goals. It directly addresses the economic challenge posed by the EU's CBAM while simultaneously creating a new domestic market for green investment.

For businesses, the pilot phase is the most critical period. Companies that proactively establish robust compliance systems, integrate carbon costs into their financial models, and identify opportunities for decarbonization will be best positioned for long-term success. The new framework positions Türkiye as a leader in the region and a destination of choice for ESG-focused investment, making strategic engagement not just a matter of compliance but a key to future growth.





# Implementing and Tracking Your Carbon Strategy: A Performance and Feedback Plan



To ensure long-term success, a company's TR ETS strategy must be managed with the same rigor as any other core business function.

## Objective-Setting

**Compliance Goals:** Aim to complete internal MRV data collection and internal audits at least three months before the end of the calendar year to ensure sufficient time for third-party verification and submission.

**Operational Goals:** Target a specific reduction in emissions intensity per unit of output, benchmarked against industry peers.

**Financial Goals:** Set a budget for carbon costs and identify a target ROI for investments in green technologies or energy efficiency projects.

## Key Performance Indicators (KPIs)

**Compliance Metrics:** Track verified annual emissions versus allowance holdings; monitor penalty history; and confirm the status of emission permits.

**Operational Metrics:** Measure energy efficiency improvements (e.g., energy consumption per unit of output) and the cost of carbon abatement per tonne of CO<sub>2</sub>e.<sup>10</sup>

**Financial Metrics:** Monitor total carbon costs, including allowance purchases and fines, as well as revenue from the sale of allowances or the generation of "Turkuaz Credits".<sup>10</sup>



# Our Core Services



**Strategic Advisory and Roadmap Development:** We work with C-suite executives and legal teams to develop comprehensive climate strategies, including setting greenhouse gas reduction targets, to help you position your brand and business for sustainable growth. We assist in preparing board-level reports to forecast regulatory changes and mitigate risks. We manage the entire process of preparing and filing applications and documents with relevant market and regulatory bodies.

**Transactional Due Diligence and M&A:** Carbon liabilities are now a critical factor in asset valuation and deal pricing. Our lawyers conduct in-depth climate due diligence during M&A and equity transactions, ensuring all emissions-related risks are identified and addressed through appropriate legal indemnities. We provide counsel on how to manage these risks and ensure no emissions liability is hidden from the balance sheet.

**Carbon Market Transactions:** We provide expert legal guidance on the operational and legal mechanics of the new Emissions Trading System (ETS). Our services cover the full range of carbon credit and allowance transactions, from spot and forward contracts to green finance instruments, helping you optimize costs and leverage new opportunities in the market. We have experience structuring, negotiating, and advising on all types of environmental commodities and transaction structures.

**Environmental Litigation and Regulatory Advocacy:** We provide legal counsel on environmental litigation matters and assist clients in engaging with governments and regulators on carbon regulation matters. We help you navigate the complexities of environmental laws and respond to existing regulations to ensure your business remains legally compliant and strategically positioned.

**Green Project Finance:** We advise investors on structuring and financing green projects, including carbon capture, hydrogen, and renewable energy initiatives. We assist with legal frameworks, permitting, and monetization of carbon credits, ensuring your green investments are legally sound and financially viable.

By partnering with us, you gain more than just a legal advisor—you gain a strategic partner with a global perspective and a deep understanding of the local regulatory environment. We empower you to turn this regulatory challenge into a catalyst for growth and market leadership in a low-carbon economy.



# References

1. Türkiye adopts landmark climate law, paving the way for national ETS, <https://icapcarbonaction.com/en/news/turkiye-adopts-landmark-climate-law-paving-way-national-ets>
2. Turkey's New Climate Law Ushers in Sweeping Changes for Businesses and Investors, <https://www.ccs.law/post/turkey-s-new-climate-law-ushers-in-sweeping-changes-for-businesses-and-investors>
3. Turkish Emission Trading System | International Carbon Action ..., <https://icapcarbonaction.com/en/ets/turkish-emission-trading-system>
4. Carbon Border Adjustment Mechanism (CBAM) | Access2Markets, <https://trade.ec.europa.eu/access-to-markets/en/news/carbon-border-adjustment-mechanism-cbam>
5. The Introduction of Türkiye's First Climate Law and National <https://cakmak.av.tr/en/the-introduction-of-turkies-first-climate-law-and-national-emissions-trading-system/>
6. Towards a Greener and More Resilient Türkiye - World Bank, <https://www.worldbank.org/en/country/turkey/brief/towards-a-greener-and-more-resilient-turkiye>
7. Law 7552 - Turkish Climate Law - Climate Change Laws of the World, [https://climate-laws.org/document/law-7552-turkish-climate-law\\_95c1](https://climate-laws.org/document/law-7552-turkish-climate-law_95c1)
8. Carbon Markets in Turkey, <https://turkishcarbonmarket.com/background/carbon-markets-in-turkey>
9. Turkey climate laws and policies, <https://climate-laws.org/geographies/turkey>
10. Turkey's Emissions Trading System: Legal Guide 2025, <https://istanbullawyerfirm.com/blog/turkey-emissions-trading-system-2025>
11. Türkiye Reaches a New Milestone in Emissions Trading: ETS Draft Regulation Published <https://www.goldstein-renewable.de/en/post/turkey-reaches-new-milestone-in-ets-transition>
12. Scope of the EU ETS - European Commission - EU Climate Action [https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/scope-eu-ets\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/scope-eu-ets_en)
13. "CBAM and Türkiye: Sectoral Interactions, Benefits and Costs <https://shura.org.tr/en/cbam-and-turkiye-sectoral-interactions-benefits-and-costs-executive-summary/>
14. Turkuaz Credits: Turkey's Domestic Carbon Solution <https://gazetemakina.com/en/turkuaz-credits-turkeys-domestic-carbon-solution-in-the-emissions-trading-system/>
15. Department of Carbon Pricing - İklim Değişikliği Başkanlığı, <https://iklim.gov.tr/en/departman-of-carbon-pricing-i-91>
16. Türkiye | PMI - Partnership for Market Implementation, <https://www.pmiclimate.org/country/turkiye>
17. About the EU ETS - European Commission, [https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/about-eu-ets\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/about-eu-ets_en)
18. Understanding EU ETS - Emissions Trading System - DNV, <https://www.dnv.com/maritime/insights/topics/eu-emissions-trading-system/>
19. The EU's return to international carbon credits | World Economic Forum, <https://www.weforum.org/stories/2025/07/eu-return-to-international-carbon-credits/>
20. Monitoring, reporting and verification - European Commission - EU Climate Action, 2025, [https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/monitoring-reporting-and-verification\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/monitoring-reporting-and-verification_en)







## About Our Law Firm

Torun Law Firm is a forward-looking legal practice based in Ankara, Türkiye, with a proven track record of combining deep legal expertise with a modern, innovative approach. Founded on principles of integrity, professionalism, and client-centered service, our firm provides high-level counsel across multiple practice areas, including:

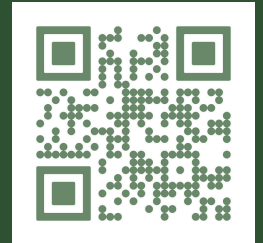
- International Investment and Arbitration
- Energy Law
- Data Protection and Privacy Law
- Commercial and Corporate Law
- Mergers and Acquisitions
- Trademark and Patent Representation

We believe that the role of the legal profession extends beyond compliance: it is about building trust, safeguarding rights, and enabling innovation in a rapidly evolving world. With an international outlook and strong local expertise, we serve as a reliable partner to individuals, corporations, and institutions navigating the complexities of law in the digital age.

Atty. Yalçın TORUN LL.M., Atty. Kaan ÇIRPAN LL.B.

## Contact Us

Join us on the journey where law drives climate resilience and clean energy defines the future.



+90 (505) 621-9992 | +90 (312) 432-5678



[en.torunhukukburosusu.com](https://en.torunhukukburosusu.com)



[info@torunhukukburosusu.com](mailto:info@torunhukukburosusu.com)



Kızılırmak District, 1443rd Street,  
No:25, 1071 Plaza Block B Suite  
27, Çankaya / Ankara