

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

Turkish Energy Market
Investment Opportunities
and Incentives

March 2013



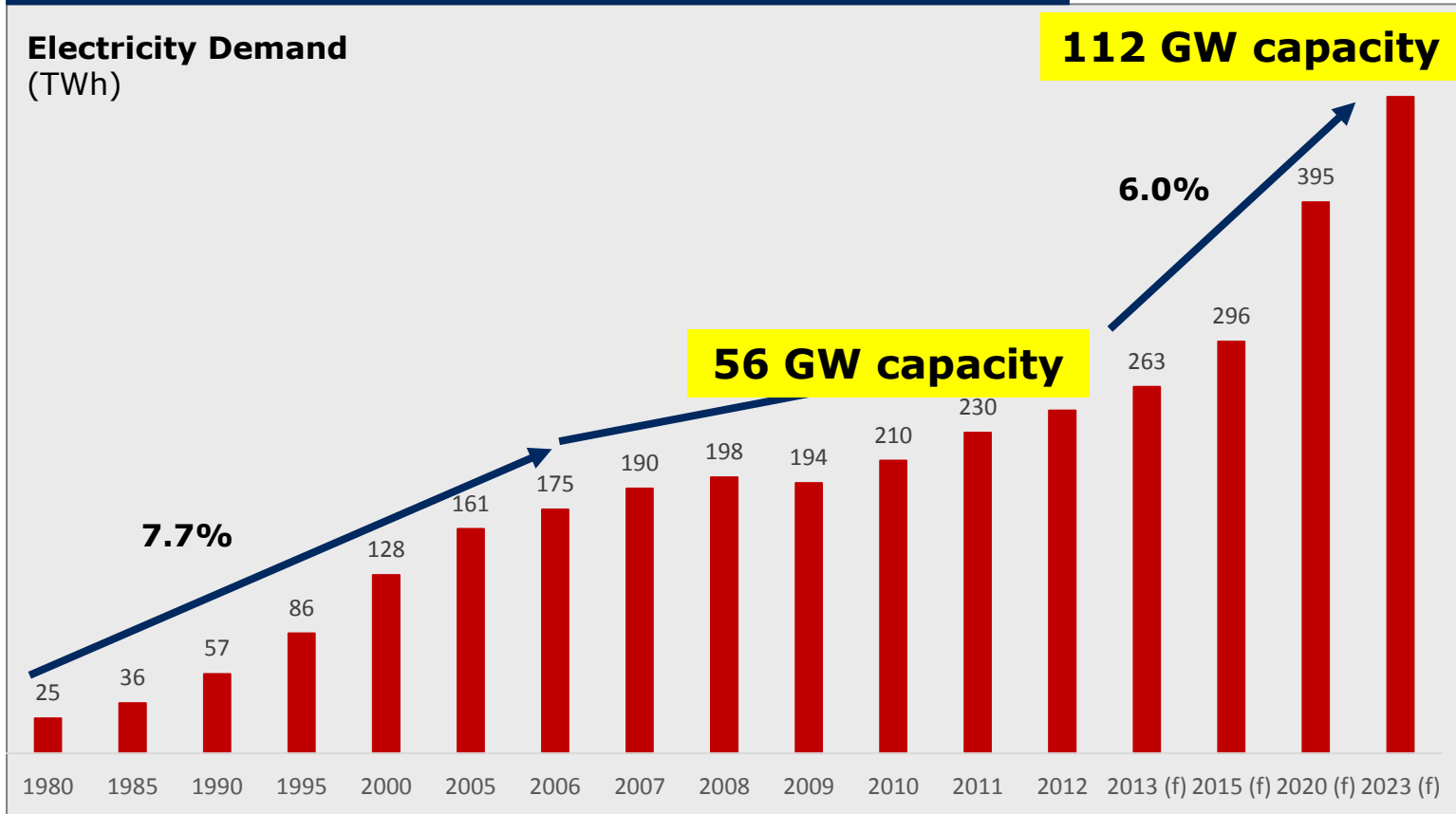
Overview

- Turkish Electricity Market – Growth Potential and Installed Capacity
- Draft Electricity Market Law
- Investment Opportunities in Lignite
 - Large Lignite Reserves
 - Privatization of EUAS power plants
 - TKI reserves and tenders
 - Incentive Scheme for Priority Investments
- Investment Opportunities in Natural Gas
 - Privatization of Gas Distribution Companies



Turkish Electricity Market – Growth Potential

Fastest growing electricity market in Europe

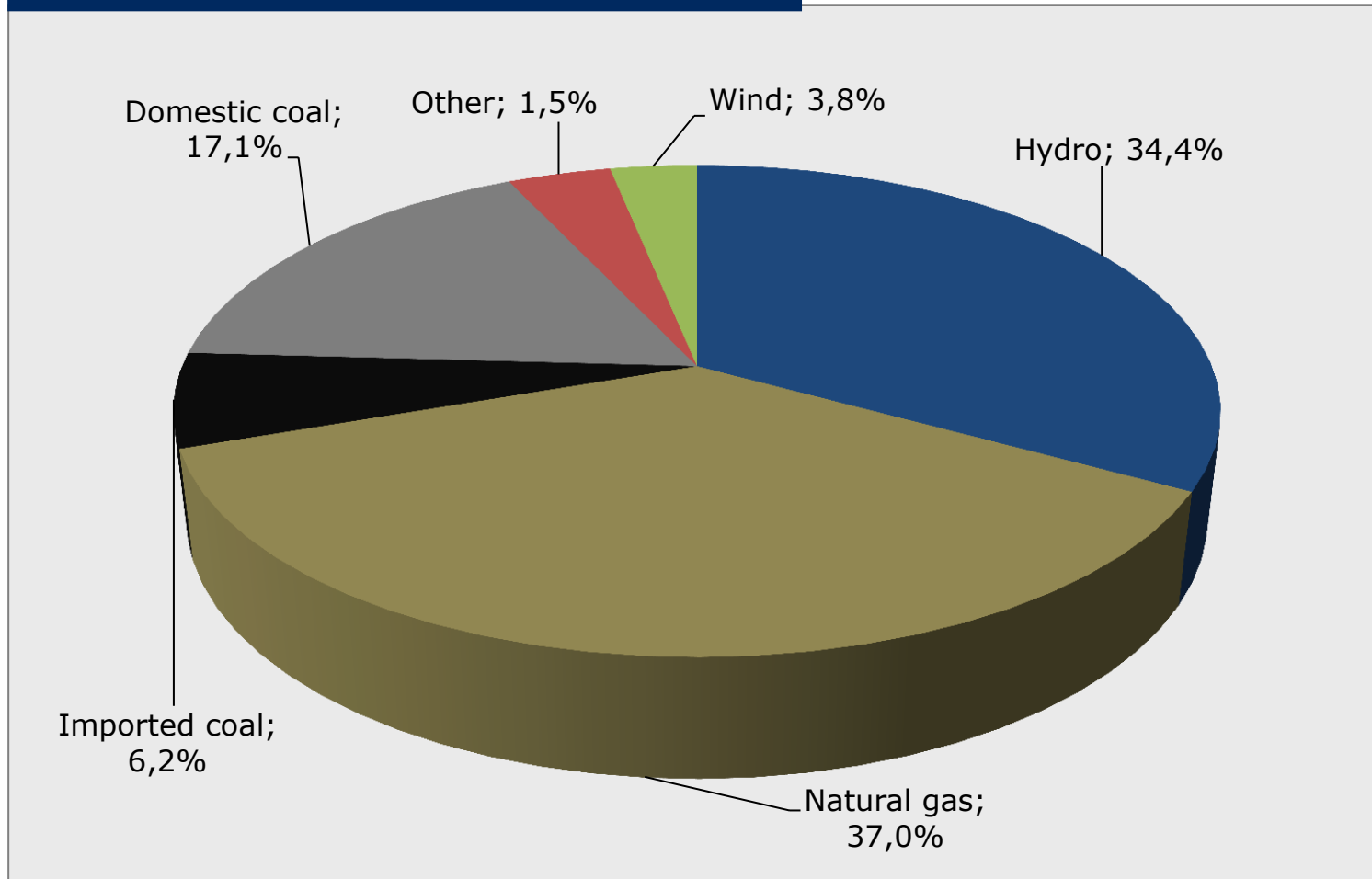


Source: Privatization Administration of Turkey, MENR



Turkish Electricity Market – Total Installed Capacity

Total Installed Capacity 56 GW



Source: MENR



Draft Electricity Market Law

Some major changes:

- Types of licenses
 - Auto-production, as a license type, will be abolished
 - Wholesale and retail sale activities are joined under supply license
 - No regional restriction; shall not exceed 20% of the total electricity
- Introduction of pre-licensing process
 - For maximum 24 months
 - Relevant permits, approvals, licenses, ownership or usufruct right of the area must be obtained
- Electricity Market Operation Activities
 - EPIAS is planned to operate day-ahead market, daily market, OTC market, by-products market
- No need for a generation license if installed capacity is under 1MW

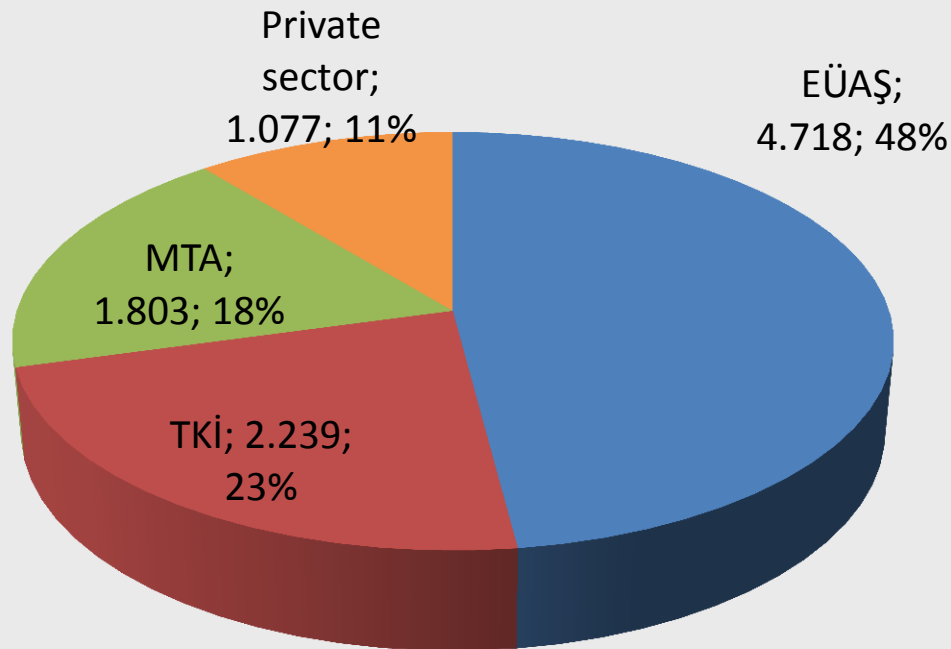


Lignite - Overview

Turkey's lignite reserves amount to **11.5 billion tonnes** → 6% of world's lignite reserves

86% of lignite reserves are operated by public sector

Proven Lignite Reserves by Operating Entity as of 2009 (million tonnes)



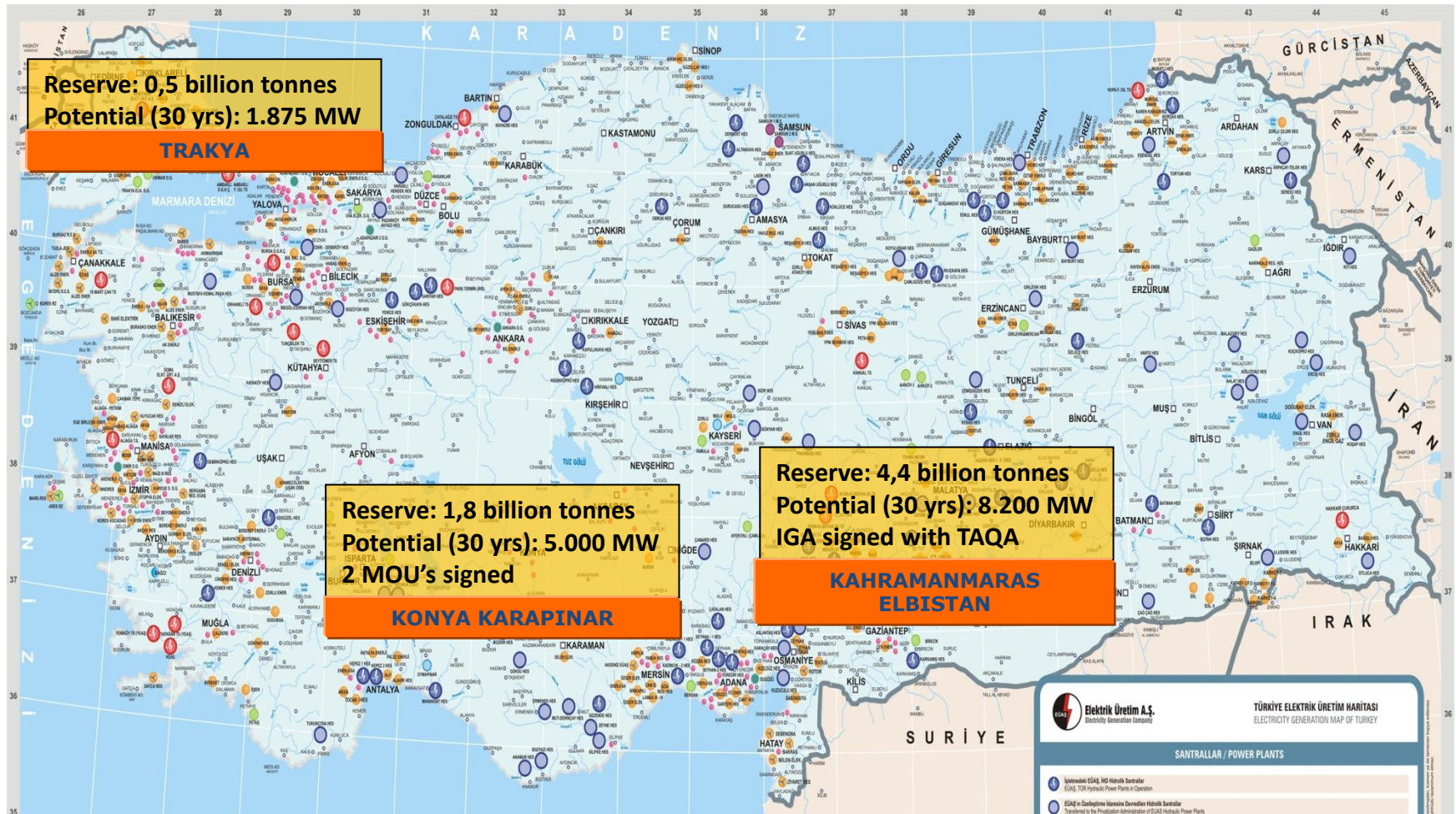
EÜAŞ: Elektrik Üretim AŞ - State Electricity Generation Company

TKİ: Türkiye Kömür İşletmeleri - Turkish Coal Enterprises

MTA: Maden Tetkik Arama - State Mineral Research and Exploration Directorate General



Large Lignite Reserves



Privatization of EUAS Lignite Power Plants

- 17 thermal and 28 hydro power plants → with installed capacity of 16 GW out of 24 GW
- Expected to be completed in 2013.
- Generation assets will be privatized via share sale. Coal reserves will be privatized via through Transfer of Operating Rights Agreements.
- Electricity will be sold in the market.

No	Plant Name	Fuel Type	Location	Age	Installed Capacity (MW)	2010 Generation (GWh)	Tender Date	Company	Tender Amount
1	Seyitomer	Lignite	Kutahya	38	600	3,623	December 2012	Celikler Insaat	\$ 2,248 Million
2	Kangal	Lignite	Sivas	20	457	2,313	January 2013	Konya Seker-Siyah Kalem JV	\$ 985 Million
3	Soma	Lignite	Manisa	30	1,034	3,897	2013 (expected)	-	-
P.1	A. Elbistan A	Lignite	K.Maras	27	1,355	2,042	2013 (expected)	-	-
	A. Elbistan B	Lignite	K. Maras	7	1,440	7,694	2013 (expected)	-	-
P.3	Can	Lignite	Canakkale	8	320	2,141	2013 (expected)	-	-
	Tuncbilek	Lignite	Kutahya	55	365	1,659	2013 (expected)	-	-
P.4	Orhaneli	Lignite	Bursa	19	210	1,174	2013 (expected)	-	-
P.5	Kemer koy	Lignite	Mugla	18	630	2,720	2013 (expected)	-	-
	Yatagan	Lignite	Mugla	29	630	2,599	2013 (expected)	-	-
	Yenikoy	Lignite	Mugla	25	420	1,308	2013 (expected)	-	-



TKI Reserves and Lignite Power Plant Tenders

- Pursuant to a Royalty Agreement, private company will build a power plant in exchange for getting permission to use the lignite reserve that is owned by TKI.
- Tenders are done based on a royalty fee (krş/kWh) for the generated electricity indexed to CPI.
- Electricity will be sold in the market.
- Investment period is 6 years. If plant is commissioned before, royalty fee is reduced by 50% during the investment period.
- Operation period is 30 years. Contracts can be extended under the same conditions if reserves are not depleted.

No	Location	City	Plant Minimum Capacity (MW)	Reserve (tonnes)	Cal. Value (kcal/kg)	Tender Date	Company	Tender Amount
1	Tufanbeyli	Adana	600	323 million	1,300-1,400	May 2012	Teo Group	2.57 krs/kWh
2	Soma-Deniş	Manisa	450	150 million	1,250-2,000	August 2012	Kolin Insaat	4.69 krs/kWh
3	Keles-Davutlar	Bursa	270	55 million	2,200	November 2012	Celikler Insaat	5.61 krs/kWh
4	Domanic	Kutahya	300	114 million	2,110	March 2013	-	-
5	Yenikoy	Mugla	420	50-60 million	2,400	May 2013 (expected)	-	-
6	Can	Canakkale	210	45 million	2,650	2013 (expected)	-	-



Incentive Scheme for Priority Investments

Lignite operations and lignite power plants (greenfield and brownfield) can benefit incentives provided to Region 5

- If incentive application is approved, investment amount > 500,000 TL and 10% investment is made before December 2013:
 - Reduced Corporate Income Tax (CIT reduced to 4% until support cap 40% is reached. Existing operations can benefit 50% during the Investment Period)
 - VAT Exemption (18% for imported and domestically provided E&M)
 - Customs Duty Exemption (2.5-3% for imported E&M)
 - Social Security Premium Support (Employer's Share at minimum wage for 7 years until support cap 35% is reached. Can benefit during the Operation Period)
 - Interest Support (maximum of 700,000 TL is given when local banks are used)
 - Land Allocation



Investment Opportunities in Natural Gas

- Unbundling of BOTAS
- 3rd party access to transmission network, LNG terminals, and storage facilities
- 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
- Privatization of gas distribution company IGDAS (Istanbul):
 - Capital: 1.9 Billion TL
 - # of Subscribers: 4,500,000
 - Network: 14,210 km
 - Annual Consumption: 4 bcm



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

Contact Information:

Basak Avci

Sr Project Director / Sectoral and Strategic Analysis

E-mail: bavci@invest.gov.tr

Phone: (+90 212) 468 6900

