

Summary of Environmental and Social Assessment

Prior Action	Likely Environmental Effects	Likely Social Effects
1.1 To establish the statutory foundation for climate mitigation through emission trading instruments (Carbon Market), the Grand National Assembly has enacted Climate Law No. 7552, which entered into force upon publication in Official Gazette No. 32951, dated July 9, 2025. The Climate Law creates the Carbon Market Board, designates the Energy Exchange Istanbul (EPIAŞ) as the ETS Market Operator, and designates the Directorate of Climate Change (DOCC) as the Designated National Authority (DNA).	Positive: Establishes a national carbon pricing architecture, expected to drive long-term GHG reductions across power, industry, and transport by internalizing carbon externalities. Strengthens alignment with the EU CBAM and the Paris Agreement, improving emissions transparency and investment reallocation toward low-carbon sectors. Neutral: No direct physical footprint; institutional reform only. Likely adverse (covered by existing systems): Potential indirect emissions leakage during the transition as regulated firms adjust production. These effects are managed through Türkiye's Environmental Law No. 2872, Climate Law framework safeguards, and EIA Regulation enforcement for downstream investments. Residual environmental risk is low at the policy level.	Positive: Creates long-term green employment opportunities in carbon trading, MRV, compliance, and financial services; improves institutional coordination for climate policy delivery. Neutral: No immediate labor displacement effects. Likely adverse (covered by existing systems): Transitional uncertainty for carbon-intensive sectors (steel, cement, refining). Social adjustment pressures are managed by Türkiye's Labor Law No. 4857, İŞKUR retraining programs, and existing industrial restructuring support policies, though a formal just transition framework remains under development.
1.2 To operationalize Türkiye's Emission Trading System (ETS), the Borrower has issued the following implementing regulations under Climate Law No. 7552: (1) the ETS Regulation published and as evidenced in the Official Gazette No. 33353 dated August 27, 2026; and (2) the Regulation on Transparency and Market Manipulation in Energy and Environmental Markets published and as evidenced in Official Gazette No. 33168, dated February 14, 2026. Together with three further implementing regulations — the Carbon Market Operation Regulation, the Carbon Crediting and Offsetting Regulation, and the ETS	Positive: Operational ETS enables measurable emissions reductions through enforceable caps and compliance incentives. Strengthens MRV integrity and reduces the risk of unreported industrial emissions. Neutral: Regulatory infrastructure does not itself generate physical environmental impacts. Likely adverse (covered by existing systems): Risk of carbon leakage, uneven sectoral compliance, or offset quality concerns. These are managed by Türkiye's MRV Regulation (aligned with EU MRV principles), Industrial Emissions Control Regulation, the Regulation on Transparency	Positive: Stimulates green finance markets, innovation in low-carbon technologies, and new compliance-related professional services. Neutral: No direct employment displacement at regulatory stage. Likely adverse (covered by existing systems): Increased production costs in energy-intensive sectors may be passed through to consumers, potentially affecting affordability. These risks are managed via Energy Market Regulatory Authority (EMRA) pricing oversight and social support mechanisms, though no dedicated carbon revenue recycling system yet exists.

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Revenue Management and Utilization Regulation — these instruments provide the regulatory stack required for the launch of the ETS pilot phase.	and Market Manipulation in Energy and Environmental Markets, and independent verification arrangements overseen by the DOCC.	
1.3 To strengthen the data infrastructure underpinning Türkiye's ETS and national climate accounting, the Borrower has integrated MRV data into the calculation of emissions from cement production under the Industrial Processes and Product Use (IPPU) Sector as evidenced by its publication on the UNFCCC official website on April 15, 2026.	Positive: Significantly improves emissions accounting accuracy, strengthens transparency under the Enhanced Transparency Framework, and reduces data inconsistencies between facility-level reporting and the national inventory. Neutral: No physical environmental footprint. Likely adverse (covered by existing systems): Cybersecurity/data governance risks in digital MRV systems. These are managed through Türkiye's Personal Data Protection Law (KVKK) and national e-government cybersecurity protocols, though climate MRV cybersecurity standards are still developing.	Positive: Enhances evidence-based policymaking and improves accountability in climate governance, indirectly benefiting public welfare. Neutral: No direct labor or income effects. Likely adverse (covered by existing systems): Increased administrative burden for enterprises required to report granular emissions data. These impacts are managed through existing industrial reporting systems under TSRS and BRSA sustainability reporting frameworks for financial institutions.
1.4 To build the regulatory foundation for channeling capital toward sustainable activities, the Borrower has issued the Turkish Green Taxonomy Regulation, as evidenced by its publication in the Official Gazette No. [Number], dated [date]. Building on this taxonomy, the government has also established the Climate-Related Financial Risk Supervision Framework, embedding climate risk into prudential banking supervision through: (1) the BRSA Guideline on the Management of Climate-Related Financial Risks; (2) the Communiqué on Banks' Green Asset Ratio Calculation; (3) the BRSA Decision on Green Loan-To-Value Ratios; and (4) the incorporation of the IFRS S2 GHG Emissions Disclosure amendments into national legislation.	Positive: Redirects capital toward environmentally sustainable activities, reducing lifecycle emissions of financed projects and improving environmental screening consistency across banking and capital markets. Neutral: No direct environmental impact at the policy level. Likely adverse (covered by existing systems): Risk of "greenwashing" or misclassification of activities. These risks are managed through Capital Markets Board (CMB) disclosure rules, BRSA supervisory frameworks, and sustainability reporting standards (TSRS), though enforcement capacity remains uneven.	Positive: Expands access to green finance for SMEs and clean technology sectors; supports job creation in renewable energy, energy efficiency, and sustainable infrastructure. Neutral: No direct social disruption. Likely adverse (covered by existing systems): Potential credit reallocation away from carbon-intensive SMEs, increasing financing constraints. These risks are managed through BRSA prudential supervision, SME support programs, and phased disclosure implementation requirements.

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1.5 To establish a government-wide framework for aligning public and private financial flows with Türkiye's climate transition objectives, the Borrower, through its Ministry of Treasury and Finance (MOTF), has issued the National Green Finance Strategy and Action Plan 2026–2029 (the "Strategy"), as evidenced by its publication in the Official Gazette No. 33300, dated July 4, 2026.	Positive: Improves coordination of climate-aligned public and private investment flows, enabling the higher environmental effectiveness of fiscal spending and green investment pipelines. Neutral: Policy coordination instrument with no physical footprint. Likely adverse (covered by existing systems): Potential coordination challenges across institutions during implementation. Managed through the Public Financial Management and Control Law No. 5018 and existing Treasury budget oversight systems.	Positive: Supports job creation through mobilization of large-scale green investment and improves macroeconomic resilience by reducing climate-related fiscal risks. Neutral: No direct distributional impacts at adoption stage. Likely adverse (covered by existing systems): Potential differences in the regional distribution of green investment. This risk is managed through Türkiye's regional development agency system and public investment planning under the Presidency of Strategy and Budget.
2.1 To operationalize Türkiye's NDC 3.0 commitments through a digitally monitored implementation framework, the Borrower, through the Climate Change and Adaptation Coordination Board, has made the Climate Change Mitigation Strategy and Action Plan's (CCMSAP) digital monitoring system operational in December 2025 as evidenced by its availability in the national Climate Portal since December 2025.	Positive: Strengthens real-time emissions tracking and improves environmental policy responsiveness across sectors, reducing implementation gaps in NDC delivery. Neutral: Administrative and digital governance reform only. Likely adverse (covered by existing systems): Potential data quality and interoperability risks across ministries. These risks are managed through existing e-government infrastructure and statistical standards under the Turkish Statistical Institute (TurkStat) frameworks.	Positive: Enhances accountability and transparency in climate policy implementation, improving public trust in governance. Neutral: No direct labor effects. Likely adverse (covered by existing systems): Increased reporting obligations for line ministries and local agencies. These impacts are managed through existing public administration reporting systems and digital transformation programs.
2.2 To increase Türkiye's proportion of electricity sourced from renewable resources, the Grand National Assembly has enacted the 2025 amendments to the Electricity Market Law (No. 6446) and the Renewable Energy Law (No. 5346), as published and evidenced in the Official Gazette No.32965, dated July 24, 2025.	Positive: Accelerates renewable energy deployment (wind and solar), reducing fossil fuel dependence and lowering long-term emissions intensity of the power sector. Neutral: Infrastructure permitting reform itself has no immediate footprint; impacts arise from downstream projects subject to the EIA Regulation. Likely adverse (covered by existing systems): Land-use change, biodiversity impacts, and visual impacts from	Positive: Job creation in construction, operations and maintenance (O&M) of renewable plants, and supply chains; strengthens energy security and reduces exposure to imported fuel price volatility. Neutral: No immediate social displacement at policy stage. Likely adverse (covered by existing systems): Potential local land acquisition disputes and livelihood impacts in rural areas. These risks are managed through Expropriation

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	renewable installations. These risks are managed through EIA Regulation, Nature Conservation Law No. 2873, and Forestry Law permitting requirements.	Law No. 2942, EIA public consultation requirements, and local administrative grievance mechanisms.
2.3 To align Türkiye's aviation sector with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) framework, and accelerate sustainable aviation fuel adoption, the Borrower, (i) through the Ministry of Transport and Infrastructure (MOTI), has issued the Sustainable Aviation Fuel Directive (SHT-SAF), as evidenced by its publication on the Directorate General of Civil Aviation (SHGM) official website on June 26, 2025; and (ii) through the DOCC has issued the Procedures and Principles for the Authorization of Carbon Credits under CORSIA, as evidenced by the publication on its official website on July 2, 2026, to authorize Türkiye-origin credits as eligible for CORSIA compliance.	Positive: Reduces aviation lifecycle emissions through the mandatory per-liter lifecycle emission-reduction requirement, supporting decarbonization. Neutral: Regulatory measure with no physical footprint. Likely adverse (covered by existing systems): Increased fuel production pressures (e.g., biofuel feedstocks demand) potentially affecting land-use indirectly. These risks are managed through agricultural land-use regulation, EIA requirements, and EU-aligned sustainability criteria for biofuels.	Positive: Creates new green industrial value chain in aviation fuels and refinery adaptation; strengthens Türkiye's competitiveness as an international aviation hub. Neutral: No direct employment displacement at the regulatory stage. Likely adverse (covered by existing systems): Potential increase in ticket prices due to higher SAF costs. This risk is managed through aviation regulatory oversight by the Directorate General of Civil Aviation and gradual phase-in under CORSIA rules.
3.1 To operationalize local climate governance under the Climate Law and equip provinces with the evidence base for climate-resilient planning, the Borrower has issued the Regulation on Local Climate Change Action Plans and Provincial Climate Change Coordination Boards, which entered into force upon publication in Official Gazette No. 33330, dated August 4, 2026. Serving as a scientific basis for provincial climate planning, NUTS-1 level climate risk assessment and projections, covering all statistical regions, were completed on July 3, 2026. The CCASAP digital monitoring system tracking sectoral adaptation action through the national Climate	Positive: Improves local climate adaptation planning and resilience through coordinated adaptation strategies. Improves the integration of climate risk information into development planning, reducing exposure to floods, heat stress, and drought through evidence-based territorial planning. Neutral: Data publication and regulatory framework only. Likely adverse (covered by existing systems): Risk of differences in the provincial implementation capacity. This risk is managed through the AFAD disaster risk governance framework and the Ministry of Environment and Urbanization's oversight.	Positive: Strengthens local resilience, improves disaster preparedness, and reduces vulnerability of low-income communities to climate shocks. Neutral: No immediate distributional change. Likely adverse (covered by existing systems): Increased administrative burden for municipalities. This impact is managed through Law No. 5216 Metropolitan Municipalities framework and central fiscal transfers.

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Portal has been operational since December 2025.		
3.2 To strengthen the integrity and expand the capacity of Türkiye's land-based carbon sinks in support of its 2053 net-zero pathway, the Grand National Assembly enacted Law No. 7584, entitled "the Law on Amendments to the Soil Conservation and Land Use Law and Certain Other Laws", as published and evidenced in the Official Gazette No. 33286, dated June 20, 2026.	Positive: Expands national carbon sink capacity beyond forests, improving ecosystem restoration, soil health, and biodiversity conservation. Neutral: Regulatory framework only. Likely adverse (covered by existing systems): Potential overlaps between agricultural activities and conservation areas. This risk is managed through Agricultural Law No. 5488, Environmental Law No. 2872, and protected area designation frameworks.	Positive: Supports rural income diversification through carbon farming and ecosystem service payments. Neutral: No immediate labor displacement. Likely adverse (covered by existing systems): Restrictions on agricultural land use in designated carbon sink areas may affect farmers. This risk is managed through the Ministry of Agriculture's rural support schemes and compensation mechanisms under existing agricultural subsidy systems.
3.3 To strengthen the resilience and efficiency of water resources under a drying climate, the Borrower has established a three-part water-governance framework, comprising: (1) the National Water Plan 2026–2035, enacted by Presidential Decree (Presidential Decision No. 11063), and published in the Official Gazette on March 14, 2026; (2) River Basin Management Plans for priority basins as evidenced by their publication in Ministry of Agriculture and Forestry's (MOAF) 2025 Annual Administrative Activity Report; and (3) the Procedures and Principles on Xeriscape Landscaping Applications, approved by Presidential Decision No. 10502, published in Official Gazette No. 33051, dated October 18, 2025, and correction published on October 21, 2025.	Positive: Improves water efficiency, reduces drought risk, and strengthens basin-level ecosystem restoration and hydrological resilience. Neutral: Planning instrument with no direct footprint. Likely adverse (covered by existing systems): Potential conflicts over water allocation among agriculture, industry, and domestic users. These risks are managed through the State Hydraulic Works (DSI) allocation system and national Water Law governance structures.	Positive: Enhances water security for households and agriculture and reduces drought-related livelihood losses. Neutral: No direct labor displacement. Likely adverse (covered by existing systems): Adjustment pressure on farmers due to water-use restrictions and incentives. The risk is managed through agricultural subsidy reforms and Water Use Efficiency Programs under the Ministry of Agriculture.
3.4 To institutionalize climate change as a systematic public health governance priority, the Borrower, through its Ministry of Health, has established: (i) the Climate Change and Health Impacts Unit as evidenced by the approval letter referenced E-19020089-020-287921825 and dated September 11, 2025,	Positive: Reduces climate-related health risks (including heat stress and vector-borne diseases) and strengthens adaptive capacity of health system infrastructure. Neutral: Institutional reform only.	Positive: Improves public health outcomes, reduces mortality from heatwaves and climate-sensitive diseases, and strengthens health equity across vulnerable populations. Neutral: No direct employment effects.

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from the Ministry of Health; and (ii) the Climate Change and Health Scientific Advisory Board as evidenced by the approval letter referenced E-19020089-129-294086840 and dated December 3, 2025, from the Ministry of Health.	Likely adverse (covered by existing systems): Increased healthcare system workload due to enhanced monitoring requirements. This impact is managed through the MOH's public health governance frameworks and national health information systems.	Likely adverse (covered by existing systems): Increased reporting and training obligations for provincial health units. These impacts are managed through existing national health-workforce training systems and emergency-preparedness protocols.