

Draft Regulation on the Turkish Green Taxonomy

A. Introduction

The European Green Deal (“the **Deal**”), published by the European Union (“**EU**”), is a growth strategy aiming to make Europe the first climate-neutral continent by 2050. In this context, the EU has established a classification system called the “EU Taxonomy” to help identify environmentally sustainable economic activities and to direct investments toward sustainable activities. In the EU Taxonomy, environmentally sustainable economic activities are defined as activities that *“contribute substantially to at least one of the EU’s climate and environmental objectives, do not significantly harm any of these objectives, and meet minimum safeguards.”*

To facilitate the transition to a low-carbon economy and align with the EU Taxonomy, Türkiye published the Green Deal Action Plan in 2021. This plan aims to implement environmental sustainability and green economy transition policies in Türkiye. Accordingly, the Ministry of Environment, Urbanization and Climate Change (“the **Ministry**”) has prepared the Draft Turkish Green Taxonomy Regulation (“**Draft Regulation**”) to ensure the promotion of economic activities in line with sustainable development goals, to prevent greenwashing practices in the market, and to encourage environmentally compatible investments.

The Draft Regulation has been published on the official website of the Climate Change Presidency (“the **Presidency**”) for public consultation. The Draft Regulation and related consultation forms can be [here](#).

B. Compatible Economic Activities

The Draft Regulation sets out the criteria for an economic activity to be qualified as an economic activity aligned with sustainable development goals, in accordance with the EU Taxonomy. It

requires the simultaneous fulfillment of the following criteria:

- Making a substantial contribution to at least one of the environmental objectives specified in the Draft Regulation,
- Not causing significant harm to any other environmental objective,
- Complying with safeguards aimed at ensuring that social and economic rights are not violated,
- Meeting the technical screening criteria specified in the Draft Regulation.

C. Substantial Contribution to Environmental Objectives

Within the scope of the Draft Regulation, in order for an economic activity to be considered as an aligned economic activity, it must contribute substantially to **at least one** of the following environmental objectives: reduction of greenhouse gas emissions, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, conservation and restoration of biodiversity and ecosystems:

i) Reduction of Greenhouse Gas Emissions: An economic activity’s use of innovative technologies with high saving potential, production, use, storage, or transmission of renewable energy, increase of energy efficiency, support of clean or zero-emission transportation, transition to the use of sustainable materials, and increase in the use of technologies that ensure net reduction in greenhouse gas emissions,

ii) Adaptation to Climate Change: An economic activity should incorporate adaptation solutions that significantly reduce the adverse impacts of current and expected future climate

conditions on economic activities. In addition, it should prevent or reduce the risk of adverse climate-related effects on people, nature, or assets.

iii) Sustainable Use and Protection of Water and Marine Resources: An economic activity should protect the environment from the adverse impacts of urban and industrial wastewater discharges, safeguard human health by ensuring access to clean drinking water, preserve, improve, and prevent the pollution of surface and groundwater resources, including coastal and transitional waters, as well as marine waters; promote water reuse and the sustainable use of existing water resources; and ensure the sustainable use of marine ecosystem services.

iv) Transition to Circular Economy: Transition to a production and consumption model that aims to extend the life cycle of products by keeping existing materials or products in use for as long as possible through sharing, renting, reusing, repairing, and recycling,

v) Prevention and Control of Pollution: Prevention or reduction of polluting emissions released into air, water, or soil by an economic activity, improvement of air, water, or soil quality at the place where the activity occurs to minimize negative effects on human health and the environment, or prevention or minimization of harmful effects of the production, use, or disposal of chemicals on human health and the environment,

vi) Conservation and Restoration of Biodiversity and Ecosystems: An economic activity shall be deemed to make a substantial contribution to the relevant environmental objectives if it protects species and ecosystems or prevents the degradation thereof, applies sustainable land use and management practices, supports good agricultural practices, or employs sustainable forest management.

D. Not Causing Significant Harm to Environmental Goal

An economic activity shall not significantly harm environmental objectives. In this context, taking into account the products generated and the services provided, an activity is considered to cause significant harm where it results in greenhouse gas emissions exceeding the level required under the emission reduction criterion, increases the adverse effects of climate conditions on people, nature, or assets, damages the environmental quality standards of water bodies or marine waters, or undermines the circular economy.

E. Technical Screening Criteria

Within the scope of the Draft Regulation, technical screening criteria are determined for both the substantial contribution to environmental objectives and the do-no-significant-harm criteria. Technical screening criteria are benchmarks to assess whether an economic activity is environmentally sustainable. These criteria are developed by identifying the most appropriate potential contributions to environmental objectives and the minimum requirements necessary to avoid harm to environmental objectives, taking into account the short- and long-term impacts of economic activities.

The Presidency is responsible for determining, developing, and updating aligned economic activities and technical screening criteria. In case of any update, the revised criteria are published on the Presidency's official website by 31 December each year.

F. Calculation of Alignment Ratio and Reporting

Within the scope of the Taxonomy, enterprises required to report on compliant economic activities shall calculate, on an annual basis, the ratio of revenues derived from compliant economic activities to total turnover, as well as the ratio of operating and capital expenditures related to such activities to total operating and

capital expenditures. These data shall be entered into the Online Taxonomy Management System (e-taksonomi). Upon entry of the data into the system, the compliance ratio shall be determined automatically.

Institutions that are required to prepare a sustainability report under the Turkish Sustainability Reporting Standards (“TSRS”) are also obliged to record in the e-taksonomi system information regarding the economic activities they carried out in the previous year within the scope of the Draft Regulation. Together with the Sustainability Report, companies must also declare information concerning their alignment ratio. Institutions and organizations not required to prepare a Sustainability Report under TSRS may voluntarily record information regarding the

economic activities they carried out in the previous year into the e-taksonomi system.

The verification and validation of taxonomy reports shall mandatorily be carried out by entities accredited by the Turkish Accreditation Agency.

G. Transition Period

Within the scope of the Draft Regulation, institutions and organizations that are obliged to carry out alignment reporting may, until 31 December 2026, voluntarily declare the eligible economic activities they conducted in the previous year together with their annual Sustainability Report. As of 1 January 2027, failure to submit such reports shall result in the imposition of administrative fines in accordance with the relevant provisions of the Environmental Law No. 2872.



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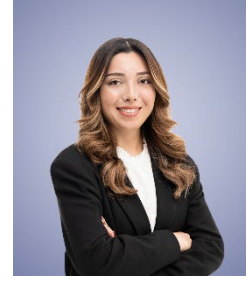
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