



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 02/11/2023 | Report No: ESRSC03195



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Türkiye	EUROPE AND CENTRAL ASIA	P180248	
Project Name	Türkiye PMI Carbon Market Development Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing		3/15/2023
Borrower(s)	Implementing Agency(ies)		
Ministry of Treasury and Finance	Climate Change Office, Ministry of Environment, Urbanization and Climate Change		

Proposed Development Objective

The PDO is to support the Government of Türkiye in development and implementation of carbon pricing mechanisms and to enhance expertise and capacity for carbon market implementation.

Financing (in USD Million)	Amount
Total Project Cost	5.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The main objective of the project will be to support the Government of Türkiye in developing and launching carbon pricing instruments and capacity building for Article 6 mechanisms. The project will include four core groups of activities: (i) Assessment of carbon pricing in the country’s policy mix, (ii) Capacity building and supporting activities for carbon pricing, (iii) Design and implementation of carbon pricing instrument(s), (iv) Cross-cutting activities such as preparation of communication strategy and just transition strategy.



The PMI project is in line with the World Bank’s FY18-FY21 Country Partnership Framework (CPF) for Türkiye which was initially designed to cover the FY18–21 period but has been updated and extended to include FY22–23 through the Performance and Learning Review (PLR). The PMI project directly supports Objective 9 of the extended CPF which is “climate action”.

Activity 1. Carbon Pricing in Country's Development Policy Mix (includes identification of interactions between carbon pricing alternatives and existing legislation, policies and institutions, recommendations for carbon pricing policies to be integrated into country's development policy framework,

Activity 2. Political commitment, capacity building and supporting structures for Carbon Pricing (includes support for decision-making process regarding carbon pricing instrument (CPI) by developing a work program for design and implementation phases, development of a roadmap and timeline for CPI implementation including roles and responsibilities of institutions) through a consultative process,

Activity 3.1 National Emission Trading System (ETS) (includes review of existing legislation and PMR Projects' outputs, outlining design options for the ETS, development of emissions intensity benchmarks for all ETS sectors, preparation of draft ETS Legislation, modelling of economic impacts of the ETS, supporting the registry development, implementation of ETS Pilot, preparation for the implementation of ETS Phase I)

Activity 3.2 Carbon Tax (includes assessment of expanding carbon pricing to include a carbon tax mechanism, support for preparation of draft legislation for carbon tax),

Activity 3.3 Domestic Crediting Mechanism (includes design of a domestic crediting mechanism, development of draft primary and secondary legislation, standards & methodologies for selected sectors, implementation of crediting mechanism, including guidance documents),

Activity 4. Cross-Cutting Activities (includes development of a Communication Strategy for carbon pricing including a publicity and visibility program for PMI components, development of potential roadmaps for Türkiye on Article 6 mechanisms considering updated policies and information, development of a Just Transition Strategy and Action Plan for carbon pricing instruments).

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Türkiye has made ambitious climate change commitments. It ratified the Paris Agreement in October 2021 and committed to net zero emissions by 2053. It plans to implement an emissions trading system (ETS) in 2024 covering 50% of economy-wide GHG emissions. It plans to finalize an adaptation strategy and a long-term decarbonization strategy in 2023. In this context, Türkiye has taken steps to strengthen its institutional arrangements. Türkiye established a National Climate Council and a new Climate Change Office (CCO) under the Ministry of Environment, Urbanization and Climate Change (MoEUCC). The CCO is responsible for developing mitigation and adaptation strategy, developing and implementing climate policy, administering the ETS, monitoring and reporting GHG emissions, and international climate negotiations. The Climate Change Office is expanding rapidly to meet the growing and urgent requirements of the climate agenda. Many staff do not have experience in climate change and many of the systems the CCO will need to administer and monitor policies (such as compliance systems) are yet to be developed. In this context, the project will provide critical support for enhancing the capacity of Turkish institutions to scale up the country’s climate action to achieve the net zero goals. The project components are mostly composed of developing and launching carbon pricing instruments and capacity building for Article 6 mechanisms, assessment of



policies, and preparation of strategies. Thus, direct adverse environmental and social impacts and risks will be limited to desktop activities.

D. 2. Borrower's Institutional Capacity

The proposed institutional arrangements are based on the previous Partnership for Market Readiness (PMR) project implementation in Türkiye, its organizational structure, institutional arrangements, and lessons learned. Existing inter-ministerial coordination processes and structures will be utilized, where appropriate, and/or new ad-hoc or permanent arrangements will be established, such as high-level ETS coordination panels/councils, technical task forces (e.g., benchmarking sectoral task forces, domestic crediting mechanism task force, registry task force, etc.). Decision-making processes will lie with the Government of Türkiye, as supported by the World Bank and the PIU activities. The recently established Climate Change Office (CCO) will play a key role in coordination and decision-making processes.

The Climate Change Office (CCO), under the auspices of the Ministry of Environment, Urbanization and Climate Change (MoEUCC) will be the implementing agency for the project. Besides a Project Steering Committee (PSC), composed of a cross-section of stakeholders with mandate, technical interest in and knowledge of climate change, including relevant Government Ministries, Departments and Agencies, private sector bodies, academia, and civil society, will be established to provide overall leadership, strategic guidance and oversight to the implementation of Project. These approaches proved useful in PMR and PMR2 projects since 2014 and PMR Türkiye project functioned as a platform for carbon pricing and climate policy making. The details of implementation will be further assessed and detailed during preparation. The CCO (former Climate Change Department under the MoEUCC) has experience working with the World Bank on TA through the PMR-I and PMR-II projects since 2013. The World Bank has several projects ongoing with the MoEUCC including Climate and Disaster Resilient Cities (173025), Seismic Resilience and Energy Efficiency in Public Buildings (P175894), and Energy Efficiency in Public Buildings (P162762). The first project is not effective yet, while the environmental and social performance of the other two projects is Satisfactory. The Public and Municipal Buildings Renewable Energy Project (P179867) is also under preparation with MoEUCC.

The CCO, among others, is responsible for determining plans, policies and strategies on climate change, monitoring, controlling and reporting on greenhouse gas emissions, leading the international negotiation processes and related reporting requirements, carrying out studies to determine the adaptation needs to climate change nationally, locally and sectoral, implementing market-based mechanisms, primarily the emission trading system, carrying out research about technologies and innovative solutions to climate change, and conducting training, capacity building and awareness-raising activities to raise public awareness in the field of climate change.

In the scope of the project, CCO will establish a Project Implementation Unit (PIU) to manage project activities and be responsible for administrative support to project activities. The PIU will ensure compliance with World Bank environmental and social requirements and liaise with the World Bank and monitor and report on progress. The PIU will also oversee the coordination and monitoring of the environmental and social management of the project. The PIU will assign/hire one environmental focal point and one social focal point. The Environmental and Social (E&S) focal points will be trained on the Environmental and Social Framework (ESF), and the Environmental and Social Commitment Plan (ESCP) will require CCO to maintain the required E&S staff throughout project implementation.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS



A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

The environmental risk rating is assessed as Low. The project overall environmental impact will be positive as the project will support capacity enhancement activities for the CCO in developing and launching carbon pricing instruments and capacity building for Article 6 mechanisms. Activities that may cause significant pollution or adverse impacts on cultural heritage and biodiversity will not be supported by the project.

Social Risk Rating

Low

Social risk is classified as low as the project will support mainly PMIF instrument development and capacity-building activities. The social impacts and risks of the project will be associated with labor and working conditions. Indirect social impacts may be related to the transition from fossil fuels which the country's economy mostly depends on, and which could exacerbate the ongoing challenges of the country in employment. The project is not expected to have any significant impacts on vulnerable groups. There will be no activities that would require new land use or land acquisition or that may affect the livelihoods. The sexual exploitation and abuse (SEA) and sexual harassment (SH) risks are assessed as low at this stage. The national law and legislation on SEA/SH are in place and it includes robust measures for addressing SEA/SH risks, including Codes of Conduct for employees and contractors. The risk of forced and or child labor is not expected.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant. The project is expected to have an overall positive impact on climate change and people. Due to the type of activities planned, and the potential for downstream impacts from policies and mechanisms to be developed such as capacity building, systems strengthening, support for regulatory and other technical assistance activities are expected to be low. The project will not involve any civil works, and no significant or irreversible risks or impacts are expected. Potential direct environmental and social risks and impacts on human populations and/or the environment related to the project activities are anticipated to be minimal or negligible. The environmental and social impacts are expected to be mostly positive as the project will support studies related to the use of technologies that will result in reduced air and greenhouse gas emissions and increased energy efficiency.

Although the project activities are not expected to create direct impacts, there may be indirect impacts considering the Turkish economy's strong dependence on fossil fuels, especially for industry, paired with high inflation, poverty, a large population of refugees, and a low labor force participation rate, the socio-economic impacts and costs of a CPI could be significant in some sectors and exacerbate the already existing challenges in Türkiye's labor market. Therefore, the socioeconomic impacts of ETS to ensure a just transition will be analyzed as part of the project activities. A socioeconomic assessment will be carried out in conjunction with the study proposed under activity 4.A 'Economic modeling of impacts of ETS' by adding variables and indicators estimating the social impacts and looking at the vulnerable groups identified. The impacts of ETS are going to be analyzed at all levels of society, including national jurisdictions, regions, companies, workers, and households.



The project activities will be limited to analytical studies which will not require any new land use or land acquisition. Labor risk is low as the activities will be carried out by civil servants, and technical consultants who will be hired following Bank procurement procedures. Community health and safety risks are not expected as there will be no civil works, and any potential measurements would take place within a limited space, which would have emergency procedures in place.

This project would not involve preparation for a concrete investment in the climate change sector which could have potential social and environmental risks and impacts. However, the advice provided by this TA may have environmental and social implications for future Government of Türkiye investments in the climate change sector. In line with OESRC Advisory Note - Technical Assistance and the Environmental and Social Framework (May 21, 2019), the project will integrate environmental and social concerns into ToRs, studies and any other analytical products, that will ensure that the planning process includes adequate assessment of environmental and social implications and that the advice provided through this TA for addressing those implications is consistent with the ESS 1 - 10. ToRs for studies will integrate environmental and social requirements of ESF, as well as the World Bank Group (WBG) Environmental Health and Safety Guidelines (EHSG).

For disclosure of information and consultation of the project activities with the relevant stakeholders, CCO will prepare a SEP prior to project appraisal. The SEP will identify direct and indirect stakeholders and also other interested parties relevant to the project activities, as well as modalities for the engagement process.

The CCO will prepare an Environmental and Social Commitment Plan (ESCP). The ESCP will set out the activities to be carried out during project implementation and could be updated during the project if and when needed during the project implementation.

Areas where “Use of Borrower Framework” is being considered:

None at this stage.

ESS10 Stakeholder Engagement and Information Disclosure

The CCO will prepare a SEP which will outline general principles and a collaborative strategy to identify stakeholders and plan for an engagement process in accordance with ESS10. The SEP preparation process will identify direct and indirect stakeholders including any vulnerable and disadvantaged groups within the scope of the project activities during the project preparation phase. Carbon Pricing Instruments (CPIs) provide an incentive to decarbonize energy-intensive industries and to switch from fossil fuels to cleaner fuels. But not only fossil fuel and coal-dependent regions of Türkiye will be impacted, but also all the different sectors subject to a carbon price, either directly or indirectly. The potential stakeholders of the project are expected to be the relevant Ministries/Ministerial Boards (e.g. Capital Markets Board), sectoral and business associations, trade unions, relevant ETS institutions and market actors, specific regions dependent on fossil fuels, private sector bodies (companies with a direct and indirect carbon price and its workers), local authorities, academia, and civil societies with a technical interest in and knowledge of climate change including NGOs and research organizations. The proposed activities under the project have already been developed based on consultations with a broad range of stakeholders. Stakeholder engagement will be a key component of the project which will focus on securing preparedness and raising support for the ETS among stakeholders which is planned to be achieved through training, seminars, workshops, and conferences. The project design includes the development of a communication strategy and capacity building for relevant stakeholders on key topics which will start with the mapping of all relevant stakeholders.

The SEP will present modalities of engagement that are tailored to the needs and characteristics of each stakeholder group. The CCO will ensure that all consultations are inclusive and accessible (both in format and location) and



through channels that are suitable in the local context. The SEP will be disclosed to the public but continue to be updated throughout the implementation phase as needed. The SEP will be prepared and disclosed prior to the appraisal. If major changes are made to the SEP, a revised SEP will be prepared and publicly disclosed. The SEP will include Grievance Mechanism (GM) procedures to address project-related grievances and suggestions. The Government of Türkiye has a centralized feedback mechanism CIMER (Alo 150) which is accessible to all citizens and allows people to ask for information, ask for requests, make suggestions, and convey their complaints and/or compliments. CIMER then channels these concerns to relevant responsible ministries and agencies. Experience with previous WB funded projects indicated that citizens use this feedback mechanism to raise a wide range of concerns. The CCO and MoEUCC currently has a webpage with a specific section on “Information Requests” which is linked to CIMER. MoEUCC has also its own grievance webpage allowing information requests and grievances (Alo181). The SEP will also describe the workers' GM. Community involvement will be sought through timely consultations and GM will be utilized to resolve concerns as they arise. Both consultations and GM will consider the different needs and concerns of any vulnerable groups that maybe impacted by the project.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

It is expected that project workers will include direct workers (PIU staff and consultants engaged by PIU). The CCO employees who will be assigned to PIU are civil servants. Civil servants involved in project operations, regardless of whether they work full time or part time, will continue to work under terms and conditions of their existing contracts or appointments in the public sector. ESS2 provisions on occupational health and safety (OHS), and prohibition of child and forced labor shall apply to civil servants engaged in the project. It is expected that contracted workers will be employees of technical consulting firms who will carry out studies and activities. Community workers will not be engaged in the project, and it is understood that, at this concept stage that the category of primary supply workers will also not be relevant in this project.

Turkish Labor Code (No. 4857) is to large extent consistent with the ESS 2. Türkiye ratified all the four Core ILO Conventions and OHS ILO Conventions. The main gap with ESS2 is related to the requirement for the grievance mechanism for workers. While the national legislation provides for Labor Courts to raise labor rights concerns, the Labor Code does not include specific requirements for workplace grievance mechanism. Law on OHS (No. 6331) governs workplace environments and industries (both public and private) and all categories of employees including part-time workers, interns, and apprentices. The legislation is comprehensive and is generally applicable across all sectors and many industries.

It is proposed that labor issues be addressed through the Borrower’s commitment in the ESCP and the SEP as follows: (1) the ESCP will include, inter alia, the commitment of the Grant Recipient to strictly follow the Bank’s guideline on the employment of workers providing consulting and non-consulting services; and (2) requires the Recipient to include in the ToRs and contracts for consultants measures to ensure compliance with the ESS2, satisfactory to the Bank; in addition, (3) the SEP will include grievance mechanisms that the project workers can use if they feel their contractual rights are not respected.

ESS3 Resource Efficiency and Pollution Prevention and Management



The standard is relevant as there are positive environmental impacts due to the nature of carbon pricing activities. However, the project components will not include risks and impacts associated with pollution generation.

ESS4 Community Health and Safety

This standard is not relevant. The project components will not include risks and impacts associated with community health and safety, there will be no construction/renovation/refurbishing works, no security forces are expected to be utilized for project activities and the project activities do not involve physical interactions with local communities. However, a Grievance Mechanism (GM) will also be developed for the community to file complaints and receive answers to any questions they have about the project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. The components of the project will not include risks and impacts associated with land acquisition, restrictions of land use and involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant as the Project is not making interventions in natural habitats.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant as there are no indigenous groups in Türkiye who meet the definition of this standard.

ESS8 Cultural Heritage

This standard is not relevant. The components of the project will not include risks and impacts associated with cultural heritage.

ESS9 Financial Intermediaries

This standard is not relevant because the project does not envision the involvement of financial intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Public Disclosure



A. Is a common approach being considered?

No

Financing Partners

Not applicable

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Prior to Appraisal, the Implementing Agency will prepare, to a level acceptable to the World Bank, consult upon, and disclose the following documents:

Prepare and disclose ESCP.

Prepare and disclose draft SEP with project-level grievance mechanism.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

Continuous implementation of SEP.

Develop and maintain the project’s Grievance Mechanism (GM) and the workers' GM throughout the life of the Project.

Comply with WB Procurement Guidelines when hiring consultants.

Ensure all ToRs to be prepared within the scope of the Project are in compliance with the ESF requirements.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

31-Jan-2023

IV. CONTACT POINTS

World Bank

Contact: Ayse Yasemin Orucu Title: Senior Energy Specialist

Telephone No: 5242+8355 / 90-312-459-8355 Email: ayorucu@worldbank.org

Contact: Daniel James Besley Title: Senior Climate Change Specialist

Telephone No: 5242+8372 / 90-312-4598372 Email: dbesley@worldbank.org

Borrower/Client/Recipient

Borrower: Ministry of Treasury and Finance

Implementing Agency(ies)

Implementing Agency: Climate Change Office, Ministry of Environment, Urbanization and Climate Change

V. FOR MORE INFORMATION CONTACT

Public Disclosure



The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s):	Ayse Yasemin Orucu, Daniel James Besley
Practice Manager (ENR/Social)	Andrea Liverani Recommended on 05-Jan-2023 at 13:44:21 EST