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Technical Assistance for Assessment of Türkiye's Potential on Transition to Circular Economy

EuropeAid/140562/IH/SER/TR

Green Taxonomy

Activity 3.2.3. Training of Trainers on Integrated Waste Management in Line with Circular Economy

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T.C. ÇEVRE, ŞEHİRCİLİK VE İKLİM DEĞİŞİKLİĞİ BAKANLIĞI

**İKLİM DEĞİŞİKLİĞİ
BAŞKANLIĞI**

CIRCULAR ECONOMY WORKSHOP GREEN TAXONOMY PRESENTATION

September 16-19, 2024



Introduction to Taxonomy

What is Taxonomy?

- Green taxonomies are classification systems that generally define which investments are environmentally sustainable and establish principles and technical criteria for this.
- Green taxonomies have two main purposes.
 - To serve as a classification and transparency tool for investors to make green investments,
 - Reducing the risk of green washing in the markets.
- Taxonomies may set criteria for economic activities, categories of projects or financial instruments.




Taxonomies in Countries



Taxonomy examples:

- Taxonomy of the European Union,
- National taxonomy of Indonesia,
- Taxonomy of South Africa

 Countries for which taxonomy preparation is in progress

 Countries with taxonomy





Why do we need taxonomies?

- Climate change becoming the focus of the international community,
- That investments do not harm the environment,
- Increase in globally sensitive investments in Environmental, Social and Governance (ESG) areas¹
- Managing risks that may affect the activities of companies and financial market players (physical/credibility/policy (transition) risks),
- Responding to the demands of investors and consumers who are sensitive to environmental or social issues,
- Expanding the investor base,
- Attracting investors to the country,
- Reducing the risk of green washing,
- Facilitating access to finance,

These issues have revealed the need for scientific and objective criteria and definitions on which investments are sustainable.

¹ Morningstar, 2024.

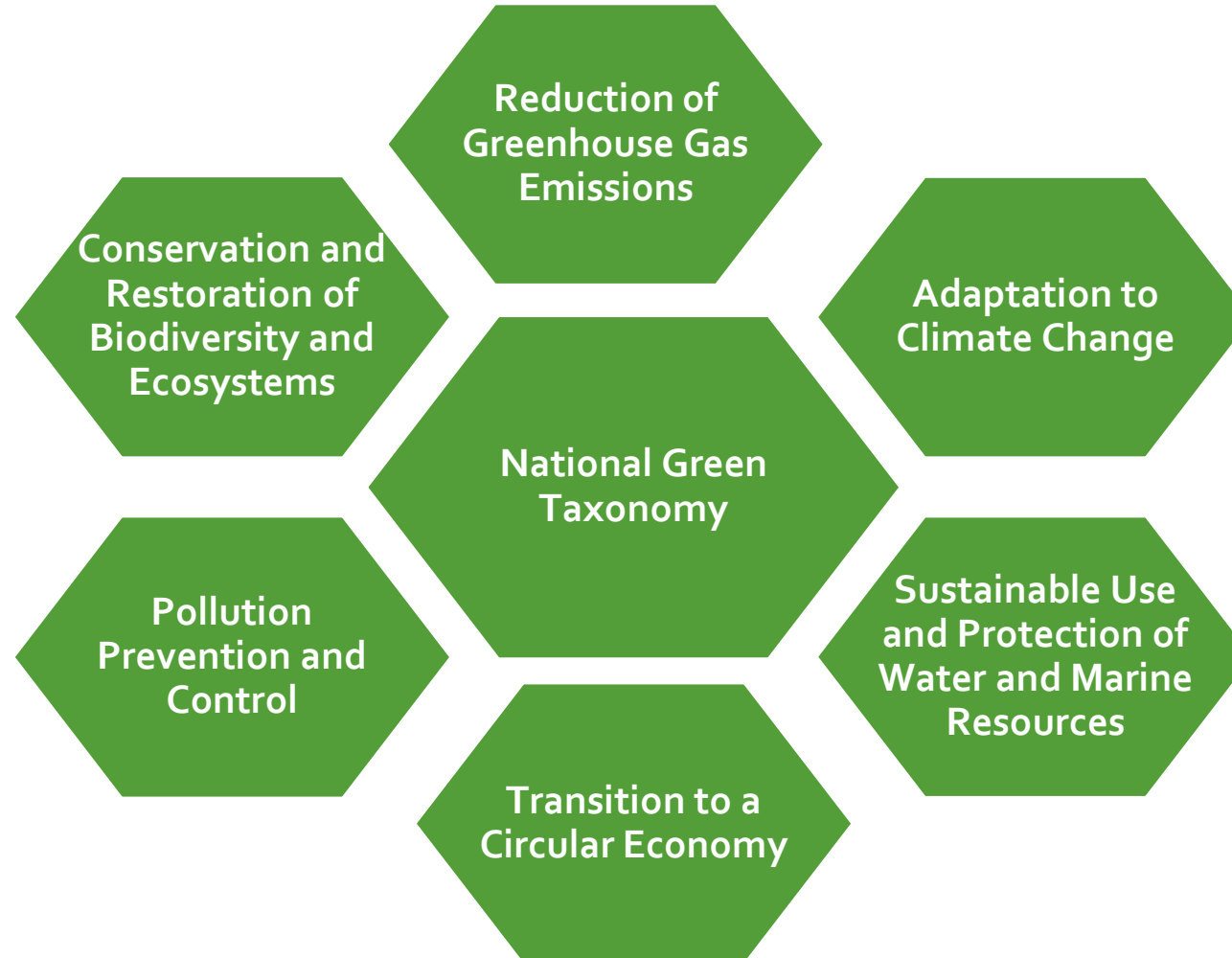



Global ESG assets in USD billion



National Green Taxonomy: Key Features


6 Goals




Technique
Screening
Criteria



National Green Taxonomy: Key Features

4 CONDITIONS

Substantial Contribution to
One or More of the
Environmental Objectives
(substantial contribution)

No Harm to Other
Environmental Objectives
(do no significant harm)

**National Green
Taxonomy**

Minimum Security Measures
(minimum social safeguards)

Compliance with the Technical
Screening Criteria
(technical screening criteria)



Structure of the National Green Taxonomy Legislation - 1

National Green Taxonomy Regulation

Annex-1 Reduction of Greenhouse Gas Emissions	Annex-2 Adaptation to Climate Change	Annex-3 Sustainable Use and Protection of Water and Marine Resources	Annex-4 Transition to a Circular Economy	Annex-5 Pollution Prevention and Control	Annex 6 Conservation and Restoration of Biodiversity and Ecosystems
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Structure of the National Green Taxonomy Legislation

6
Environmental
Goals

144 Economic Activities

Criteria for Substantial
Contribution

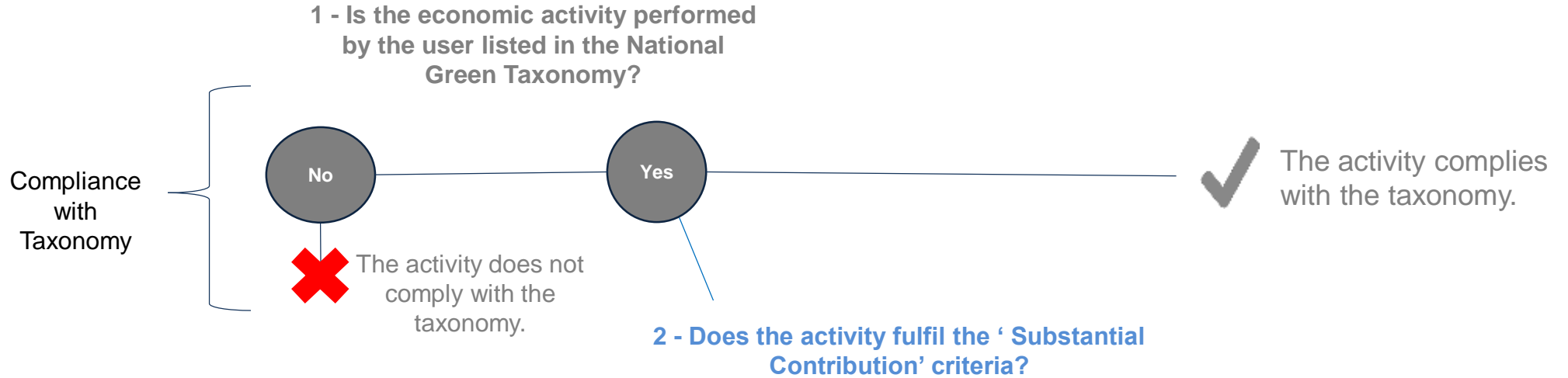
No Significant Harm Criteria



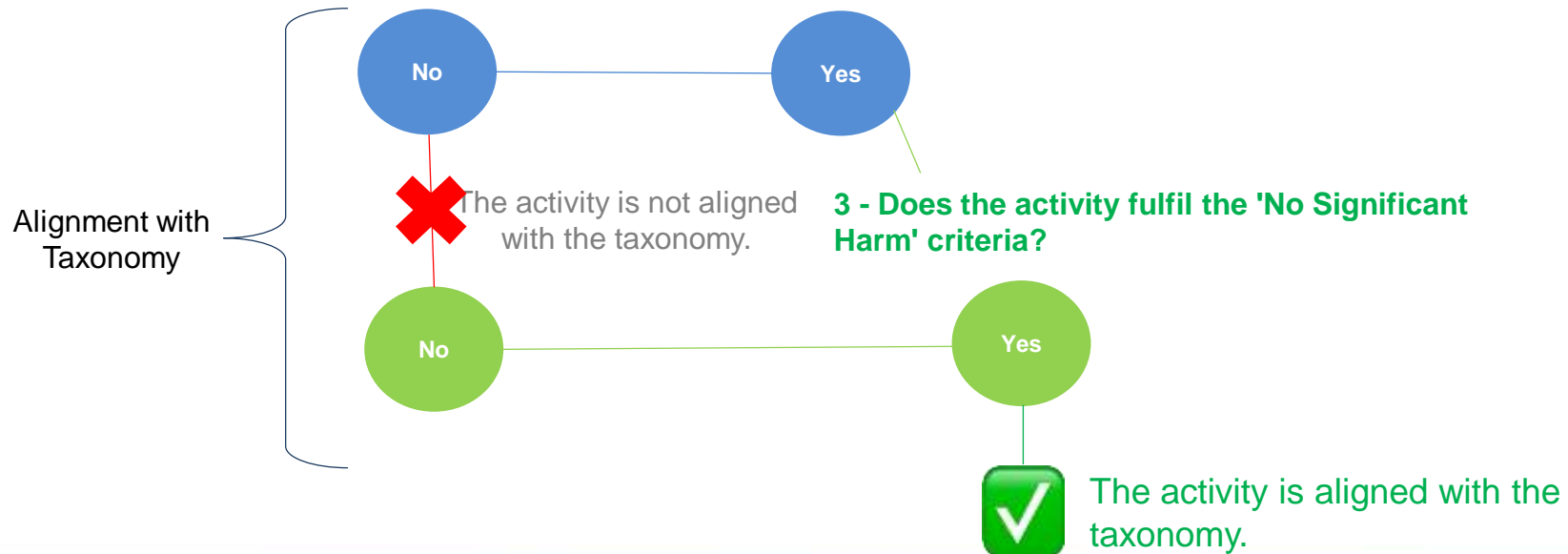


National Green Taxonomy Declarations: *Eligible*) and *Aligned* Economic Activity

1st STAGE



2nd STAGE





EU Taxonomy Process



- EU Taxonomy Process:
 - 2018 - 2020: A Technical Expert Group (TEG) on sustainable finance was established.
 - 12 July 2020: The Taxonomy Regulation entered into force.
 - 9 December 2021: Technical Screening Criteria on sustainable activities for Mitigation and Adaptation targets were published.
 - 27 June 2023: Technical Screening Criteria were published for the other 4 goals.
 - 1 January 2024: Technical Screening Criteria for Mitigation and Adaptation were updated.
- Taxonomy reporting to EU legislation started in 2022 for large-scale companies.
- In the EU, taxonomy compliance verification/audit is left to the market.
- KOBİ'ler için 2026'da başlayacaktır.
- From 2028, non-EU companies with EU revenues of more than €150 million in the last two years will be required to report on taxonomy.



Taxonomy Sample Summary Activity and Criteria

Environmental Goal	Reduction of Greenhouse Gas Emissions
Sector	Manufacturing
Economic Activity	Cement Manufacturing
Description of the Activity	The activity includes the manufacture of cement clinker, cement or alternative binders.
Criterion for Substantial Contribution	The activity must produce one of the following: (a) Grey cement clinker with GHG emissions of less than 0.722 tCO₂e per tonne of grey cement clinker ; (b) Cement derived from grey cement clinker or alternative hydraulic binder with GHG emissions of less than 0.469 tCO₂e per tonne of cement produced.





No Significant Harm Criteria

General "No Significant Harm" Criteria for Climate Change Adaptation

The physical climate risks prioritised for the activity have been identified through a robust climate risk and vulnerability assessment, with the following steps:

- (a) Screening of the activity to identify which physical climate risks may affect its performance over the expected lifetime of the economic activity;
- (b) A climate risk and vulnerability assessment to assess the materiality of physical climate risks to economic activity where it is assessed to be at risk from one or more of the physical climate risks;
- (c) Evaluation of adaptation solutions that can reduce the identified physical climate risk and making climate projections





No Significant Harm Criteria

General "No Significant Harm" Criteria for the Sustainable Use and Conservation of Water and Marine Resources

Risks of environmental degradation related to the protection of water quality and avoidance of water stress; Environmental Law No. 2872, Coastal Law No. 3621, Law No. 167 on Groundwater, Regulation on Environmental Management of Dredging Material, Regulation on Water Pollution Control, Regulation on the Taking, Operation and Control of Sand, Gravel and Similar Materials, Regulation on Urban Wastewater Treatment, Regulation on Environmental Management of Fish Farms Operating in the Seas, Regulation on Environmental Management of Shipyards, Boat Building and Boatyards, Regulation on the Protection of Wetlands.

According to the Environmental Impact Assessment Regulation, where an assessment of the impact on water is included, no further assessment of the impact on water is required, provided that the identified risks have been addressed.





No Significant Harm Criteria

"No Significant Harm" Criteria for Transition to Circular Economy

Not defined





No Significant Harm Criteria

General "No Significant Harm" Criteria for Pollution Prevention and Control

The facility carrying out the activity must be at least level C according to the emission levels associated with the best available techniques (BAT-IES) determined within the scope of the Regulation on the Management of Industrial Emissions for the production of cement, lime and magnesium oxide.

No significant cross-media effects should occur.

In cement production where hazardous wastes are used as alternative fuel, measures should be taken to ensure the safe transport of wastes within the framework of the European Agreement on the International Carriage of Dangerous Goods by Road.

Complies with these legislations: Regulation on Persistent Organic Pollutants, Regulation on Substances that Deplete the Ozone Layer, Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.





No Significant Harm Criteria

General "No Significant Harm" Criteria for the Conservation and Restoration of Biodiversity and Ecosystems

If an EIA has been carried out, the necessary mitigation and compensation measures for the protection of the environment shall be applied.

For sites/operations located in or near biodiversity sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Important Biodiversity Areas and other protected areas), an appropriate assessment has been carried out and necessary mitigation measures have been implemented according to the results.





National Green Taxonomy Users

SCOPE



Taxonomy Declaration and Reporting





Our Activities Related to National Green Taxonomy

Preparation of Green Taxonomy Reporting Guidelines in Türkiye and Identification of Potential Users and Beneficiaries Project:

- Identification and Analysis of Potential Users
- Examination of Examples of Green Taxonomy
- Analysis of Reporting and Declaration Standards

Taxonomy Framework Document was prepared.





Workshop Activities on National Green Taxonomy

Workshops were organised within the framework of taxonomy preparations.

Draft Regulation and technical screening criteria were prepared.

Sector meetings were organised between January and April.





Organized Taxonomy Sector Meetings



Date	Sector
15.01.2024	Cement
17.01.2024	Aluminium
12.02.2024	Iron and Steel
14.02.2024	Chemistry
19.02.2024	Geothermal and Waste Heat Utilisation
21.02.2024	Hydroelectric
28.02.2024	Production of Hydrogen and Low Carbon Technologies
04.03.2024	Manufacturing of Renewable Energy Technologies
06.03.2024	Battery and Storage
18.03.2024	Construction
20.03.2024	Railways, Low Carbon Airport Infrastructure, Transport, Waterborne Transport
25.03.2024	Drinking Water and Wastewater Treatment, Waste Collection, Transport and Disposal
28.03.2024	Nuclear Energy, Energy Production from Natural Gas
01.04.2024	Forestry, Agriculture and Wetlands, Carbon Capture and Technology
03.04.2024	Manufacturing Sector (Circular Economy) Hazardous and Non-Hazardous Waste, Service Sector (Circular Economy), Pharmaceutical Ingredients and Medical Products



Technical Screening Criteria: Harmonisation with the EU Taxonomy



- The EU Taxonomy is the most comprehensive and detailed taxonomy available (251 quantitative and 1138 qualitative criteria for 144 economic activities).
- According to 2022 data, 40.6% of our country's exports are made to the EU.
- CBAM payments will start in 2026.
- As of 2028, Turkish companies generating revenues from the EU will also face the EU Taxonomy Reporting obligation.
- The EU Taxonomy Technical Screening Criteria are considered difficult to comply with by some sectors according to the EU company and sector meetings.
- Criteria determined according to national conditions will provide advantages in terms of suitability and compatibility for our country.
- However, if the national technical screening criteria differ from those of the EU, investments in Türkiye by funds aligned with the EU taxonomy will be restricted.
- As of 2028, Turkish companies receiving revenues from the EU will have to report for both the EU Taxonomy and the National Green Taxonomy.



Scope of Taxonomy: Environmental Goals



- There are 6 environmental goals in the EU Taxonomy:
 - Mitigation
 - Adaptation
 - Sustainable Use and Protection of Water and Marine Resources
 - Transition to a Circular Economy
 - Pollution Prevention and Control
 - Conservation and Restoration of Biodiversity and Ecosystems
- In the EU legislation, the criteria for mitigation and adaptation goals are more comprehensive and published as a priority.
- The National Green Taxonomy can also be prepared with a climate priority. Or all targets can be prepared at the same time, so that the taxonomy is more comprehensive and holistic in terms of environmental objectives.
- Publishing 6 targets at the same time will increase harmonisation with the EU taxonomy, but may make it more difficult for national companies to comply with the taxonomy in terms of legislation and reporting obligations.





Determination of Sectors



- There are 144 different economic activities in the EU Taxonomy. The technical screening criteria of the activities are based on the relevant legislation. For example, the criterion of no significant harm to the Pollution Prevention and Control objective refers to the best available techniques for many production activities. However, national legislation on these criteria is still at the draft stage.
- In order to prepare the National Green Taxonomy to cover all activities as in the EU, the relevant legislative infrastructure needs to be finalised.
- Considering that the financial implementation process of the CBAM will start in 2026, it is considered that it would be beneficial to publish the taxonomy that will incentivise mitigation for the relevant sectors.
- In addition, it is assessed that it will be easy for the companies in our country to comply with the EU criteria determined especially for the activities related to renewable energy generation.



Thank You





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Thanks for your attention.



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