Global Sustainable Buildings Guide - Turkiye

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*This chapter was last reviewed in April 2024.*

# Green Certification

## Is there a nationally adopted and recognized form of certification for buildings? What is it and is it mandatory for all new buildings and refurbished buildings?

There are currently no mandatory certifications required for buildings, except for the energy identity certification mentioned under the "Energy performance certificates and minimum energy standards" section. However, there is a voluntary certification system named Yes-TR. Additionally, well-known international certifications, such as Leadership in Energy and Environmental Design (LEED), Building Research Establishment Environmental Assessment Methodology (BREEAM), and WELL Building Standard (WELL) are also widely recognized within the market.

YeS-TR is a local green building certification system developed by the Republic of Türkiye Ministry of Environment, Urbanization, and Climate Change ("**Ministry of Environment**"). It focuses on the certification of environmental sustainability levels in various types of buildings across different regions of Türkiye. YeS-TR evaluates and rates the sustainable features of buildings, considering factors like energy efficiency, resource conservation and overall environmental impact. This system offers a comprehensive framework for evaluating the sustainability of both new and existing structures, while also promoting eco-friendly practices within the Turkish construction sector.

The YeS-TR certificate is applicable to new and existing buildings, and can be sought for residential, office, educational, tourism, health and commercial properties in Türkiye.

# Energy Performance Certificates and Minimum Energy Standards

## Is there a mandatory form of energy performance certification? When does it apply and are there any prescribed minimum standards?

Pursuant to the Energy Efficiency Law No. 5627 published in the Official Gazette dated 2 May 2007 and numbered 26510 ("**Energy Efficiency Law**"), and the Building Energy Performance Regulation published in the Official Gazette dated 5 December 2008 and numbered 27075 ("**Energy Performance Regulation**"), buildings in Türkiye have been subject to an energy identity certificate ("**Energy Identity Certificate**") requirement since 2011. The Energy Identity Certificate must be issued for the entire building and is valid for 10 years, and should be renewed at the end of each 10-year period. The Energy Identity Certificate has the characteristics of an identity document and there are no prescribed minimum standards for the issuance of the Energy Identity Certificate.

According to the Energy Performance Regulation, the Energy Identity Certificate contains the following information:

General information on the building

Amount of energy used for heating, cooling and water procurement

Annual amount of the most used type of energy

Classification of energy use between A (best class) and G (worst class)

Amount of greenhouse gas and classification of greenhouse gas emissions between A and G

Amount of enlightenment energy consumption

Classification of energy and CO2 emissions

Proportion of renewable energy use of the building

There are exceptions to the requirement of obtaining the Energy Identity Certificate. Accordingly, certain buildings are exempt from this requirement, including the following:

Buildings used for industrial production

Buildings with a planned usage period of less than two years

Buildings with under 50 square meters in total area

Buildings not requiring heating or cooling (e.g., warehouses, storage facilities, stables and barns)

Buildings located outside municipal areas with a total construction area under 1,000 square meters

# Incentives for Green Retrofit

## Are there any government-funded or sponsored schemes for improving the energy efficiency of existing buildings and, broadly, how do they work?

The Turkish government has implemented a series of initiatives and strategies aimed at enhancing the energy efficiency of both existing and newly developed buildings. Furthermore, the enactment of the Energy Efficiency Law represents a crucial milestone in recognizing and prioritizing the significance of energy efficiency measures.

Current supports and initiatives can be summarized as follows:

     1.  Efficiency Enhancement Project Support

In 2011, the Republic of Türkiye's Ministry of Energy and Natural Resources ("**Ministry of Energy**") initiated a program to support projects aimed at enhancing efficiency. Under this program, the Ministry of Energy offers a grant of 30% of the project value (up to maximum of TRY 5 million excluding value added tax) to projects that qualify. These projects, known as efficiency enhancing projects (VAP), focus on reducing unnecessary energy consumption, waste, losses and leakages by utilizing energy-efficient equipment, systems, insulation, rehabilitation and process regulation. They may also include solutions such as waste energy recovery and cogeneration systems.

Industrial enterprises with an annual energy consumption of 500 tons of oil equivalent (TOE) or more, excluding entities with electricity generation licenses, are eligible to apply for VAP. As of the 31 December 2021, since the launch of the program, the Ministry of Energy approved 346 VAP projects, providing a total of TRY 47.3 million in support (equivalent to approximately USD 1.5 million based on the March 2024 foreign exchange rate). The applications for VAP should be made through the official online system of the Ministry of Energy, in accordance with the announcement on the website of the Ministry of Energy.

     2.  The Energy Efficiency in Public Buildings ("**KABEV Project**")

The Ministry of Environment launched a project for energy efficiency in buildings in collaboration with the World Bank. The KABEV Project, launched in 2022, is scheduled for completion by the end of 2025, and aims to enhance the energy efficiency of 500-700 public buildings. The budget of the KABEV Project is up to USD 200 million. The applications for the KABEV Project were closed at the end of 2022.

The primary goal of the KABEV Project is to address climate change by achieving energy savings, improving comfort and reducing greenhouse gas emissions. Investments within the project are targeted towards public buildings with high energy consumption and quick returns on investment. Activities include conducting energy assessments of public buildings such as schools, hospitals, administrative offices and university campuses in Türkiye, developing energy identity documents, determining energy efficiency and potential savings, and presenting investment costs. Additionally, architectural and technical modifications will be made to enhance energy efficiency in these buildings.

     3.  Climate Change Reduction Strategy and Action Plan (2024-2030):

The Directorate of Climate Change, a suborganization of the Ministry ofEnvironment, published the Climate Change Reduction Strategy and Action Plan ("**Plan**") for the years between 2024 and 2030 on 21 March 2024. Pursuant to the Plan, the first strategy is enhancing the energy efficiency of the existing buildings. In this respect, obtaining the energy identity certificate for all of the existing buildings is an important policy for the building energy inventory to be calculated clearly and correctly. Considering that one-third of the ultimate energy is consumed by the buildings, energy efficiency and renewable energy usage will be enhanced based on the Energy Identity Certificates. As per the Plan, the following has taken place:

Support programs and incentives have been established to encourage energy efficiency improvements in existing buildings in compliance with the Energy Efficiency Law.

Recent amendments to the Energy Efficiency Law have expanded project support to include the building sector, such as offering low-interest heat insulation loans.

Efforts have been made to raise awareness and promote energy efficiency in buildings, emphasizing the importance of maintaining efficiency levels.

Moving forward, ongoing awareness-raising activities will be conducted as part of the energy efficiency strategic communication plan, focusing specifically on buildings within the designated area.

# CO2 and Energy Targets

## Are there any national targets for CO2 reduction and/or energy use reduction from buildings? If there are, are there any exclusions?

Within the framework of the National Energy Efficiency Action Plan declared by the Ministry of Energy, ("**First Plan**") for 2017-2023, there were 12 defined actions aimed at improving energy efficiency in the buildings and services sector to meet strategic targets. These actions involved: (i) enhancing the efficiency of new and existing buildings, (ii) optimizing energy usage in the public sector, (iii) increasing onsite production and renewable energy utilization, (iv) conducting a comprehensive building inventory study, and (v) organizing awareness campaigns across all sectors. The actions outlined in the First Plan were aligned with previous strategic initiatives and provide a roadmap for achieving set targets.

Throughout the implementation of the First Plan, a total investment of USD 8.47 billion was made in energy efficiency, resulting in cumulative energy savings of 24.6 millions of tons of oil equivalent, a reduction of 68.62 million tons of CO2-equivalent emissions, and the creation of 44,880 green jobs. These achievements demonstrate the successful realization of the goals set in the initial National Energy Efficiency Action Plan. To continue progress towards Türkiye's net zero emission target, ensure energy supply security, and build on the momentum of energy efficiency efforts, the Energy Efficiency 2030 Strategy and the upcoming 2nd National Energy Efficiency Action Plan ("**Second Plan**") for 2024-2030 have been developed and shared with the public.

As part of the Second Plan, efforts will be made to include information on Energy Identity Certificates in real estate advertisements, in collaboration with non-governmental organizations in the real estate sector. Additionally, initiatives will be taken to promote the National Green Building-Settlement Certificate within buildings and communities, conduct awareness-raising campaigns, and integrate energy efficiency into the curricula of engineering and architecture faculties.

The Ministry of Energy has announced plans to invest USD 700 million to achieve a 30% energy savings target in public buildings by 2030. Furthermore, Türkiye is expected to invest over USD 3 billion by 2030 to enhance energy efficiency in existing and new residential constructions, as well as in urban transformation areas. These investments are projected to bring significant benefits to the economy, with energy efficiency projects in the industry offering a payback period of around two years and total savings exceeding TRY 5 billion.

# Renewable Energy

## Are there any regulations requiring a percentage of energy consumption to come from renewable sources?

There is no such a general requirement. However, in accordance with the Energy Performance Regulation, it is mandatory for buildings to be classified as nearly zero energy buildings to achieve an energy performance class of B or higher on the energy identity certificate. Additionally, a minimum of 10% of these building's primary energy requirements must be sourced from renewable energy (this rate is applied as 5% between 1 January 2023 and 1 January 2025).

Furthermore, buildings with a total construction area exceeding 2000 square meters (the total building construction area specified herein is applied as "5000 square meters" from 1 January 2023 until 1 January 2025) are obligated to be constructed as nearly zero energy buildings. The submission of a "Pre-Calculation Result Form" demonstrating compliance with the regulation through an energy performance software is required alongside architectural, mechanical and lighting project plans for the issuance of a building license.

# Regulation

## What other national regulatory measures are there, such as taxes on energy consumption and/or tax reliefs on energy-saving measures, that can encourage more efficient use of energy in buildings?

There are currently no regulatory measures in place to promote increased energy efficiency in buildings.

# Financing

## Are there any public or private “green” financing initiatives for sustainable real estate projects?

The adoption of the European Green Deal in 2019 and Türkiye's accession to the Paris Agreement in 2021 mark the speeding up of public initiatives for green financing in Türkiye. These public initiatives come in the form of draft regulations and soft law instruments such as good practice guidelines published by regulatory authorities and Türkiye itself. One of the most prominent public initiatives for green financing is the Draft Communiqué on Green Asset Ratio ("**Draft Communiqué**") presented by the Banking Regulatory and Supervisory Authority (BRSA) in September 2023. The Draft Communiqué deals with the procedures and principles regarding the calculation and reporting of the green asset ratio and other key performance indicators determined for the calculation of banks' contribution to the financing of environmentally sustainable economic activities. According to the Draft Communiqué, the green asset ratio is calculated by dividing the compliant assets in banks' unconsolidated balance sheets by the eligible assets, and banks will be obliged to report their green asset ratio to the BRSA at certain intervals. In this sense, the Draft Communiqué is significant as it plans to introduce a mandatory measurement of banks' contribution to the financing of environmentally sustainable economic activities and requires long-term structural reforms for banks. In relation to real estate financing, consumer loans for improvement and renovation of energy-efficient housing and commercial loans for the construction and acquisition of green buildings are listed among the compliant assets for the calculation of the green asset ratio within the scope of the Draft Communiqué.

The BRSA also published the Good Practice Guidelines on Loan Allocation and Monitoring Processes ("**BRSA Guidelines**") complementing the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks in June 2021. The BRSA Guidelines contain a separate section on environmentally sustainable loans and practices that banks should follow when allocating and monitoring environmentally sustainable loans, including preparation of environmentally sustainable loan policies and procedures. These policies and procedures should provide the criteria by which the bank assesses the eligibility of such projects and activities for environmentally sustainable lending, or references to relevant existing standards for environmentally sustainable lending that define the types of loans that are to be considered environmentally sustainable. In connection with this, banks should position their environmentally sustainable lending policies and procedures in the context of their overarching objectives, strategies and policies on sustainable finance. In particular, banks should establish qualitative and, where relevant, quantitative targets to support the integrity and development of environmentally sustainable lending activities, and assess the extent to which this development is aligned with or contributes to overall climate-related and environmentally sustainable objectives. The BRSA Guidelines are important in terms of providing guidance to banks in their sustainable finance considerations, including sustainable real estate finance.

Finally, in February 2023, the BRSA published the Decision on the Loan-to-Value Ratio and Maximum Loan Amount to be applied in Housing Loans and Housing Collateralized Loans, which determines loan-to-value ratio for energy performance class A houses with energy performance certificates and for energy performance class B houses, based on their market values. This regulation facilitates consumers' access to loans for energy-efficient housing, contributing to the green financing of housing needs.

The Capital Markets Board of Türkiye (CMB) published the Guidelines on Green Debt Instruments, Sustainable Debt Instruments, Green Loan Certificates, Sustainable Loan Certificates ("**CMB Guidelines**") on 24 February 2022. The CMB Guidelines regulate the principles and issuance processes of green debt instruments and green lease certificates based on the Green Bond Principles of the International Capital Markets Association, which has become the global standard in the field of green bonds. Similar to the Draft Communiqué and the BRSA Guidelines, the CMB Guidelines point to energy-efficient and green buildings among green projects eligible to attract the use of proceeds of green debt instruments and green lease certificate issuances.

Outside of the regulatory authorities' efforts on green financing initiatives, focusing on sovereign endeavors, Türkiye created its sovereign Sustainable Finance Framework ("**Framework**") in November 2021. The Framework regulates the standards for sustainable financing instruments (including all green, social or sustainability bonds, sukuks, loans and other debt instruments) and eligible green and/or eligible social projects. While the Framework sets the eligibility criteria for eligible green and social projects, it categorizes projects according to the United Nations Sustainable Development Goals. Similar to the draft regulations and soft law instruments of the regulatory authorities mentioned above, certain examples of eligible green projects categories under the Framework include energy-efficient buildings and green buildings. Türkiye intends to increase its activities in international finance markets by taking the steps on sustainability delineated in the Framework. Thanks to the Framework, Türkiye's transformation into sustainability has accelerated, and it has paved the way for improved access to international finance, including in the sustainable real estate sector.

Türkiye's green financing targets set out in the National Green Deal Action Plan ("**Action Plan**") published in 2021 complement the Framework goals. In this regard, Türkiye plans to revise its national incentive system by considering the incentives provided in the EU to green finance. In addition, within the Action Plan, Türkiye is developing the national energy efficiency financing mechanism and the Turkish banking sector strategy for sustainability. The Action Plan, alongside the Framework, shows Türkiye's commitment to providing financing alternatives to sustainable and green projects, among which are sustainable real estate projects.

International lenders such as the International Finance Corporation, the International Bank for Reconstruction and Development (IBRD) and the European Bank for Reconstruction and Development (EBRD) are also helping Türkiye in its efforts to replace conventional methods of financing of real estate projects with greener alternatives. In this context, the IBRD's Türkiye Sustainable Cities Additional Financing Project for over USD 560.6 million was approved in May 2019, and it aims to improve the sustainability of Turkish cities by enabling interested municipalities to access financing for their priority investments. This follows the launch of the Sustainable Cities Project (versions 1 and 2), which offered USD 132.7 million and USD 91.54 million, respectively, to Turkish cities for projects related to energy efficiency, renewable energy and urban environments. In addition, to target the potential of residential energy efficiency measures, the EBRD, supported by the Clean Technology Fund and the European Union, launched the Turkish Residential Energy Efficiency Financing Facility (TuREEFF) to provide finance to residential consumers who wish to invest in energy efficiency projects in their homes. As of 2020, TuREEFF has financed over 430 projects since 2015, reaching 50,000 homes and investing over USD 350 million through four local banks.

Turkish banks have also made multilateral commitments to achieve the transformation of companies' investment decisions and the market in support of sustainable development. In this regard, eight of Türkiye's leading banks signed the United Nations Global Compact Türkiye Sustainable Finance Declaration ("**Declaration**") in 2017, and the Declaration is reviewed and regularly updated every year. Under the Declaration, the signatory banks undertake, among other things, to consider the environmental and social principles set out in the Declaration in project finance, and to prioritize and promote resource efficiency, renewable energy investments and any investment to protect or improve environmental conditions for all new investments over USD 10 million. This means that the financing of sustainable real estate projects over USD 10 million will be prioritized and promoted by the signatory banks. The same signatory banks to the Declaration also sponsored the 9th Annual Sustainable Finance Forum ("**Forum**") organized by the Business and Sustainable Development Council on 22 November 2023. The Forum brought internationally recognized practitioners and thought leaders in the field of sustainable finance together, and the themes of the Forum were "Meeting the Financing Needs of Earthquake Affected Regions with Long-Term and Sustainable Resources" and "Financing Green and Earthquake Resistant Cities with Alternative Sustainable Resources." Energy-efficient and green buildings were top points of discussion under both themes. The Forum, alongside the Declaration, proves the Turkish market's genuine efforts to prioritize and promote green and sustainable finance in Türkiye.

# Planning

## Is the national or local/state government able to mandate green initiatives via the planning/zoning regime (e.g., district heating systems on large developments)?

In Türkiye, the legal framework for urban planning, zoning, and environmental regulations is primarily established by national laws and regulations, with local governments responsible for enforcement within their jurisdictions.

The Zoning Law No. 3194, published in the Official Gazette dated 9 May 1985 and numbered 18749 ("**Zoning Law**"), serves as the main legal framework for urban planning and zoning regulations nationwide. The Zoning Law sets out the processes for zoning plans, including land use designations, building regulations, and infrastructure requirements. While the Zoning Law primarily governs land-use planning at the national level, it also allows for flexibility to address local needs and conditions through the development of detailed zoning plans by local authorities. For instance, municipalities are authorized to develop environmental projects such as zero-waste projects and waste-recovery projects in line with the needs of the areas they are authorized to govern. Additionally, municipalities organize training for the contractors on this matter such as green building training. In addition, Article 8/h of the Zoning Law states that the Ministry of Environment has the authority to create energy-efficient, climate-sensitive and ecological plans and projects for the settlements covered by the Zoning Law, and may construct such buildings or provide long-term loans to support them.

Furthermore, according to the Planned Areas Zoning Regulation published in the Official Gazette dated 3 July 2017 and numbered 30113, local authorities have the ability to designate non-residential urban working areas for specific purposes. These areas may be used for the construction of manufacturing factories, warehouses that do not store hazardous materials, wholesale trade facilities, accommodation establishments, restaurants, outdoor sports facilities (such as fields and tennis courts), and event venues that do not pose a risk to environmental health. This authority may also be used for green initiatives.

# Green Leases

## Are green leases or green lease provisions mandatory or optional? If mandatory, to whom do they apply? If optional, is there significant take up?

In Türkiye, green lease or green lease provisions are not mandatory and are generally optional. In certain large-scale projects, such as business centers, shopping malls, or residential developments, green lease provisions may be utilized to enhance environmental sustainability and energy efficiency efforts. These practices are particularly common in projects where these factors are of heightened importance.

It can be observed that the adoption of green lease practices in Türkiye is not yet widespread. However, as environmental awareness and energy efficiency initiatives continue to gain momentum, it is anticipated that green leasing practices will become more prevalent in the future.

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