Climate Policy and Carbon Markets: An Overview of Türkiye's Green Transition

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In recent years, climate change has evolved beyond being solely an environmental issue and has become an integral part of economic development, industrial policy, international trade, and sustainable finance. As global efforts to implement the Paris Agreement continue to advance, the growing use of carbon pricing mechanisms and sustainable finance instruments has encouraged countries to integrate climate objectives more closely into their long-term development strategies.

Türkiye is pursuing this transition through its commitment to achieving net-zero emissions by 2053 and by progressively strengthening its climate policy and governance framework. The green transition is approached as a comprehensive transformation process that encompasses economic development, industrial policy, energy transition, sustainable finance, technological innovation, and international competitiveness, rather than being limited to greenhouse gas emission reductions alone.

Within this framework, Türkiye's updated Nationally Determined Contribution (NDC) sets out the country's mitigation ambition and sectoral pathways across key areas, including energy, industry, transport, buildings, agriculture, and waste. Türkiye's first Biennial Transparency Report (BTR), in turn, strengthens transparency and accountability by presenting information on the national greenhouse gas inventory, climate policies and measures, climate finance, and capacity-building efforts under the enhanced transparency framework of the Paris Agreement. Together, the NDC and BTR provide an important link between Türkiye's long-term climate objectives, their implementation, and the monitoring and reporting of progress.

The legal and institutional basis of this transition has been further strengthened by Climate Law No. 7552, which entered into force in 2025. The Law establishes a comprehensive framework for Türkiye's climate governance, covering greenhouse gas mitigation, climate change adaptation, green growth, climate finance, voluntary carbon markets, and the establishment of the Türkiye Emissions Trading System (TR ETS). This framework has been further operationalised through the publication and entry into force of the Türkiye Emissions Trading System Regulation in the Official Gazette on 27 August 2026, representing an important step towards the implementation of carbon pricing in Türkiye.

The evolving policy framework also strengthens coordination among public authorities, the private sector, local governments, and other stakeholders, while providing greater predictability for businesses and investors. As climate considerations increasingly influence production models, investment decisions, access to finance, and international competitiveness, transparent climate-related information, credible transition strategies, and long-term policy certainty are becoming increasingly important.

In this context, carbon markets are viewed not only as instruments for reducing greenhouse gas emissions, but also as policy tools that can support Türkiye's broader green transformation. By providing incentives for emissions reductions and low-carbon investment, they can contribute to technological innovation, sustainable investment, industrial transformation, and long-term economic competitiveness. The development of carbon markets therefore represents an important component of Türkiye's transition towards a more resilient, low-carbon, and sustainable economy.

The Growing Importance of Carbon Markets

Carbon pricing has become one of the most widely adopted climate policy instruments worldwide. Increasingly, countries are using emissions trading systems and carbon pricing mechanisms to reduce greenhouse gas emissions, encourage low-carbon investments, and support industrial transformation. By assigning an economic value to carbon emissions, these mechanisms create incentives for technological innovation, energy efficiency, and cleaner production.

Carbon markets are no longer viewed solely as environmental instruments. They increasingly influence corporate investment decisions, production strategies, access to finance, and international competitiveness. As sustainable finance continues to evolve, investors are placing greater emphasis on how companies manage climate-related risks, prepare for the low-carbon transition, and integrate sustainability into their long-term business strategies. In this context, carbon markets have become increasingly relevant not only for policymakers but also for businesses, financial institutions, and capital markets.

Türkiye Emissions Trading System (TR ETS)

Türkiye currently established its national Emissions Trading System under the legal framework established by the Climate Law. While working on the secondary legislation, both TR ETS Regulation published on Official Gazzetta on 27 August 2026 and also the Carbon Crediting and Offsetting Regulation, the preparation studies of which is ongoing, technical and institutional preparations are also being carried out to support the gradual implementation of the system.

This process has been built on extensive consultation with public institutions, industry representatives, verification bodies, academia, and other stakeholders. Alongside the legislative work, efforts continue to strengthen data infrastructure, develop benchmark methodologies, establish digital systems, and enhance institutional capacity.

These preparations are intended to ensure that the Türkiye ETS is implemented in a transparent, predictable, and effective manner.

Official start of Türkiye ETS in 2026 demonstrates the ambition of Türkiye on climate change, gives action signal before COP 31 which takes place in Antalya, Türkiye, from November 9 to 20, 2026, focusing on an "Action COP" framework of dialogue, consensus, and implementation.

International Carbon Markets and CORSIA

Türkiye's approach to carbon markets extends beyond the development of its national ETS. The country closely follows international developments under Article 6 of the Paris Agreement and actively engages in international cooperation and knowledge-sharing initiatives related to carbon markets.

In this context, Türkiye has initiated a call for the authorization of carbon credits under the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and has initiated the implementation process. These efforts contribute not only to Türkiye's participation in international carbon markets but also to the development of a transparent, credible, and internationally aligned carbon market framework.

The Role of Türkiye's Green Taxonomy in Sustainable Finance

Alongside carbon pricing instruments, sustainable finance frameworks are becoming increasingly important in supporting Türkiye's green transition. Türkiye's Green Taxonomy is being developed as a common reference framework to help identify economic activities that contribute to environmental and climate objectives.

By providing a shared understanding of what can be considered environmentally sustainable, the taxonomy is expected to support more consistent assessments across businesses, financial institutions, and investors.

For companies and investor relations professionals, the taxonomy can contribute to greater transparency, comparability, and credibility in sustainability-related disclosures. It can also help investors better understand how corporate activities and investment plans are aligned with the green transition. In this respect, Türkiye’s Green Taxonomy complements carbon markets by helping direct financial resources towards sustainable activities, supporting the development of new financing instruments, and strengthening confidence in long-term transition strategies.

Carbon Markets and Financing the Green Transition

The green transition requires significant long-term investment. In this respect, carbon markets are increasingly recognized not only as instruments for reducing greenhouse gas emissions but also as mechanisms that can help mobilize financial resources and support investment in the transition to a low-carbon economy.

Financial resources generated through carbon pricing mechanisms, including revenues that may arise from the auctioning of emission allowances, can play an important role in supporting low-carbon technologies, improving energy efficiency, accelerating industrial transformation, promoting cleaner production processes, and facilitating a just transition. In this way, carbon pricing can contribute not only to climate objectives but also to broader economic development goals by supporting sustainable and resilient growth.

As climate policies become increasingly integrated with economic development, trade, and investment strategies, countries are adopting more comprehensive approaches to managing the transition to a low-carbon economy. In Türkiye, this approach is being reinforced through the Climate Law and the establishment of the legal and regulatory framework for the Türkiye Emissions Trading System. The publication and entry into force of the Türkiye Emissions Trading System Regulation in the Official Gazette marks an important step towards the operationalisation of carbon pricing in Türkiye.

The implementation of the TR ETS, cooperation with international carbon markets, sustainable finance initiatives, and continued efforts to strengthen institutional capacity should be viewed as complementary components of this broader policy framework. Together, these initiatives can contribute not only to greenhouse gas emission reductions but also to green growth, industrial transformation, enhanced international competitiveness, and sustainable development.