A NEW STEP IN TÜRKİYE'S GREEN FINANCE TRANSFORMATION: NATIONAL STRATEGY AND ACTION PLAN

The National Green Finance Strategy and Action Plan ("**Plan**"), prepared under the coordination of the Ministry of Treasury and Finance, entered into force upon publication in the Official Gazette dated 4 July 2026. Covering the 2026–2029 period and aligned with Türkiye's 2053 net-zero emissions target, the Plan is built around three main objectives, 11 targets and 45 actions: (i) establishing the infrastructure required for a transparent and measurable green finance ecosystem; (ii) strengthening institutional capacity and human resources in green finance; and (iii) establishing market mechanisms to support the development of green finance.

Beyond banking and capital markets, the Plan also sets targets for the insurance and financial technology sectors. Each action specifies a target year, expected outputs, performance indicators, and responsible and relevant institutions – giving the Plan the character of a monitorable roadmap rather than a general policy statement. Türkiye's upcoming hosting of COP31 further elevates its strategic importance on the international stage.

1. The Plan's Place within Sustainable Finance Regulation

Sustainable finance work in Türkiye is not new. At the policy level, earlier milestones include the Green Deal Action Plan (2021) and the Climate Council Final Declaration (2022); at the legislative and regulatory level, instruments already in place include Climate Law No. 7552 dated 2 July 2025, the Capital Market Board's Sustainability Principles Compliance Framework, the the Banking Regulation and Supervision Agency's Communiqué on Banks' Green Asset Ratio Calculation, and the Turkish Sustainability Reporting Standards ("**TSRS**"). The Plan seeks to bring these previously separate initiatives together within a single strategic framework.

Going further, the Plan contemplates the publication of the Türkiye Green Taxonomy Regulation ("**Taxonomy Regulation**"), the implementation of an Emissions Trading System, revisions to insurance legislation to encourage investment in green assets, and the extension of the green finance framework to other sectors –such as insurance and financial technologies – through sector-specific guidelines. New criteria are accordingly being introduced for banks and financial institutions to apply when extending financing.

2. Implications for Banking and Finance Transactions

The Plan aims to systematize green financing criteria and their related measurement mechanisms. It envisages completion of the Taxonomy Regulation in 2026 and alignment of the BRSA's Communiqué on Banks' Green Asset Ratio Calculation with the Taxonomy Regulation by 2028. Once both are in place, the classification of financing as "green" will be governed by common criteria, making access to green finance more predictable.

Alongside this standardization, the Plan aims to

give banks and financial institutions access to verified facility-level emissions data, allowing the verified emissions data of companies seeking green financing to be reviewed through a centralized system. Matters such as the scope and purpose of data access, protection of trade secrets, data security, and liability from inaccurate data will need to be assessed in secondary legislation.

The Plan is not limited to large enterprises already prioritizing green finance and falling within the scope of the TSRS; it also aims to help small and medium-sized enterprises ("**SMEs**") meet environmental and social standards and raise their awareness of them. Although not expressly stated in the Plan, various financing projects are expected to be carried out in cooperation with international financial institutions to support SMEs in this respect.

The Plan further envisages that banks will factor financed emissions into their risk-management processes, and that stress-testing infrastructure for climate and environmental risks will be established within the banking sector. These developments should make climate-related physical and transition risks more visible in decisions on credit allocation, tenor, pricing, and collateral.

As green finance standards develop and monitoring becomes more centralized, environmental and social considerations are also expected to feature more concretely in financing transactions. Just as security packages are addressed in detail in loan agreements today, comparably detailed mechanisms relating to company's emissions or societal impact may become standard in future. These obligations will not be limited to emissions, however, but will also extend to objectives such as supporting the circular economy and preventing pollution. In this sense, the new regulations envisaged under the Plan point toward a more holistic approach to companies' environmental and social responsibilities – one that goes beyond preventing further pollution to encompass broader goals such as environmental protection, the circular economy, and ecosystem preservation.

3. Implications for Capital Markets

Capital markets are already subject to more detailed green finance regulation than the banking sector, but the Plan sets a 2026 target for completing the Guidelines on Green, Sustainable and Social Capital Market Instruments and the Guidelines on Sustainability-Linked Capital Market Instruments. These will clarify the characteristics of green finance instruments, the criteria for qualifying as "green," and the restrictions to which they will be subject. The existing use-of-proceeds regime is expected to expand to cover environmental and social instruments, while a separate framework – covering key performance indicators, sustainability targets, pricing consequences, and external verification – is expected to be established for sustainability-linked issuances.

In practice, for use-of-proceeds instruments, eligible project selection, separate tracking of proceeds, and allocation and impact reporting will gain importance. For sustainability-linked instruments, what will matter most is the link between key performance indicators and the issuer's core business, the baseline year and calculation methodology, independent verification, and the financial consequences of failing to meet targets.

To encourage portfolio management companies to work toward the Plan's targets, periodic reports are envisaged on their compliance with the Stewardship Principles Guidelines and the quality of that compliance. This is intended to encourage portfolio management companies to favor green finance instruments and avoid investments that would make those targets harder to achieve. The Plan's reporting objectives are not confined to capital markets; however, broader use of the TSRS is also a goal.

Finally, the Plan aims to prevent greenwashing by enhancing data consistency across capital markets systems and issuing a cross-sectoral guide covering insurance, banking, and capital markets. This should harmonise standards across markets, provide greater clarity on which activities may benefit from green financing, and prevent issuers from misusing green finance opportunities.

4. Assessment and Conclusion

Once implemented, the Plan will allow banks to monitor and supervise the environmental and social obligations of the borrowers they finance. In capital markets, it will facilitate financing for environmental and social projects and encourage companies that contribute to the circular economy or operate without damaging the ecosystem. The Plan also envisages feasibility studies on the systematic issuance of catastrophe bonds (CAT bonds) to address climate-related risks, the establishment of stress-testing infrastructure for climate and environmental risks in the banking sector, and the positioning of the Istanbul Financial Center as an international hub for sustainable finance. Given that Türkiye will host COP31 in 2026 and plans to implement the Emissions Trading System, the Plan can be viewed not merely as a domestic market regulation but as a strategic instrument strengthening Türkiye's position on the international climate finance agenda. Achieving these objectives, however, will depend on the timely establishment of a common taxonomy, a centralized database, and adequate measurement infrastructure – and breaches of these obligations may give rise to additional sanctions.

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