

<b>PROJECT NAME:</b>	<b>ECSEE APL3 PROJECT</b>
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**LOAN AMOUNT:** EURO 125 million

**DURATION:** July 2006 to December 2010

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**BACKGROUND:** Turkey is part of the Energy Community of South East Europe (ECSEE) which seeks to establish integrated regional markets in South East Europe, closely linked to the internal energy market of the European Union, and fully complying with the rules applicable within the European Union, and to enhance the energy security of South East Europe and the European Union by providing incentives to connect the Balkans to Caspian, Middle Eastern and North African gas reserves. The Bank has been supporting this process in a number of ways, including through the March 2004 strategy paper for energy trade in South East Europe<sup>1</sup> and the ECSEE APL program. The APL program was approved by the Bank on January 27, 2005. The objective of ECSEE APL is the development of a functioning regional electricity market in South East Europe and its integration into the internal electricity market of the European Union, through the implementation of priority investments supporting electricity market and power system operations in electricity generation, transmission and distribution and technical assistance for institutional/systems development and project preparation and implementation.

Turkey remains committed to the goals and principles of the Athens Process and continues implementation of the key provisions of the Athens Process. However, Turkey did not sign the Treaty at this stage owing to concerns emanating from the fact that several issues in the Treaty are also key aspects of the Energy and Environment Chapters of the *Acquis*, which Turkey hopes to negotiate separately as part of its negotiations for accession to the EU (The EU decided on October 3, 2005 to begin discussions with Turkey in this regard). Turkey's reservations on these aspects of the Treaty have been acknowledged by the European Community, and both sides are working to reach a resolution of these issues in 2006.

The ECSEE APL3 project for Turkey is part of the Bank's Country Assistance Strategy (CAS) for Turkey which is driven by Turkey's EU accession objective. The ECSEE-APL3 project directly supports this objective by financing priority investments that create a stable and safe electricity market in Turkey and the conditions for regional trade. In addition, the project will continue the advisory and investment support for internal market implementation and its integration with the European market.

**PROJECT OBJECTIVE:** The development objective of Turkey ECSEE-APL3 is to increase the safety, reliability, efficiency, and capacity of the bulk power transmission system in Turkey and to improve market access for consumers and suppliers of electricity.

**PROJECT DESCRIPTION:** APL3 will assist TEIAS in: (a) strengthening and expanding the transmission network to reliably meet the growing electricity demand; and (b) upgrading the transmission network in dense urban areas to minimize the risk to public safety posed by urban encroachment on

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<sup>1</sup> World Bank Framework for Development of Regional Energy Trade in South East Europe, EMT Discussion Paper No. 12, March 2004.

existing overhead lines. The first component seeks to improve the reliability and capacity of the transmission networks thereby strengthening the internal market in Turkey. The second component has the objective of improving the protection of public health and safety, and increasing the transmission system's compliance with relevant regulations in this regard. These investments therefore, are consistent with The Athens Memorandum which state that the safety and security of the electricity systems and the protection of public health and safety are necessary conditions to promote the functioning of effective markets.

**IMPLEMENTING AND MONITORING:** The project has been implemented by TEIAS. At the project-level, monitoring has been carried out by TEIAS along with the World Bank and MENR. At the regional level, the ECSEE APL program is included in the established mechanism for ECSEE coordination – Ministerial Council, Permanent High-level Group, Task Forces, and the Forum. At the country level, APL 3 has been monitored by the ECSEE coordination mechanism.

**BENEFITS:** APL3 will have a significant positive impact, primarily through the improved safety of the transmission system in the urban areas. In addition to improving safety, the investments will also improve the reliability of the electricity network, providing increased benefits to customers.

**PROJECT STATUS:** The Loan became effective on May 9, 2006. TEIAS has reviewed the priority of its investments, and changed some investments under the project – specifically some urgently needed transmission lines and transformers have been added. Progress on various components is moving well, and procurement activities are at advanced stages.