

Turkey likely to see new big energy investments by 2020: Bank executive – Latest News

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Banks in Turkey plan to restructure between \$7 and \$8 billion of current credit debt of energy companies so they can repay their debts by 2020-2021 and ease their ability to potentially participate in further energy investments during this term, Ebru Dildar Edin, executive vice president for corporate and investment banking at Garanti Bank, said Thursday.

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Established in 1946, [Garanti Bank](#) is Turkey's second largest private bank with consolidated assets of more than 398 billion Turkish liras (\$75.7 billion) as of Dec. 31, 2018. Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with a 49.85 percent share interest.

In an exclusive interview with Anadolu Agency, Edin reflected on the last two years which were challenging for the Turkish energy sector, with the dramatic decrease in the Turkish lira especially from August 2018, the decline in oil prices, the increased cost of electricity generation at a time when there were constraints of lowering electricity prices in the market because of surplus supplies.

“We foresee that electricity prices will rise to \$0.60 per kilowatt-hour during this term when companies will again start earning money. This circle will open the way for new big investments in the Turkish energy sector because all investors need to see that the existing companies begin earning money,” she said.

When the banks formulated loans for energy companies, they foresaw electricity prices based on \$0.70 per kilowatt-hour, however in reality, market prices fell to as low as \$0.45 per kilowatt-hour, she explained.

“This difference between our calculations and the real prices led energy companies to have difficulties in their repayments,” she said, adding that investments of around \$85 billion were made for the power generation sector from which \$25 billion came from the capital of these companies.

“However, the remaining \$60 billion investment was carried out with financing from the banks. The companies have paid \$20 billion of the total, while \$40 billion is yet to be paid. A total amount of \$13 billion, including the debts of electricity distribution companies, is required to be restructured. Banks restructured \$4 billion in 2017 and 2018,” she explained.

For 2019, banks will restructure a further \$7 to \$8 billion more credit, which has already been agreed with some energy companies. This, she explained, will enable all the companies to make repayments after the restructure is completed through 2020-2021.



Restructured finance includes local coal, natural gas and some hydroelectricity power plants, which are very important for the sustainability of the Turkish electricity generation sector, she said.

Banks could help support gas plants

Edin stated that some natural gas power plants should be excluded at this point because they work at very low capacities so they cannot sell enough electricity to market to be able to meet their repayments.

In order for these companies to weather the storm of financial difficulties, she proposed a new business model in which these plants, which are crucial in meeting the country's peak demand, could obtain newly-created funds from some banks until a certain level of profitability and sustainability is reached.

She emphasized that with the country's increased electricity consumption, which increased year on year by 0.8 percent in 2018, Turkey would need all these power plants in the coming five to seven years.

"Turkey does not have a problem in terms of supply security but as there is currently no big investment, we could face a threat in 2022-2023. As there will be a need for new capacities, we should sustain our existing plants to meet any potential demand," Edin suggested.

She detailed that Garanti Bank has been financing only renewable energy projects over the last years and will continue to do so provided the project has a guarantee of purchase or support from any scheme like the Renewable Energy Sources Support Scheme (YEKDEM).

Edin concluded that YEKDEM should continue after 2020 even if it supports the projects at lower monetary levels.

The YEKDEM project, which started in 2011, has supported solar energy plants at \$0.133 per kilowatt-hour, and wind and hydroelectricity plants at \$0.73 per kilowatt-hour.

Turkey plans to end this renewable incentive scheme by 2020, however, it is unclear if the Turkish government will continue to support renewable projects with an alternative scheme.

Garanti Bank's funding for the power generation sector stands at \$9 billion, from which 60 percent includes 145 renewable energy projects amounting to over 7,000 megawatts in capacity.

Garanti Bank, Turkey, Finance

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