



Gold Standard
for the Global Goals

CONTEXTUAL REQUIREMENT

APPENDIX TO INVESTMENT ANALYSIS TOOL 27:

DEFAULT VALUES FOR THE COST OF EQUITY (EXPECTED RETURN ON EQUITY) FOR PROJECTS LOCATED IN TURKEY (TÜRKIYE)

PUBLICATION DATE **25.03.2025**

VERSION **v.1.0**

CONTACT DETAILS

The Gold Standard Foundation
International Environment House 2
Chemin de Balexert 7-9
1219 Châtelaine Geneva, Switzerland
Tel +41 22 788 70 80
Email help@goldstandard.org

SUMMARY

This document provides non-binding default cost of equity for Turkey to demonstrate investment analysis and additionality of project activities. Depending on the sector, project developers can select the relevant benchmark value for their proposed project activity.

TABLE OF CONTENTS

1 INTRODUCTION	2
2 METHODOLOGY	2

1| INTRODUCTION

- 1.1.1 | This document provides non-binding default cost of equity for Turkey to demonstrate investment analysis and additionality of project activities.
- 1.1.2 | [CDM Tool 27](#): Investment Analysis provides specific requirements and guidance on investment analysis for demonstrating the additionality of project activities. This tool includes an appendix that offers default values for the cost of equity (expected return on equity) for non-Annex 1 countries. However, it's important to note that Turkey is not included in this list, as Turkey is classified as an Annex 1 country under the United Nations Framework Convention on Climate Change (UNFCCC).
- 1.1.3 | This document provides additional guidance for CDM Tool 27, specifically to present the default value for expected return on equity for project developers and VVB for project activities located in Turkey.

2| METHODOLOGY

- 2.1.1 | Default values for the cost of equity or expected return on equity in the host country are calculated as the sum of the following parameters, adjusted to reflect the different risk levels across sectoral scopes:
- Risk-free rate of return: calculated based on the inflation adjusted geometric average of annualize real return on the long-term US government bonds for 1973 - 2021¹. A value of 3.1 per cent is used.
 - Equity risk premium: derived from the inflation-adjusted geometric average return on equity in the US market relative to the long-term US government bonds for 1973 - 2023². A value of 2.7 per cent is used.

¹ Credit Suisse Global Investment Returns Yearbook 2023– summary edition (page 42), sourced from <https://www.credit-suisse.com/about-us/en/reports-research/studies-publications.html>.

² Credit Suisse Global Investment Returns Yearbook 2023– summary edition (page 42), sourced from <https://www.credit-suisse.com/about-us/en/reports-research/studies-publications.html>.

- c. Country risk premium³: based on Moody’s rating and S&P, for countries with available rating, PRS Composite Risk Score for frontier markets and Fitch rating.

2.1.2 | For the purpose of determining the adjustment factor to reflect the risk of projects in different sectoral scopes, three different project categories are distinguished according to the sectoral scopes used under the CDM:

- a. Group 1 (no adjustment is made for this Group): 1. Energy Industries; 2. Energy Distribution; 3. Energy Demand; 13. Waste handling and disposal.
- b. Group 2 (the cost of equity is increased by 1 percentage point for this Group): 4. Manufacturing industries; 5. Chemical Industries; 6. Construction; 7. Transport; 8. Mining/Mineral production; 9. Metal production; 10. Fugitive Emissions from fuels; 11. Fugitive Emissions from production and consumption of halocarbon, and Sulphur hexafluoride; 12. Solvent use; 16. Carbon capture and storage of CO₂ in geological formations.
- c. Group 3 (the cost of equity is reduced by 0.5 percentage point for this Group): 14. Afforestation and reforestation; 15. Agriculture.

2.1.3 | Depending on the sector, project developers can select the relevant benchmark value for their proposed project activity. Note that the values are expressed in percentages in real terms.

³ “Risk Premiums for Other Markets” – July 2023
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datacurrent.html.

CONTEXTUAL REQUIREMENT

Table 1: Default ROE IRR Benchmarks, Turkey (2011-2023)

2011 to 2023 IRR Benchmark for Turkey Based on UNFCCC Tool 27: Investment analysis								
Year	Risk free returns	Equity risk premium	Country risk premium	Default Value for the Cost of Equity			Tool 27 version	Validity
				Group 1	Group 2	Group 3		
2011	3.00%	6.50%	4.13%	13.63%	14.63%	13.13%	Version 4	From 3 June 2011 until 14 July 2011
2011	3.00%	6.50%	4.13%	13.63%	14.63%	13.13%	Version 5	From 15 July 2011 until 23 July 2015
2012	3.00%	6.50%	4.13%	13.63%	14.63%	13.13%	Version 5	From 15 July 2011 until 23 July 2015
2013	3.00%	6.50%	3.60%	13.10%	14.10%	12.60%	Version 5	From 15 July 2011 until 23 July 2015
2014	3.00%	6.50%	3.30%	12.80%	13.80%	12.30%	Version 5	From 15 July 2011 until 23 July 2015
2015	3.40%	4.40%	3.30%	11.10%	12.10%	10.60%	Version 6	From 24 Jul 2015 until 3 Nov 2016
2016	3.30%	4.30%	3.46%	11.06%	12.06%	10.56%	Version 7	From 4 Nov 2016 until 31 Oct 2017
2017	3.30%	4.30%	3.55%	11.15%	12.15%	10.65%	Version 8	From 1 Nov 2017 until 28 Nov 2018
2018	3.30%	4.30%	4.24%	11.84%	12.84%	11.34%	Version 9	From 29 Nov 2018 until 27 Nov 2019
2019	3.30%	4.30%	5.08%	12.68%	13.68%	12.18%	Version 10	From 28 Nov 2019 until 28 Oct 2021
2020	3.30%	4.30%	6.61%	14.21%	15.21%	13.71%	Version 10	From 28 Nov 2019 until 28 Oct 2021
2021	4.10%	4.40%	4.62%	13.12%	14.12%	12.62%	Version 11	From 29 Oct 2021 until 1 Nov 2022
2022	3.90%	2.80%	7.69%	14.39%	15.39%	13.89%	Version 12	From 2 Nov 2022 until 27 Nov 2023
2023	3.90%	2.80%	9.86%	16.56%	17.56%	16.06%	Version 13	From 28 Nov 2023 until 30 May 2024



CONTEXTUAL REQUIREMENT

DOCUMENT HISTORY

Version Number	Release date	Description
V1.0	25.03.2025	Initial adoption
