A. To be completed by Gold Standard

1 | Decision

1.1 | Date – 20/03/2023

1.2 | Decision

The deviation request is not approved.

The project developer is allowed issuance of emissions reduction (and other SDG impacts) for three years prior to site visit date. In addition to this, the project developer shall:

A) Ensure that a continuity in the project’s monitoring activities is maintained and project developer is able to justify that no monitoring gaps exist (especially for SDG parameters) within the monitoring period(s). However, if gap(s) exist, the project shall justify that conservative approach(es) have been applied in line with section 3 of the Deviation Approval Requirements and Procedures (version 1.2) and overarching GS principles (as applicable).
B) Document the deviation request, its implications, and GS’ decision in the appropriate section of the GS monitoring report (for the relevant MP).

The verifying VVB shall, through appropriate means at its disposal, evaluate the project’s compliance with the above condition and provide its opinion in the verification report.

SustainCert shall review both the project developer’s response and the VVB’s assessment/opinion of the same and take appropriate steps.

1.3 | Is this decision applicable to other project activities under similar circumstances?
No
### Background information

<table>
<thead>
<tr>
<th>Deviation Reference Number</th>
<th>DEV_373</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of decision</td>
<td>20/03/2023</td>
</tr>
<tr>
<td>Precedent (YES/NO)</td>
<td>No</td>
</tr>
<tr>
<td>Precedent details</td>
<td>NA</td>
</tr>
<tr>
<td>Date of submission</td>
<td>25/11/2021</td>
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<tr>
<td>Project/PoA/VPA ID</td>
<td>Project - GS4441</td>
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<tr>
<td>Project/PoA/VPA title</td>
<td>BABADERE GETHermal POWER PLANT (GEPP)</td>
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<tr>
<td>Location of project/PoA/VPA</td>
<td>Turkey</td>
</tr>
<tr>
<td>Scale of the project/PoA/VPA</td>
<td>Microscale</td>
</tr>
<tr>
<td>Gold Standard Impact Registry link of the project/PoA/VPA</td>
<td><a href="https://registry.goldstandard.org/projects/details/786">https://registry.goldstandard.org/projects/details/786</a></td>
</tr>
<tr>
<td>Status of the project/PoA/VPA</td>
<td>Certified design</td>
</tr>
<tr>
<td>Title/subject of deviation</td>
<td>The postponement of the crediting period</td>
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<tr>
<td>Specify applicable rule/requirements/methodology and version number</td>
<td>ACM0002 Version 17 – “Consolidated baseline methodology for grid-connected electricity generation from renewable sources”</td>
</tr>
<tr>
<td>Specify the monitoring period for which the request is valid (if applicable)</td>
<td>Start date:</td>
</tr>
<tr>
<td>Submitted by</td>
<td>Contact person name: Gediz S. KAYA</td>
</tr>
<tr>
<td></td>
<td>Email ID: <a href="mailto:gkaya@gaiaclimate.com">gkaya@gaiaclimate.com</a></td>
</tr>
<tr>
<td></td>
<td>Organisation: GAIA Climate</td>
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<tr>
<td></td>
<td>Project participant: Yes ☑ NO ☐</td>
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<tr>
<td>Validation and Verification body (VVB opinion shall be included, where required by the applicable rules/requirements or request is submitted by the VVB).</td>
<td>Yes ☑ NO ☐</td>
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<tr>
<td></td>
<td>If yes; VVB name:</td>
</tr>
<tr>
<td></td>
<td>Auditor name:</td>
</tr>
</tbody>
</table>
3 | Deviation detail

3.1 | Description of the deviation:

According to the GS v2.2 requirement para, VIII.g.9 verifiers shall conduct a site visit in one of the first two years after the start date of the crediting period. However, because of the technical difficulties experienced on site the Babadere GEPP could not produce electricity between July 2016 and February 2018. Hence, the project owner expects a deviation regarding the postponement of the crediting period to 18/03/2018-17/03/2025.

3.1.1 | Deviation detail (to be completed by Project developer):
Babadere GEPP project site is located in the north-west of Turkey, in Canakkale province of Marmara Region, in the south-western side of Biga peninsula, westward and very close to Tuzla town, few kilometers northward of Gulpinar town and few kilometers to the west of Babadere town. The project has been registered under the Gold Standard. Crediting period type is renewable (7 years) which is planned to be renewed twice and the start & end date of crediting period is 27/10/2015 – 27/10/2022. Despite this, the Babadere GEPP could not produce electricity between July 2016 and February 2018 due to technical problems on site. With the resolution of technical problems and equipment changes, the project started to produce again as of March 2018. The company had to revise the CAPEX planning of the investment due to hefty expenses to repair the plant and had to suspend all expenses including carbon asset development. Nevertheless, under the new CAPEX conditions the need for carbon revenue has become even more imminent. The attached document of electricity generated and sold to the grid proves that the company has not generated any power for 20 months consecutively\(^1\). Now that the company is in continuous operation with no doubt, the process of VER verification is initiated.

Besides that, between the 2018-2021, Turkish currency and debt crisis is an ongoing financial and economic crisis in Turkey. It was characterized by the Turkish lira (TRY) plunging in value, high inflation, rising borrowing costs, and correspondingly rising loan defaults.\(^2\) Therefore, the project is still additional in Turkey where the project

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\(^1\) The EPIAS records have been submitted by email.

\(^2\) Please see Annex-1
owner try to maintain financial feasibility in a "high interest rate and daily currency crash" investment environment. Also, there are two actively working DOEs in Turkey. (https://globalgoals.goldstandard.org/approved-auditors/, RINA and Recarbon) Since DOEs have limited capacity to take new projects - the DOEs we request verification or verification services say they cannot initiate the process before four or five months. Hence, the DOEs that we request verification or validation services claim they cannot start the process before four months. We haven't even been able to get a quote from a the DOEs for the last 5 months. The market got back on its feet only around February 2021 with prices reaching levels to justify VER development and adding the domestic financial stress to pandemic, project owners have recently started considering VER development as feasible. In the light of the project and market conditions explained above, we request for deviation the postponement of the crediting period to 18/03/2018-17/03/2025.

3.1.2 | VVB opinion (to be completed by VVB, if applicable):
N/A

3.2 | Assessment of the deviation:

3.2.1 | Deviation assessment (to be completed by Project developer):
The project is still additional in Turkey where the project owner try to maintain financial feasibility in a "high interest rate and daily currency crash" investment environment. Also, the project contributes significantly to the region’s sustainable development in the following ways:

• Reduction of the greenhouse gas emissions in Turkey by replacing electricity otherwise generated by the Turkish grid, which has a large share of fossil fuel power generation.
• Creation of local employment both during the construction and operational phase. At the moment the unemployment level in Turkey is 13.4%. The Project will mainly have a positive impact on the local area.
• Creation of new job opportunities for the local community and support to the regional economy through the employment of different kind of service and material supply (civil and electrical works, operation and maintenance activities, security).
• Technology and know-how transfer as the employees are trained on maintenance, safety, and operational issues.
• Contribution to the reduction of pollutants such as sulfur dioxide, nitrogen oxides and particles resulting from the electricity generation using fossil fuels in Turkey.
• Reduction of Turkish dependency on electricity imports.
• Diversifying the energy generation mix which is currently dependent on natural gas.

As the project activity is contributing to sustainable development and result in real, measurable benefits, the project is developed in line with “Gold Standard” rules and requirements.

The timeline for the verification is between December and March 2022.

3.2.2 | VVB opinion (to be completed by VVB, if applicable):
N/A

3.3 | Impact of the deviation:

3.3.1 | Impact assessment (to be completed by Project developer):
The project would highly benefit from carbon credits, as the additionality is high due to technical difficulties that have required continuous maintenance due to site conditions. The recent economic and financial stress make it harder for the investors to access finance for project revisions and improvements.

3.3.2 | VVB opinion (to be completed by VVB, if applicable):

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3 https://tr.wikipedia.org/wiki/T%C3%BCrkiye%27de_i%C5%9Fsizlik
N/A
3.4 | Documents:
https://registry.goldstandard.org/projects/details/786
Annex-1: Turkish currency and debt crisis

Strategic Currency Briefing

TRY: All hell breaks loose

We had warned in our last update that a dangerous monetary policy experiment had been unleashed upon Turkey. Turkey’s status quo with flat interest rate came to an end in September when CBT cut the benchmark rate by 100bp to 18.00% and then again by 200bp to 16.00%, which has sent the lira exchange rate flying. Further cuts are in the pipeline. The argument that inflation is transitory may be true broadly, but not in the case of Turkey, which has experienced high inflation for over a decade. The ever-depreciating exchange rate is recognised as the main culprit. This latest round of lira depreciation will also boost inflation, and feed back into a familiar inflation-FX spiral, which will likely ultimately derail the rate cuts and force interest rates back up. But until then, significant exchange rate overshooting is possible: we revise our March-2022 USD-TRY forecast from 10.00 to 11.00.

Table 1 - Exchange rate forecasts

<table>
<thead>
<tr>
<th></th>
<th>Dec-21</th>
<th>Mar-22</th>
<th>Jun-22</th>
<th>Sep-22</th>
<th>Dec-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR-TRY</td>
<td>11.50</td>
<td>12.76</td>
<td>11.70</td>
<td>11.90</td>
<td>12.00</td>
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<tr>
<td>USD-TRY</td>
<td>10.00</td>
<td>11.00</td>
<td>10.00</td>
<td>10.00</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Source: Commerzbank Research

Unconventional monetary policy has begun

The seeds for the next lira crisis have been sowed. CBT governor, Sahap Kavcıoğlu, has launched a much-anticipated unconventional monetary policy experiment in Turkey, which is attempting to cure high inflation by lowering interest rates. This is President Tayyip Erdogan’s now familiar view of how monetary policy should work. CBT attempts to find justifications for rate cuts by arguing that core inflation is in fact lower than observed headline inflation and that the high inflation is temporary. But such arguments do not make sense because even the core inflation rate is many multiples of the inflation target, and this has been the case for a decade (nothing related to recent transitory factors) – other central banks would not dream of lowering interest rates against such a backdrop. What is more, further rate cuts appear very likely to be on the cards because the cuts are not driven by any fundamental considerations – so it would be naïve to expect them to stop except because of financial market pressure.

We have recently witnessed advocates of low interest rates run monetary policy at CBT, under the supervision of Berat Albayrak, with Murat Uysal as CBT governor. We all saw what happened when Uysal embarked on a rate cutting cycle, using FX interventions instead (directly and indirectly via balance sheets of state banks) in an attempt to steady the lira — which ultimately led to a 30% TRY decline during his term.

What level the lira?

During such times, readers often ask us 1) how far we think CBT might lower rates, 2) how far the lira might weaken before things eventually turn around. The answers to these questions are elusive as ever – more so in the current situation, because some kind of regime or paradigm shift may be required to put an end to this experiment. In any case, it is worth pointing out that such details will likely not matter for the bigger picture. Here is why.

It might seem that the exchange rate should depreciate by a margin, which depends on how fast and how much CBT will cut rates. We do not think so. We think that the pace of recent rate cuts is only acting as a ‘trigger’ by confirming that the counter-intuitive monetary policy is now truly being implemented in Turkey. Earlier, it had been a risk factor of course, but its timing was not clear, and the CBT Governor appeared to resist the idea – it was highly uncertain when and how the president would impose his will. TRY’s high carry ensures that during interim periods without specific triggers – until the timing of a sell-off becomes concrete – the exchange rate will tend to drift stronger. In the end, however, this provides no defence and only lures in the complacent.

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