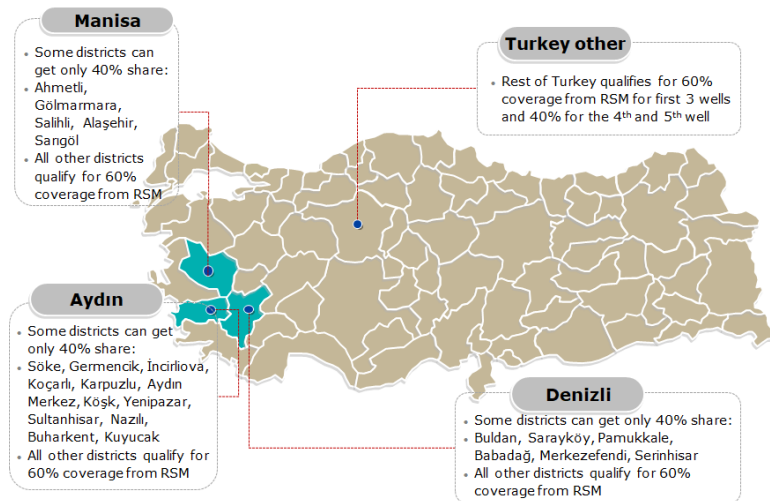


RISK SHARING MECHANISM

The Risk Sharing Mechanism (RSM) has been created with the aim to increase private sector investment in exploration drilling in Turkey by providing partial coverage of exploration drilling costs in case of unsuccessful wells. RSM has been active since 2018. In the first round 7 projects with up to 3 exploration drillings have benefitted from the RSM. The RSM has been capitalized with a US\$39.8 million grant from the Clean Technology Fund. The implementing agency for the RSM is the Development and Investment Bank of Turkey (TKYB).

In this context, an exploration drilling project is defined as the drilling of up to five wells in a given geothermal license area to validate the viability of power production, and/or direct use applications. The exploration wells to be supported by the RSM can be of production size, medium size or slim holes, as dictated by the drilling program necessary to meet the requirements of the supporting business plan.

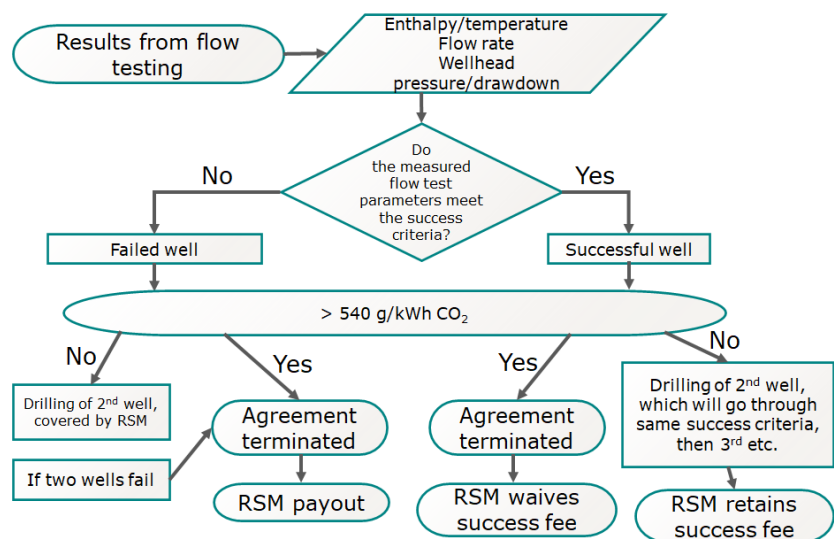


Eligible license holders can apply to participate in the RSM. 60% of the cost of failed wells will be covered in most of Turkey. However, only 40% will be covered within selected, already well-explored areas. The pay-out for a single drilling project will be capped at \$4 million. A success fee guarantee of 5% of the estimated well cost is provided by the Beneficiary; either through a letter of credit or by establishing an escrow account.

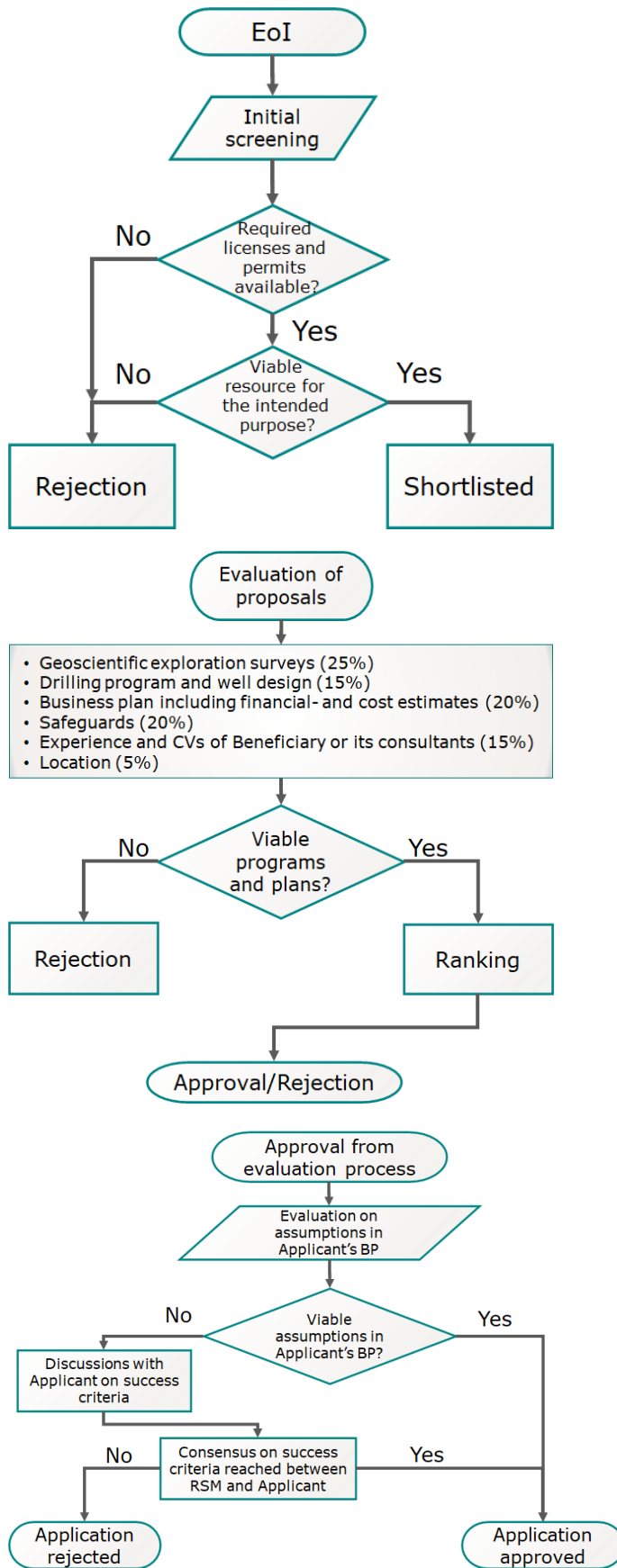
When a completed well meets or exceeds the success criteria, that has been set on a custom basis for the drilling program, the success fee is retained by the RSM, otherwise it is reimbursed to the Beneficiary.

A standard RSM program will initially consider drilling costs of three wells per project, although the program could be extended to a fourth and fifth well at a lower coverage (40% in all cases) and higher success fee (10%). What constitutes a successful versus an unsuccessful well will be based on an output threshold for each well that is contractually agreed between the RSM Unit and the Beneficiary pursuant to the needs of the Beneficiary's Business Plan. Drilling success/failure criteria, will be defined in gross output in MW, based on:

- Enthalpy (kJ/kg)
- Flow (kg/s)
- WHP - Well head pressure
- Drawdown
- Temperature in slim holes



Note: RSM agreement will be terminated if CO₂ emission levels are above the value of the year prior to the year when the drilling was completed.



EoI stage and screening

The application evaluation process is visualized in the flowchart:

During the Expression of Interest (EoI) stage, an initial screening will confirm that all the necessary information and licenses required are provided in the application.

Moreover, an estimation is made of the possible viable resource. The RSM Unit will, based on the information provided, make a decision on proceeding or not with further evaluation of the application, where promising applications will be shortlisted and invited to submit a full proposal; they will also be offered a training to support their proposals.

Applications will be evaluated based on the completeness and quality of the following categories:

- Geoscientific exploration data and resulting conceptual model
- Drilling programs and well designs
- Business plan
- Safeguards
- Experience of the Beneficiary or its consultants
- Location

Evaluation and Ranking

Based on the information and plans provided for the drilling programs, development plans, Turkish environmental regulations and WB environmental and social guidelines, the application is further evaluated and a decision is made whether the applicants' plans are viable or not.

Success Criteria and Negotiations

Assumptions put forward in the business plans of the applicant are evaluated, and the success criteria for each well will be discussed between the RSM Unit and the applicant via negotiations.

If a consensus between the applicant and the RSM Unit is reached on specific success criteria, which coincides with the business plan, the application will be approved and the Beneficiary agreement will be signed.

Up to 6 projects can be supported during the second round.

GEOTHERMAL RISK SHARING MECHANISM (RSM)

Consultation Workshop Agenda, ZOOM meeting, 26 January 2021

Timing	Program
Opening Session	
10:30–10:40	<u>Welcome address:</u> Ms. Yasemin Orucu, Senior Energy Specialist, WB <u>Keynote address:</u> Mr. Fatih Saltuk, RSM Coordinator, TKYB
Morning Session	
Moderator: Yasemin Orucu, Energy Specialist, World Bank	
10:40–12:10	<p>Introduction to the RSM for geothermal exploration in Turkey Speaker: Ms. Hilal Kivanç Ateş, Technical Specialist RSM PIU, TKYB Presentation: 15 minutes</p> <p>Details of the RSM for geothermal resource validation Speaker: Mr. Bjarni Richter, Geologist, RSM Consultant Presentation: 20 minutes</p> <p>Financial requirements of Geothermal exploration drilling in RSM, link between success criteria and the business plan Speaker: Mr. Wietze Lise, Principal Consultant, RSM Consultant Presentation: 15 minutes</p> <p>Technical requirements of Geothermal exploration in RSM Speaker: Mr. Daði Þorbjörnsson, Hydrogeologist, RSM Consultant Presentation: 15 minutes</p> <p>Testing requirements for Geothermal exploration in RSM Speaker: Ms. Helga Tulinius, Reservoir engineer, RSM Consultant Presentation: 15 minutes</p> <p>Launch of the Expression of Interest (EoI) Speaker: Mr. Wietze Lise, Principal Consultant, RSM Consultant Presentation: 10 minutes</p>
12:10-13:00	Q & A session: Duration: 50 minutes
13:00-14:00	Break
Afternoon Session	
Moderator: Gulana Enar Hajiyeva, Safeguards Expert, World Bank Group	
14:00-14:20	World Bank Environmental Requirements: ESMF Speaker: Ms. Merve Ayşe Kocabaş Yurtkuran, Environmental Specialist, WB Presentation: 20 minutes
14:20-14:40	World Bank Social Requirements: RPF Speaker: Ms. Arzu Uraz Yavaş, Social Development Specialist, WB Presentation: 20 minutes
14:40-15:10	Lesson learnt from Turkish EIA Regulation Implementation Speaker: Mr. Prof. Dr. Cem Avci, Environmental and Social specialist, RSM Consultant Presentation: 30 minutes
15:10-16:00	Q & A session Moderator: Almudena Mateos Merino, Senior Energy Specialist Duration: 50 minutes
16:00	<i>Workshop Summary and Closure (Almudena Mateos Merino)</i>