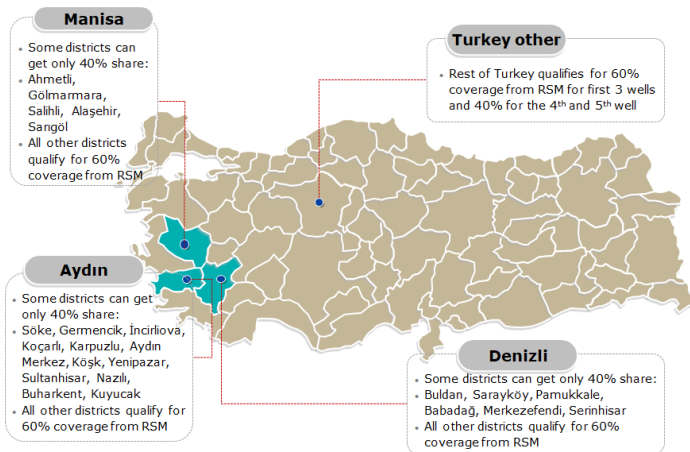


## RISK SHARING MECHANISM

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 2 projects with 3 exploration drillings have benefitted from the RSM. In the second round, for 2 projects drilling is ongoing and 2 more projects are close to start drilling. In the third round, 3 projects are close to start drilling, and site preparations are ongoing. 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 Investment Bank of Türkiye (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.



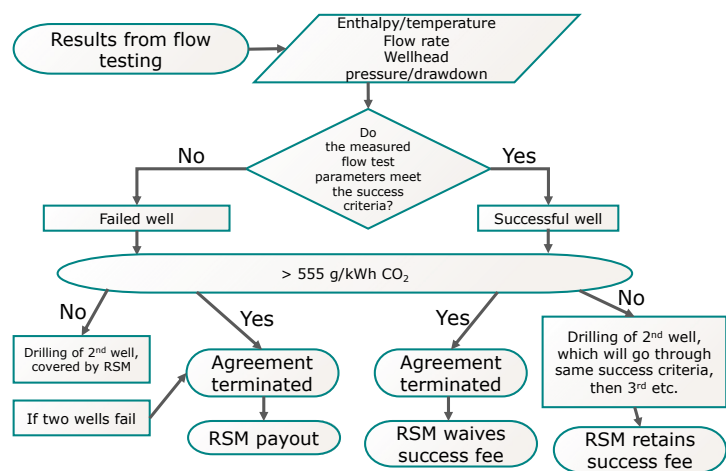
Eligible license holders can apply to participate in the RSM. 60% of the cost of failed wells will be covered in most of Türkiye. However, only 40% will be covered within selected, already well-explored areas. The pay-out for a single drilling project will be capped at \$4 million. A success fee guarantee 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

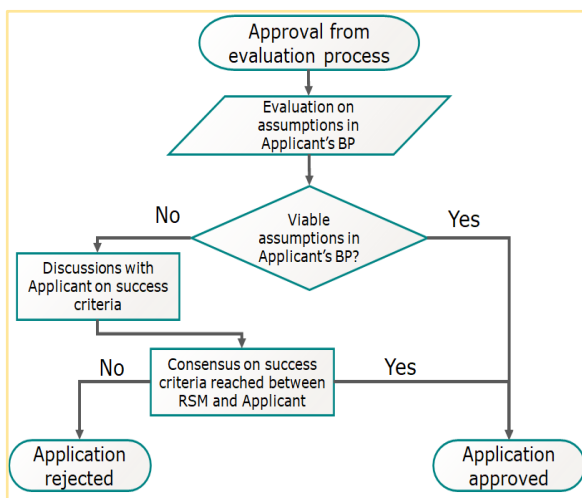
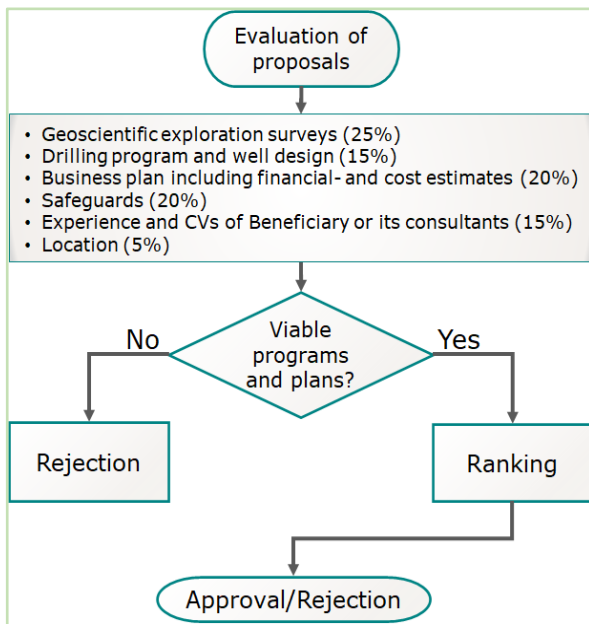
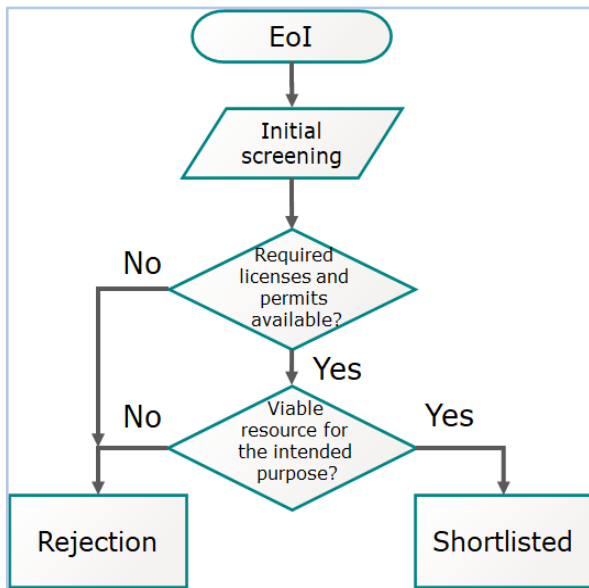
is retained by the RSM, otherwise it is reimbursed to the Beneficiary.

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 CO<sub>2</sub> emission levels are above the grid emission factor for "other renewable" published by the Ministry of Energy and Natural Resources (MENR) in the year prior to the year when the drilling was completed, leading to payout in case of a failed well.*



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
- Environmental and Social Considerations and 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.

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.

Success Criteria and Negotiations

## GEOTHERMAL RISK SHARING MECHANISM (RSM)

### Consultation Workshop Agenda, ZOOM meeting, 26 July 2024

Timing	Program
<b>Opening Session</b>	
<b>14:00–14:10</b>	<p><u>Welcome address:</u> Ms. Elin Hallgrimsdottir, Senior Energy Specialist, World Bank (WB)</p> <p><u>Keynote address:</u> Mr. Fatih Saltuk, RSM Coordinator, Development Investment Bank of Türkiye (TKYB)</p>
<b>Technical Session</b>	
Moderator: Ms. Elin Hallgrimsdottir, Senior Energy Specialist, WB	
<b>14:10–14:50</b>	<p><b>Introduction to the RSM for Geothermal Exploration in Türkiye</b> Speaker: Ms. Hilal Kıvanç Ateş, Technical Specialist, RSM PIU-TKYB Presentation: 10 minutes</p> <p><b>Details of the RSM for Geothermal Resource Validation and Technical Requirements of Geothermal Exploration in RSM</b> Speaker: Mr. Bjarni Richter, Geologist, RSM Consultant Presentation: 10 minutes</p> <p><b>Testing Requirements for Geothermal Exploration in RSM</b> Speaker: Mr. Hans Rudolf Fisch, Reservoir Engineer, RSM Consultant Presentation: 10 minutes</p> <p><b>Financial Requirements of Geothermal Exploration Drilling in RSM, Link Between Success Criteria and the Business Plan and Launch of the Expression of Interest (EoI)</b> Speaker: Mr. Wietze Lise, Economist, RSM Consultant Presentation: 10 minutes</p>
<b>14:50-15:00</b>	<p><b>Q &amp; A session :</b> Moderator: Ms. Elin Hallgrimsdottir, Senior Energy Specialist, WB Duration : 10 minutes</p>
<b>Environment and Social Issues Session</b>	
Moderator: Emre Dölek, Environmental Specialist, WB and Ebru Demir Aykan, Social Development Specialist, WB	
<b>15:00-15:15</b>	<p><b>RSM Environmental and Social Requirements</b> Speaker: Mr. Wietze Lise, RSM Consultant Presentation: 15 minutes</p>
<b>15:15-15:30</b>	<p><b>Project-based experiences</b> Speaker: Ms. Hilal Kıvanç Ateş, Technical Specialist, RSM PIU-TKYB Presentation: 15 minutes</p>
<b>15:30-15:50</b>	<p><b>Q &amp; A session</b> Moderator: Mr. Emre Dölek, Environmental Specialist, WB and Ms. Ebru Demir Aykan, Social Development Specialist, WB Duration: 20 minutes</p>
<b>15:50-16:00</b>	<p><b>Workshop Summary and Closure</b> Ms. Hilal Kıvanç Ateş, Technical Specialist, RSM PIU-TKYB</p>