TURKISH-GERMAN CONSORTIUM TO BUILD TURKEY’S LARGEST COMBINED WIND POWER PLANTS

Siemens Gamesa-Türkerler-Kalyon consortium wins 1 GW wind power plant tender, invests more than USD 1 billion in Turkey

The second of the Renewable Energy Resource Zones (YEKA) auctions in Turkey convened on August 3, 2017. A reverse auction overseen by the Ministry of Energy and Natural Resources saw the Siemens Gamesa Renewable Energy-Türkerler Energy-Kalyon Construction consortium emerge as winners for the 1 GW wind energy project. The consortium’s winning bid was USD 3.48 cent/kWh.

The tender lured bids from eight of the world’s top ten wind turbine producers. Four of the bidders hailed from Germany, two from China, one from the US, and one from Denmark. Energy and Natural Resources Minister Berat Albayrak emphasized that the tender will mark a new era in renewable technologies in Turkey by breaking a new world record in wind prices.

“Theshort participation of world’s leading companies has manifested the confidence in our economy and energy markets,” added Albayrak.

The winning Turkish-German consortium of Siemens Gamesa-Türkerler-Kalyon is expected to invest more than USD 1 billion within the scope of the project. It is widely thought that the German participation in the YEKA project consortium will help reduce recent political tension between Turkey and Germany. German giant Siemens has been operating in Turkey for 160 years, and this fact was not lost on Investment Support and Promotion Agency of Turkey President Arda Ermut, who underlined that the outcome clearly shows that the strong economic ties between Turkey and Germany have not been harmed. Ermut assured that Turkey will continue being a stable and attractive investment destination for German companies, who have invested around USD 9 billion in Turkey over the last 15 years.

Including a minimum 10-year R&D requirement, the winning consortium will construct a wind turbine factory at an investment cost of USD 100 million. This factory will produce up to 450 wind turbines, each with a capacity of 2.3 MW. The consortium will also build wind power plants in 5 different regions in Turkey – including Kayseri-Niğde, Sivas, Edirne-Kirklareli-Tekirdağ, Ankara-Çankırı-Kirikkale and Bilecik-Kütahya-Eskişehir – each with a minimum of 50 MW capacity and 65 percent local content. These locally-produced wind turbines, having a combined capacity of 1 GW, will generate 3 billion kWh of electricity starting from 2019, which is enough to supply the needs of 1.1 million homes.

Turkey’s aggressive promotion of renewable energy has seen the country significantly reduce costs based on the Feed-in Tariff (FIT) over recent years. The first YEKA tender reduced FIT prices on solar power plants to USD 6.99 cent/kWh, down from USD 13.3 cent/kWh, while the second lowered wind power FIT prices to USD 3.48 cent/kWh, down from USD 7.3 cent/kWh. With these competitive costs in hand, Turkey plans to ramp up its installed wind capacity to 20 GW by the end of 2023. Turkey’s current wind energy capacity is in excess of 6.1 GW.
Turkey offers ample opportunities and continues to be an attractive investment destination. The Turkish economy posted growth rates of 3.5 percent in Q4 2016 and 5 percent in Q1 2017. In monetary terms, Turkey attracted around USD 11 billion of FDI during the August 2016 to June 2017 period, with the first six months of 2017 seeing equity investments inflow into Turkey surging 50 percent y-o-y to USD 4.1 billion.

Reforms that began to be implemented as early as 2002 quickly bore fruit as the investment environment in Turkey improved considerably. Several multinationals invested in Turkey, and many of those have continued to expand their investments over the past 15 years. Some companies have gone as far as to position Turkey as their regional management and manufacturing base.
The latest example of this is Anadolu Group’s USD 110 million beverage factory investment in the Isparta province of Turkey. Anadolu Group owns 50.3 percent of Coca-Cola Turkey. Speaking at the opening ceremony of the new production facilities, President Recep Tayyip Erdoğan praised the continued confidence that investors were showing in Turkey. He pointed out that sustainable FDI inflow to Turkey is important, while underlining that sweeping reforms have been introduced over the past decade to provide foreign investors with an attractive and safe investment climate. Among the other recent large-scale investments that had been made in Turkey, he singled out Siemens Gamesa, a member of the consortium who won the tender held for the construction of a 1-GW wind power plant as part of the second of Renewable Energy Resource Zones (YEKA) auction in Turkey, and the Istanbul İkitelli City Hospital Project, a joint USD 1.5 billion investment of Turkish and Japanese companies. Erdoğan went on to highlight that FDI inflow into Turkey reached USD 181 billion in the 2002-2016 period, which was significantly more than the USD 13.5 billion raised during the prior 1984-2001 period.

Chaired by the Board of Directors of the US-based Coca-Cola Company, Muhtar Kent, also delivered a speech during the opening ceremony. He strongly reiterated their belief in Turkey’s potential and acknowledged that Coca-Cola will continue investing in the country with their partners. The United States is an important investment and trade partner for Turkey due to a long standing economic and political partnership and the fact that the US is the world’s largest foreign investor. The US ranks number 5 in Turkey’s exports and number 4 in imports. As of the end of 2016, the trade volume between Turkey and the US was around USD 17.5 billion. Also during 2016, 7 percent of foreign direct investments into Turkey originated from the USA. According to the American Business Forum in Turkey (Amcham Turkey), their 135 members invested USD 54 billion in Turkey so far and have contributed to the creation of nearly 90,000 jobs.

To promote Turkey’s new role as a sectoral dialogue partner of ASEAN, the Association of Southeast Asian Nations, Prime Minister Binali Yıldırım paid official visits to Singapore and Vietnam in August. Speaking to attendees at the Singapore-Turkey Business Forum held on August 21, 2017, in Singapore, Prime Minister Binali Yıldırım remarked that bilateral trade between Turkey and Singapore will further accelerate when the free trade agreement (FTA) between the two countries enters into force in October this year. The Forum, part of a South Asian roadshow including Singapore and Vietnam, was attended by more than 200 Turkish and Singaporean business people.

Prime Minister Yıldırım noted that relations between Turkey and ASEAN, will improve since Singapore will serve as the term chair next year. “Turkey and Singapore look forward to fruitful cooperation with the combination of Turkey’s experience, particularly in construction, and Singapore’s strong financial resources,” Yıldırım said. He further underscored that Turkey’s stable investment environment following the April 2017 constitutional referendum, strong growth rates achieved over the last 14 years, and the ease of conducting business with regional countries, all provide lucrative opportunities for investors.

Turkish Minister of Economy Nihat Zeybekçi also spoke at the forum. He pointed out that the FTA between Singapore and Turkey is the most comprehensive and inclusive one in Turkish history. He added that the two countries aim to reach a trade volume of USD 2 billion by the end of 2018.

Prime Minister Yıldırım also attended an executive meeting with Singaporean investors whose total assets amounted to USD 550 billion. Other members of the Turkish delegation included Deputy Prime Ministers Mehmet Şimşek and Recep Akdağ, Minister of Science, Industry, and Technology Faruk Özlü, Minister of Customs and Trade Bülent Tüfenkci, and President of Investment Support and Promotion Agency of Turkey Arda Ermut.
As the private sector increasingly focuses on customer services as a way to retain business, Turkey's call center and business process outsourcing (BPO) sector has achieved considerable growth in recent years. Being in close proximity to Europe, providing time zone advantages to companies that outsource some of their operations, and having a large multilingual labor pool, Turkey increasingly serves as an international hub for call centers.

According to the Turkish Call Centers Association, the industry had a value of TRY 4.5 billion and employed 85,000 people in 1,229 call centers throughout the country in 2016. The expected CAGR of the call center sector will be 10.5 percent in the next 5 years. Telecommunications, financial services, retail, logistics, transportation, and e-commerce are some of the sectors that receive service from the call center sector in German, English, Dutch, Arabic, French, Russian as well as Turkish.

In addition to global companies that have set up exclusive units for BPO operations in Turkey, such as Allianz, DHL, ING Bank, Lufthansa, TNT Express, and Vodafone, several global players in the BPO sector, including Arvato, Atos, Teleperformance, Comdata, and Webhelp, also have entered into the Turkish market in recent years.