

The European Bank for Reconstruction and Development is lending US\$134.75mn to electricity companies in Turkey to support reforms in the country's energy sector. The loan will go to IC Ictas Elektrik and its subsidiaries Trakya Electricity Distribution Company and Trakya Electricity Retail Company.

The transaction is part of a US\$700mn dual-currency financing package, which includes loans from Garanti Bank, Isbank, Vakifbank and TSKB.

Part of the loan will be converted to Turkish lira to help the companies manage foreign exchange risk. The lira has lost a fifth of its value this year, hit both by concerns around the domestic political and economic climate, as well as a resurgent dollar.

Turkish President Recep Tayyip Erdogan recently announced that he will be taking steps to launch state tenders in lira and allow commerce to be conducted in local currencies, in a bid to support the struggling currency.

Funds from the loan will go towards upgrading the network, enhancing metering systems, implementing environmental, health and safety improvements and increasing network efficiency.

In 2013, Turkey's distribution companies were legally required to unbundle their retail activities, and while distribution firms have been privatised, reform is still under way and due for completion in 2020. Customers will then be free to choose their energy suppliers.

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