

# Estimating fair rate of return in times of high inflation

**Roundtable input by Türkiye**  
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$$k_e = r_f + \beta \times (r_m - r_f)$$

# WACC calculation model

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*What WACC calculation model do you use in your legislation (Capital Asset Pricing Model, other?)*

The CAPM is used to determine expected rate of return on assets. The model calculates the cost of Equity.

$$k_e = r_f + \beta \times (r_m - r_f)$$

# WACC specification

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*What is the WACC specification (pre/post-tax, real/nominal)?*

*The WACC is calculated in real and before tax in Türkiye.*

*(Nominal WACC Before Tax is calculated by the adding the Corporate Tax, and the Real WACC Before Tax is calculated by taking into account the expected CPI.)*

# WACC adjustments

*How did the WACC change (if at all) in the past 3 years for all gas segments (distribution, transmission, storage)?*

Sector	Distribution		Transmission		Underground Storage	
	Previous	Current	Previous	Current	Previous	Current
WACC (%)	14,38	13,25	11,52	12,37	12,50	12,52

# Inflation effect on WACC and/or tariffs

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*How has inflation affected WACC and/or tariffs (CAPEX side)?*

*As all we know; Türkiye has been experiencing high inflation rates for a long time. So this situation is affecting the WACC calculation. Basically, because of high inflation market interest rates and risk premium increase, which makes difficult to calculate the WACC rate.*

*Besides this, according to the past experience, in the upcoming days we may have to recalculate the WACC because of expected rate hikes by the Central Bank of Türkiye. In case of a possible rate hike, the companies will deal with significant financial risks and some challenging situations. This requires a WACC revision.*

# Methodology adjustments

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*Are there any WACC determination methodology adjustments anticipated in the nearest future (2023/24)?*

*There is no possibility of change in the WACC determination methodology in the nearest future.*



**THANK YOU  
FOR YOUR ATTENTION!**

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