Departamento Nacional de Planeación

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COLOMBIAN EXPERIENCE OF IMPLEMENTATION CARBON TAX
1. Colombian context
2. Carbon tax
3. Lessons learned

Colombian experience of implementation carbon tax
1. Colombian Context

Colombian experience of implementation carbon tax
Without adaptation GDP could decrease by 0.49% each year

- Fishing: Losses of unloaded fish cargo
  -5.3%
- Forestry: Increase in potential production per hectare
  +6.2%
- Transport: Decreasing in average time closed roads remain.
  -5.9%
- Agriculture: Reduction in agricultural yields.
  -7.4%
- Livestock: Loss of productivity in meat and milk
  -1.6%

National economy would lose each year half point in GDP, equivalent to 3.8 billions COP.

Agriculture would be the most affected sector, with annual yield losses of 7.4%.

Colombia has made commitments in mitigation and adaptation.

### Mitigation

Colombia commits to reduce its GHG by 20% respect to BAU by 2030

- **Meta unilateral**: 66.5 Mton
- **Meta condicionada**: +33.4 Mton

### Adaptation

10 adaptation objectives (few examples):

- **100% of the national territory** covered by climate change plans
- **10 subsectors of the agricultural sector** with capabilities to adapt
- **2.5 million hectares** in coverage of newly protected areas
Short term NDC annual equivalent costs will be compensated in the medium and long term

NDC Anual equivalent cost: 3,1 billions COP

NDC annual equivalent cost for public sector: 1,2 billions COP

NDC annual equivalent cost for private sector: 1,9 billions COP

Source: Fuente (Uniandes, MADS, 2015)
2. Carbon Tax policies

Colombian experience of implementation carbon tax
Colombia has created political signals to close the gap in the climate change initiatives

**POLICY SIGNALS**
To generate an environment to enable resources for climate change

**PRICE SIGNALS**
To incorporate in the decision making externalities related to the climate change

**FINANCIAL MARKET SIGNALS**
To facilitate private and public investment in climate change

**SIGNALS TO INTERNATIONAL COOPERATION**
To achieve an ambitious goal in resilient and low carbon development
Carbon tax
Introduced in 2016 in the latest fiscal reform law

Art. 221.

- Tax on the carbon content of fossil fuels,
- It is levied on the sales, import withdrawal for sale or consumption
- Subjects that demonstrate carbon neutrality do not pay using national certifications.
- Fossil fuels derived represent approximately 24% of the total GHG emissions in the country, are taxed
- Expectations are that the tax will help reduce over 4.3 million tons of CO2 between 2017 and 2030.
- Revenues are spent on environmental and rural development projects on postconflicts areas

$USD5 per tonelada of CO2

<table>
<thead>
<tr>
<th>Fossil Fuel</th>
<th>Unit</th>
<th>USD/unit</th>
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<tr>
<td>Gas Natural</td>
<td>Cubic meter</td>
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<tr>
<td>Gas Licuado de Petróleo</td>
<td>Gallon</td>
<td>0,03</td>
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<tr>
<td>Gasolina</td>
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<td>Kerosene y Jet Fuel</td>
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<tr>
<td>ACPM</td>
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<tr>
<td>Fuel Oil</td>
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</table>

Source: Law 1819, 2016
Carbon tax will help reducing 4.3 CO2 million tons

Consequences to carbon tax (5 usd) revenue on Colombian economy

Taxes and tax expenditures on energy can greatly influence energy-related CO2 emissions


Colombian experience of implementation carbon tax
Oct 2018
Carbon tax is not regressive tax in Colombia

- The most affected are higher income households.
- All households are affected by transport and agriculture.
- Energy intensive sectors increase prices so much affecting the most rich houses.

3. Lessons learned

Colombian experience of implementation carbon tax
Stages of carbon tax Design and Interlinkages between Design Options

• Alignment of Policies and Objectives:
  • Peace process

• Involve on the discussion at Ministry of Finance and Environment

• The design of the tax require studies and policy options

• Even the carbon tax has a huge papers estimations, using local data are acquired

World Bank (2017)