Colombia’s experience developing its carbon pricing policy mix

Ministry of Environment and Sustainable Development - Colombia
Carbon Tax (Law 1819 / 2016)

**Main Characteristics**
- Tax on the carbon content of fossil fuels (oil and natural gas products). Some fuels are not included.

- Taxable events within the national territory: sales, withdrawals (subtractions) or imports of fuel

**Clarifications on the Scope:**
- LPG for industrial users
- Natural gas for hydrocarbons refining and petrochemical industry

- Not to be paid by those passive subjects that certify carbon neutrality according to regulations from the Ministry of Environment

**Issuance:**
1. **Passive subjects (tax payers):**
   - the one that acquires the fuels from the producer or importer
   - the producer or importer when performs fuel subtractions for own consumption

2. **Tax responsible:**
   Producers and importers

**Tax rate:**
COP 15,000 per ton of CO2 (approximately USD 3.8 with the current exchange rate); Increases annually

**2020 rate:**
COP 17,611 (approximately USD 4.5 with the current exchange rate)
Carbon neutrality mechanism (Decree 926 / 2017)

**Carbon tax**

**Taxable event**
- Check fuel quantities and neutralization
- Review serials certifications (cancellation) in favor of the Passive Subject
- Check documentation for carbon neutrality
- Accounting records and keep supports

**Passive subject**
- Prepare or obtain documentation for carbon neutrality request
- Agree and negotiate with eligible initiative holders

**User or final consumer**
- Prepare documentation for carbon neutrality request
- Agree and negotiate with eligible initiative holders
- Serials certificates in favor of Passive Subject

**Fuels Value Chain**
- Certification Programmes or Carbon Standards
- Mitigation initiatives
- Validation and Verification Bodies
- Initiative holders

**Carbon neutrality mechanism**
Results from carbon pricing instruments

1. Approximately 3,200 requests for carbon neutrality

2. Approximately 38 million Tonnes CO₂e cancelled, 84% from domestic initiatives

3. 98 mitigation initiatives

4. Development of services associated to voluntary carbon markets within the national territory: carbon standards and registry platforms

Inter-institutional working group:
Tax authority-Tax responsible-Environmental authority

Capacity building:
Feasibility for tax inspection programme
### National Emissions Trading System (Art 30 Law 1931 de 201)

#### Steps 2020
- Completion of the designing Phase
- Carbon market simulation course
- Communication of results to the government

#### Steps 2021
- Regulation management and negotiation with sectors,
- Technological infrastructure development (Platform -RE).

#### Steps 2024
- Program Release.
- Implementation of the pilot Program RE and its technological platform.

### Elements under general technical formulation

1. Linking
2. Policies interactions: carbon tax and carbon neutrality mechanism
3. Institutional design
4. Use of revenues
5. Sectoral scope
6. Gases
7. Use and type off Offsets
8. Cap: type and level
9. Allowances allocation
10. Obligation points and thresholds
11. Auctions mechanism
12. Temporal Flexibility
13. Price management
14. Sanction regime
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