

Colombia's experience developing its carbon pricing policy mix



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Minambiente

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 responsables:

Producers and importers

Tax rate:

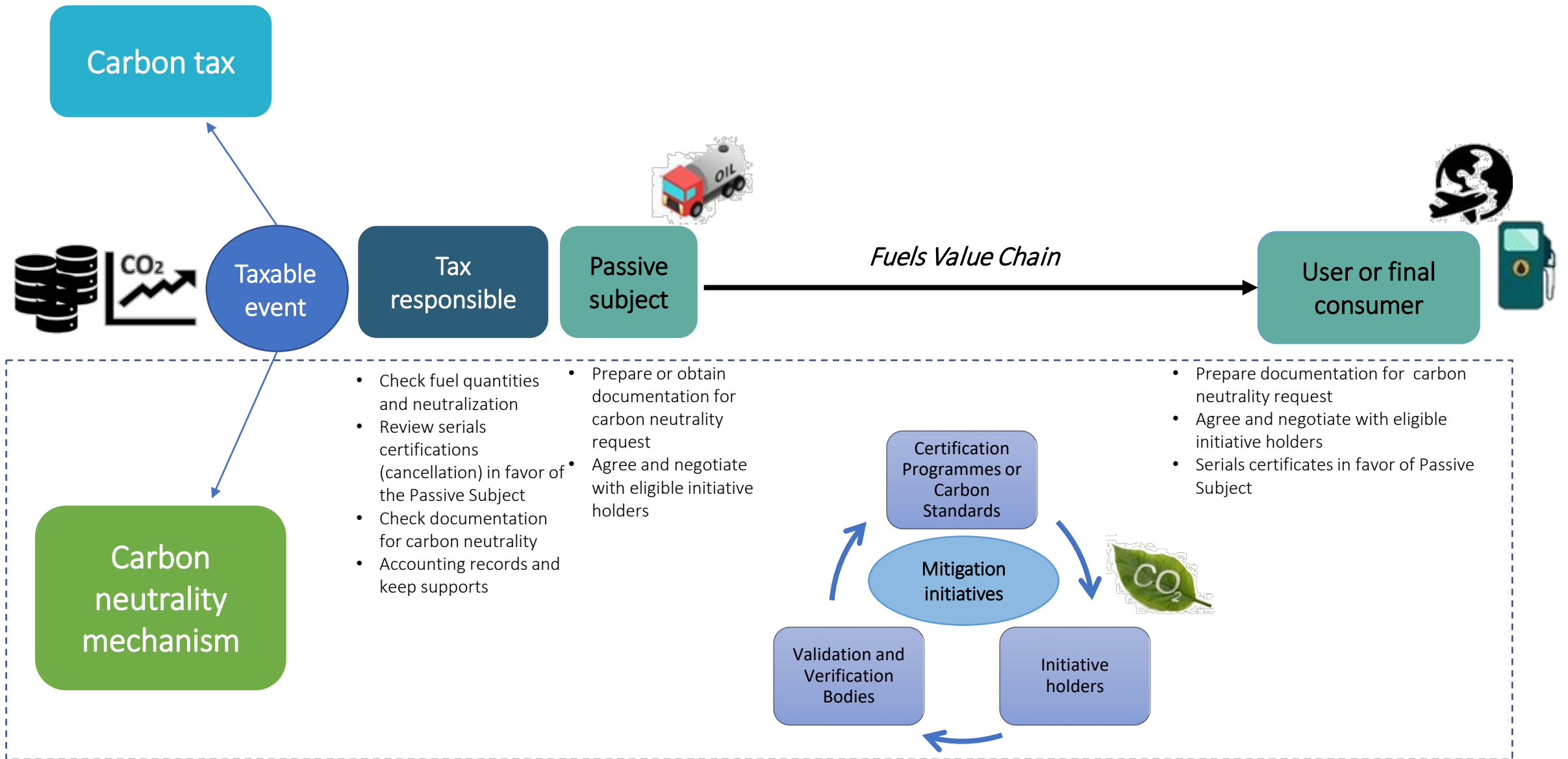
COP 15.000 per ton of CO₂ (approximately USD 3,8 with the current exchange rate); Increases annually

2020 rate:

COP 17.611 (approximately USD 4,5 with the current exchange rate)



Carbon neutrality mechanism (Decree 926 / 2017)





Results from carbon pricing instruments

3 years of carbon neutrality mechanism cutoff to 24/July/2020

1

Approximately 3.200 requests for carbon neutrality

2

Approximately 38 million Tonnes CO₂e cancelled
84% from domestic initiatives

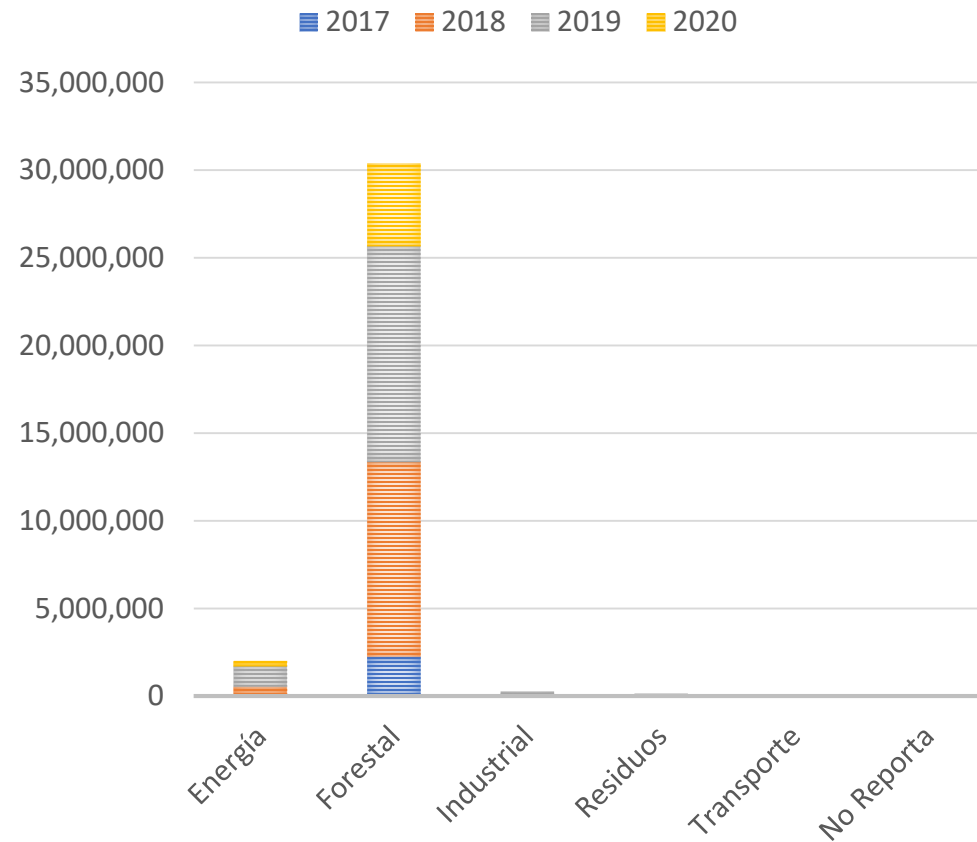
3

98 mitigation initiatives
Sectors: Forestry, Energy, Industry, Waste, Transport

4

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

tonCO₂e –carbon neutrality



3 and a half years of carbon tax

1

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

2

Capacity building:
feasibility for tax inspection programme



Emissions Trading System

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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