El emprendimiento es de todos

Minhacienda

IEA-IETA-EPRI GHG Workshop

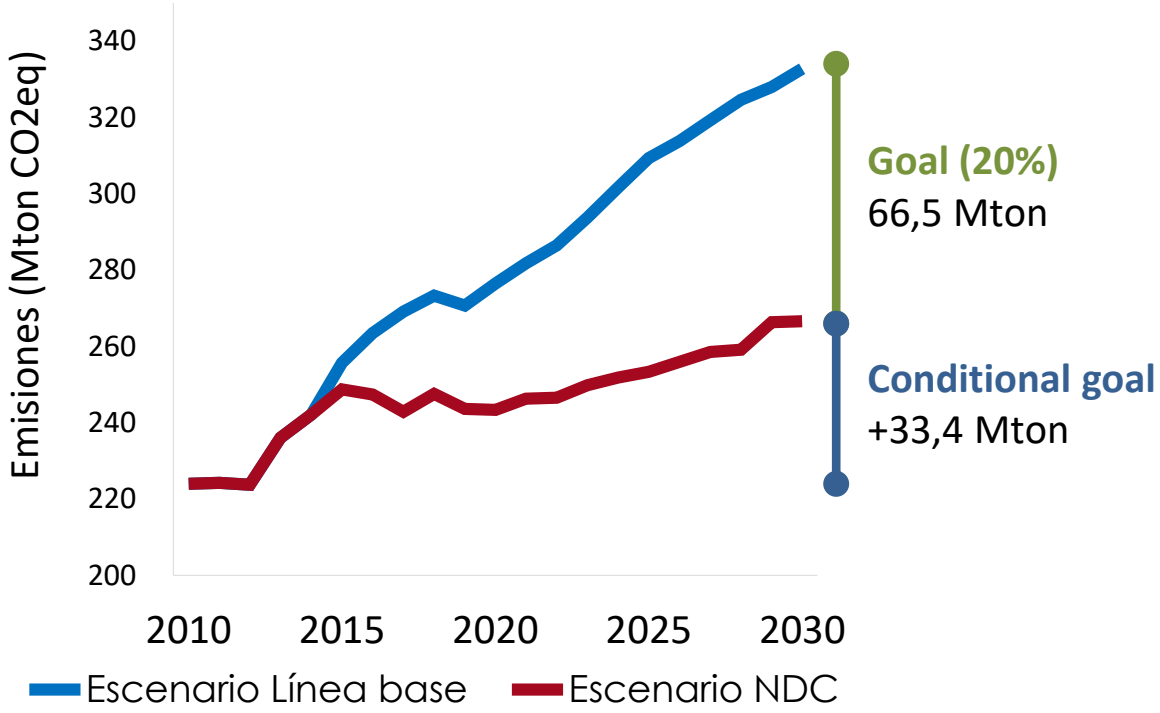
Carbon pricing in Latin America
Colombian Case

Ministerio de Hacienda y Crédito Público

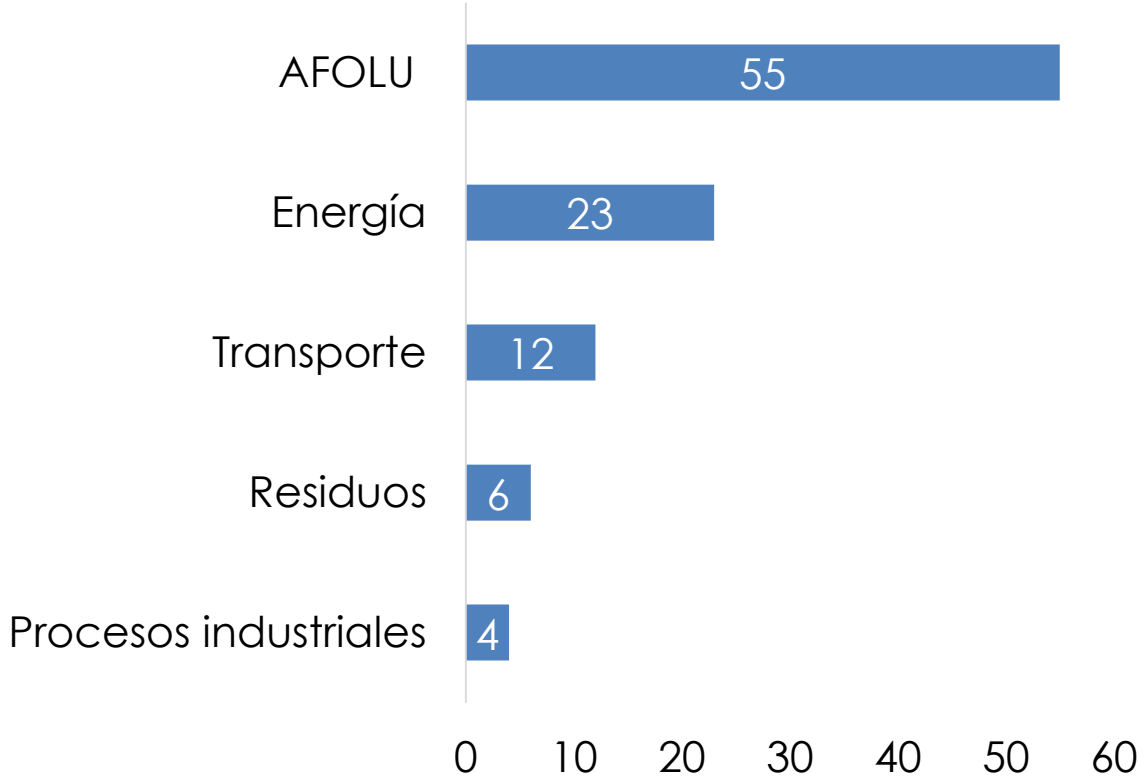
10/09/2020

Context for Colombia emission

Current NDC



Emission share



Carbon tax in Colombia

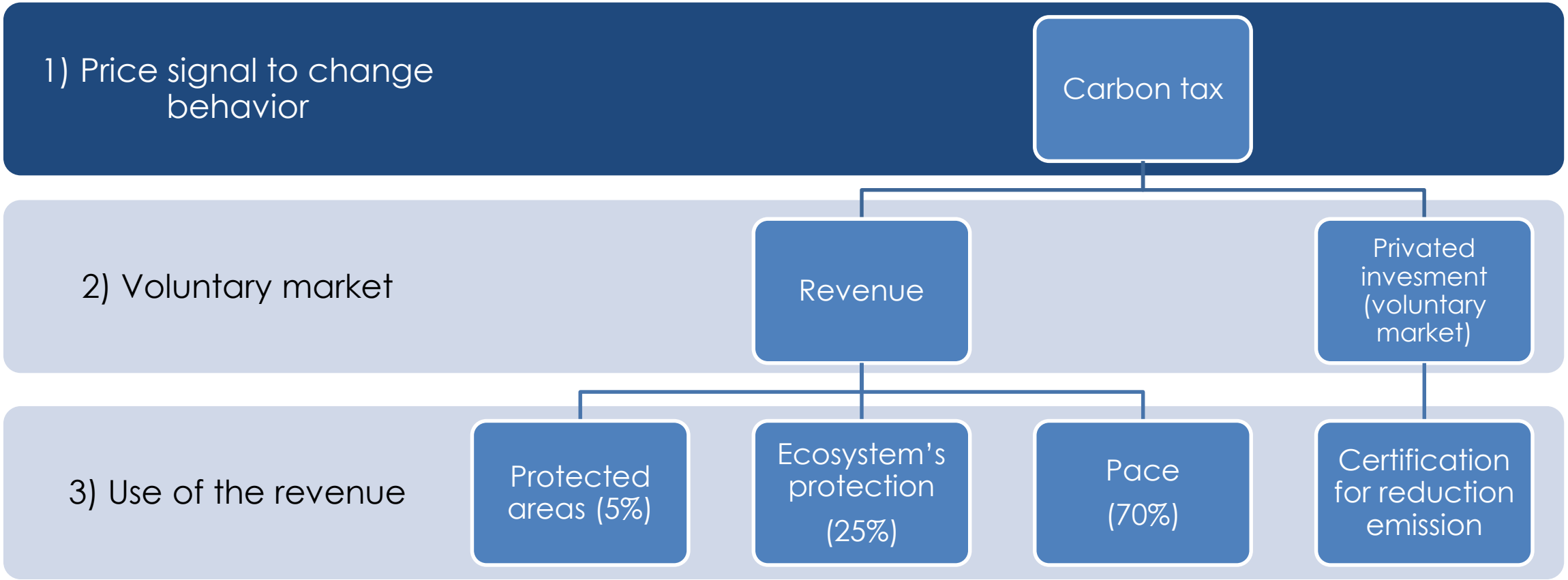
Description

- The tax is related to the carbon content of all fossil fuels, but coal.
- The tax is the sale, import for own consumption or for sale.
- **Taxpayers are not required to certify that they are carbon neutral.**
- The collection of the national carbon tax will go to the "Sustainable Colombia Fund" (investments in rural and environmental development projects)

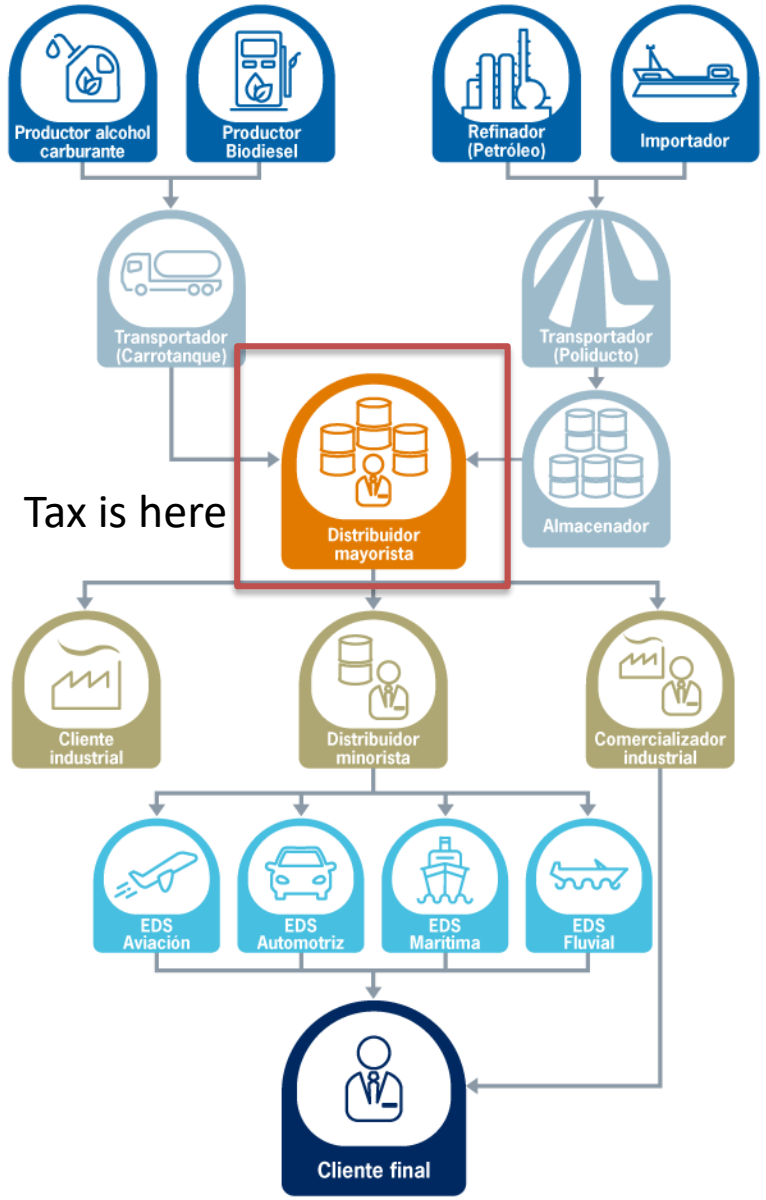
Carbon price: 5 USD

Combustible fósil	Unidad	Tarifa/unidad
Gas Natural	Metro cúbico	$29
Gas Licuado de Petróleo	Galón	$95
Gasolina	Galón	$135
Kerosene y Jet Fuel	Galón	$148
ACPM	Galón	$152
Fuel Oil	Galón	$177

Three dividend for the carbon tax



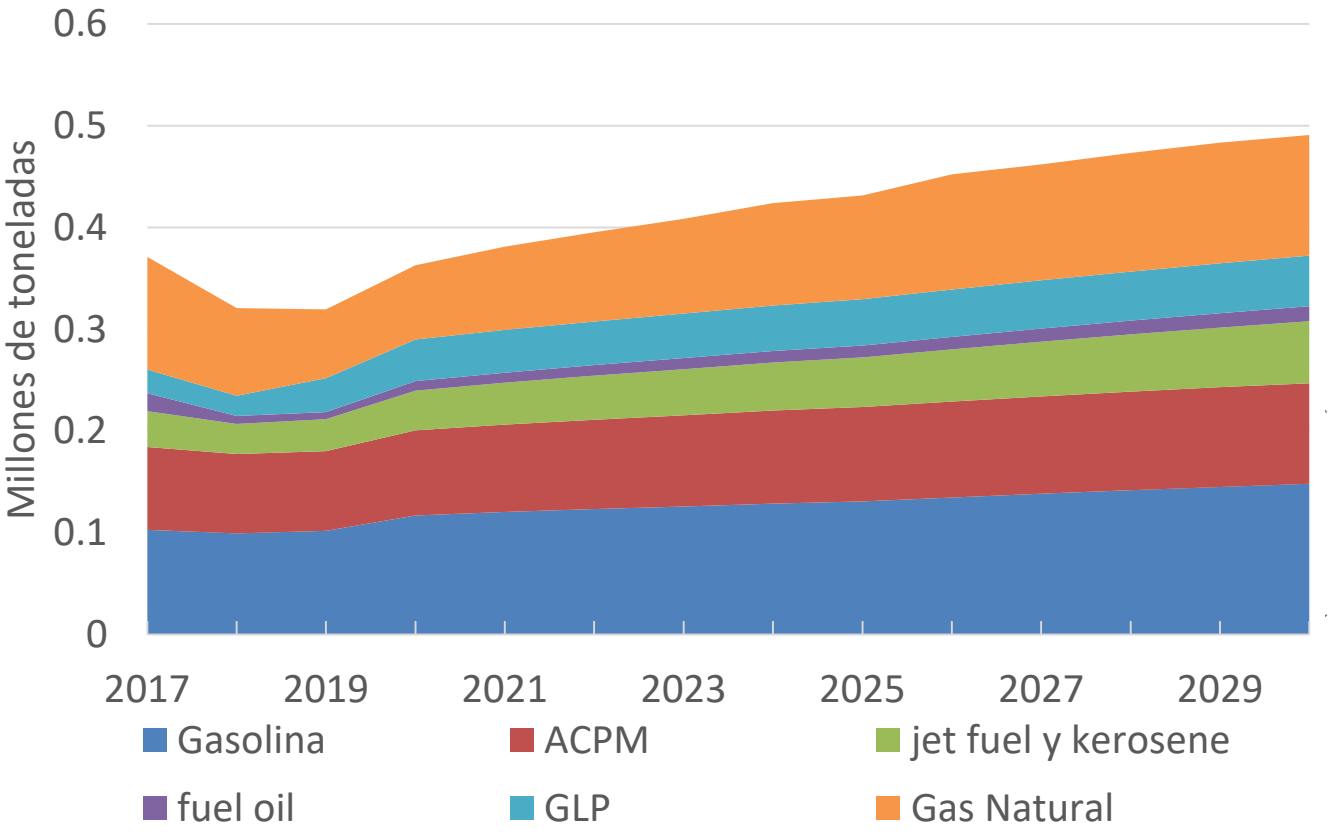
Offset mechanism



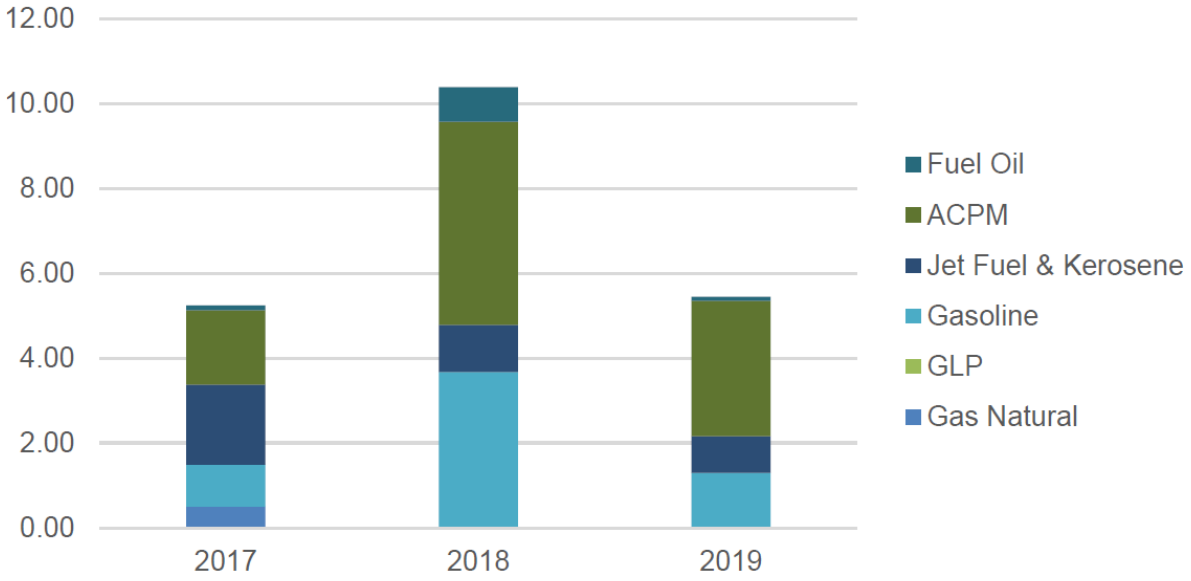
- The design of the tax seeks to supervise some companies
- Market accepts the validation and verification procedure.
- The voluntary market allows a final consumer to make an agreement with the wholesaler.
- Importance of validation and verification procedures as well as the construction of their baselines to avoid double counting and lack of credibility.
- Mandate to create the National Registry of GHG Emission Reduction (Renare)- phase of testing and stabilization.

Impact in the colombian emission

Projection of the carbon tax impact (tons CO2)



Voluntary market reduction emisión (Millions of tons of CO2)



Fuente: Ricardo Energy & Environment, Carbon Limits y Corporación Ecoversa (2020) .

Lessons learned of the implementation of the carbon tax in Colombia

- Certainty of the price of emissions reduction.
- Cost-effectiveness (reach the objective at minimum global cost).
- **Flexibility of choosing how to comply with the regulation**.
- Political acceptance.
- Clear signal for forecast the tax (a clear growth rate)
- Tax revenue generation.
- Administrative capacity of governments.
- Incentive for innovation in technologies.

Design of the ETS in Colombia

Advantages

- Colombia has a good performance in the recent voluntary market
- Colombian has a law to establish the ETS system
- Regulatory environment is working
- A transparency with the information

Challenge

- How made a ETS system with interation with the carbon tax? particularly with the voluntary market
- The tax is consider few companies but market needs huge companies
- The main source for GHG is related to AFOLU sector

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