June 2019

Ministry of Finance - Colombia

Ministers for Climate Action

Coalition of Finance
The Republic of Colombia commits to reduce its greenhouse gas emissions by 20% with respect to the projected business-as-usual scenario (BAU) by 2030.

Subject to the provision of international support, Colombia could increase its ambition from 20% to BAU to 30% with respect to BAU by 2030.

Ungilateral and unconditional target

Additional 10% reduction compared to the BAU scenario
Colombia acknowledges the impact of climate issues on fiscal and economic stability.

• Understanding the potential effectiveness of fiscal instruments to address double-dividend objectives.

• All environmental liabilities will eventually become a fiscal liability.

Premises:

- On fiscal and economic stability.
- Colombia acknowledges the impact of climate issues.
Climate change sectorial plan

Strategic lines proposed by the Ministry of Finance:

- Economic instruments
- Macroeconomic modeling
- Estimation of fiscal impacts associated with climate events
- Capacity building
- Internal management
- Strategic lines proposed by the Ministry of Finance
Taxes:
- Carbon tax
- Plastic bags tax
- Tax benefits for renewable energy
- Tax benefits for electric cars
- Plastic bags tax
- Carbon tax

Other Instruments
- Financial instruments
- Macroeconomic models
- Green bonds
- Disaster Risk Management

Economic Instruments
- Energy
Carbon tax since 2016 (Law 1819).

- Taxable event: The sale of any of these fuels within Colombian territory.
- Producers and importers are responsible for collecting carbon tax.
- Offset mechanism - OTC carbon market.

Tariff: 5 USD per ton of carbon dioxide. Tariff depends on the type of

- Fossil fuels: Gasoline, natural gas, kerosene, liquefied petroleum gas, jet fuel, diesel fuel (ACPM), and fuel oil.

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- Strategy: Support a national productive transformation low-carbon.

- Foundations for financing the NDC.

- To generate signals for greenhouse gas (GHG) emission reduction.

Carbon tax – Key Elements

The tax is earmarked, among others, to environmental issues.
The Ministry of Finance is working on proposals of economic instruments that support green growth. To increase the scope and revenue from the carbon tax (by including coal that is currently exempt) and to channel these resources to a productive transformation low-carbon strategy, technological conversion and low-carbon technologies adoption are crucial. Making an association between the State and the private sector to generate economic growth that results in greater taxes for the state and innovation competitiveness and higher productivity with lower greenhouse gas emissions is also necessary. The Ministry of Finance is working on proposals of economic instruments.
Develop the GEMMES model in order to have a modelling tool to better quantify the effects of climate change in macroeconomic
variables and fiscal policy.

To catalyze national and sub-national efforts through the planning of an innovative, competitive and low-carbon economy, which is resilient at the same time.

Green bonds

Next steps