The Colombian Carbon Tax Overview

Johana Pinzón Téllez
Environment and Sustainable Development Direction
National Planning Department of Colombia
Economic Instruments

Carbon Tax – Carbon Market

The world is already establishing economic instruments for emission reduction of GHG.

46 initiatives of economic instruments exist in the world.

- Carbon tax: certainty of the price
- Carbon market: certainty in reducing emissions

Source: Fuente: BM (2016) CARBON LEADERSHIP COALITION LEADERSHIP REPORT
Greenhouse gas emissions (GHG)

GHG emissions in the **world** are concentrated in the sectors:
- Energy, transportation and land-use change

GHG emissions in **Colombia** are concentrated in the sectors:
- Land use-change and transportation

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**Emisiones totales**: 49 Gton CO2eq

Fuente: IPCC (2014)

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**Emisiones totales**: 0,25 Gton CO2eq

Fuente: IDEAM (2016)
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Simulations of instruments tributaries: National Planning Department "Effects on the economy and on GHG reduction "

- Effects on the composition of the energy matrix
- Effects on household welfare
- Double dividend tax usage scenarios
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Tax on carbon - green tax. Law 1819 of 2016

The rate: USD$ 5 per ton of CO2

- The tax for the carbon content of all fossil fuels:
- The tax is the sale, withdrawal, importation for the own consumption or for sale
- Passive subjects are not caused if certify that they are neutral carbon
- The collection of the national carbon tax is destined to the "Fund Colombia in Peace" (Investments of rural and environmental development projects)
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Tax on carbon - green tax. Law 1819 of 2016

- 24% of the total GHG emissions is covered by the tax

- The tax will help in the reduction of 4.3 million tons of CO$_2$ (7% of the Paris commitment)

- The specific destination is for rural and environmental development projects intensive in work

- By 2017, about USD$ 167 Millions were collected, which represented 65.7% of the total environmental taxes in the country
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Challenges

• Put into operation with the National Registry of Emissions Reduction (RENARE), which will allow monitoring of the certificates presented and calculate the progress of the Colombia NDC

• Creation and implementation of the emissions trading system that will expand the impact with respect to emissions compensation projects

Learned Lessons

• The prior analyzes to the implementation of the regulations allowed to anticipate the effects of the Carbon Tax on the economy.

• The private sector presented a good disposition to adapt to the Carbon Tax, finding even new business opportunities in the new regulations such as investment in more efficient technologies