

CARBON TAX IN COLOMBIA

JAVIER SABOGAL MOGOLLÓN

Consultant

Ministry of Finance Colombia

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Revenue use – opportunities for
strengthening public support and
improving fiscal and climate policy

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CARBON TAX - DESCRIPTION

Carbon tax since 2016 (Law 1819).

Tax tariff COL\$16.422 per ton of CO₂ – **\$ USD 5,5 (2019)**.



Taxable event: the sale of any of these fuels within Colombian territory

Producers and importers are responsible for collecting the tax

24% of emissions are covered.

Offsetting mechanism - OTC carbon market, Projects in Colombia.



The tax is **earmarked**, among others, to environmental issues.

Tax value per fossil fuel

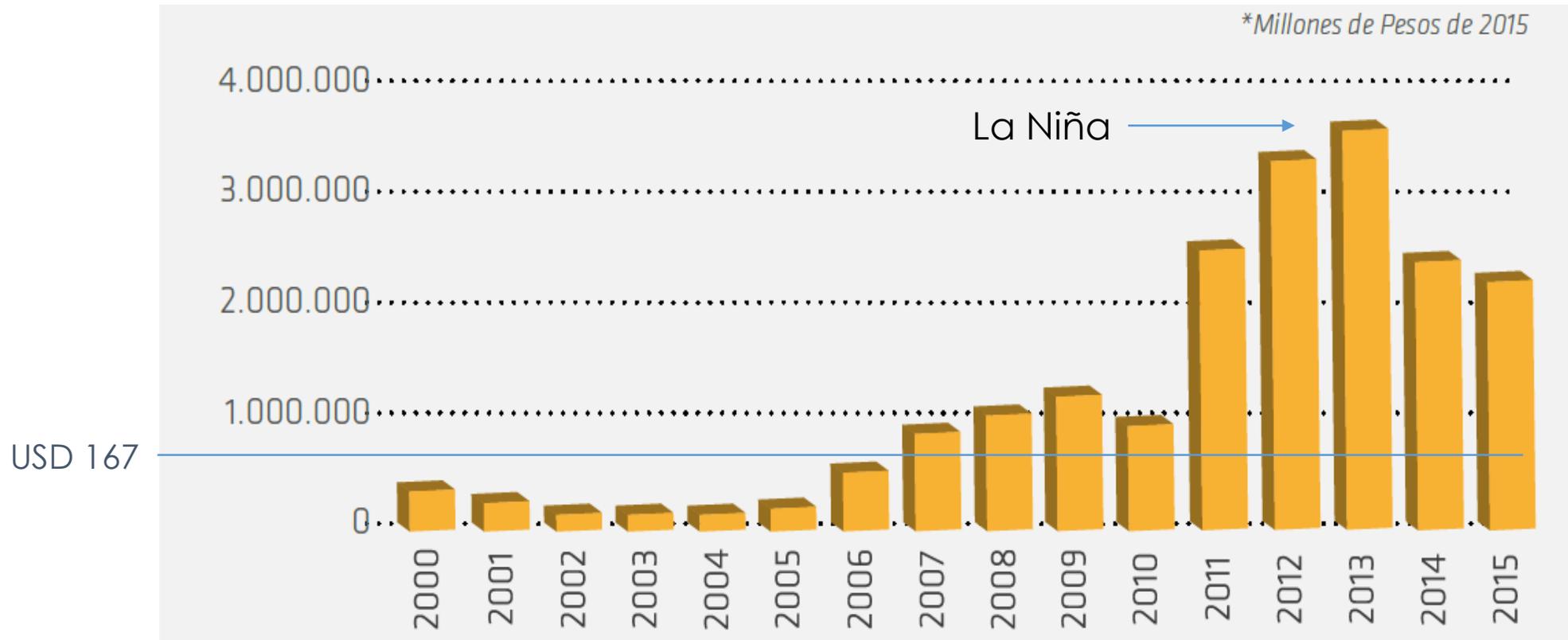
Fossil Fuel	Unit	Fee
Natural gas	m ³	US\$ 0,0107
Liquefied petroleum gas	Galón	US\$ 0,0347
Gasoline	Galón	US\$ 0,0493
Kerosene & Jet Fuel	Galón	US\$ 0,0540
ACPM (diesel fuel)	Galón	US\$ 0,0553
Fuel Oil	Galón	US\$ 0,0647

Source: DNP, MADS, MHCP

REVENUE

2017 USD **159** millions
2018 USD **98** millions
2019 (July) USD **95** millions

Total investment associated to climate change 2000 – 2015

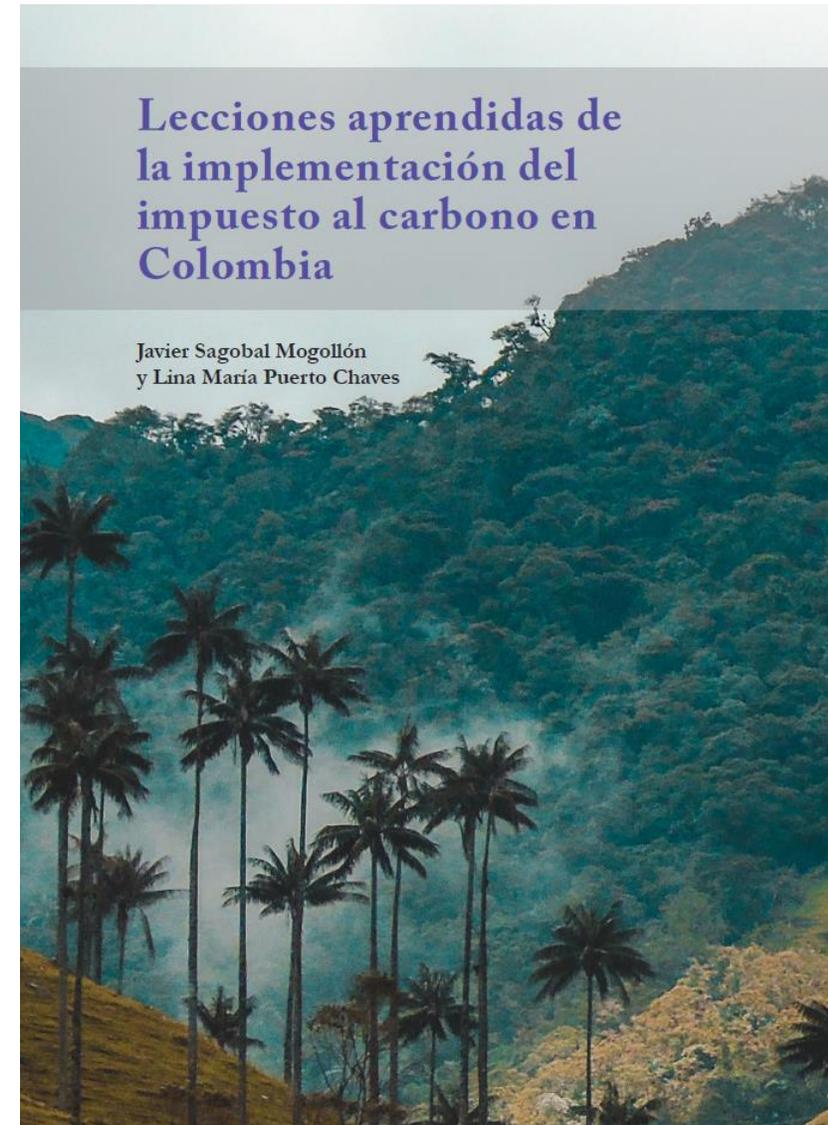


Source: IDEAM 2017, 3rd Communication

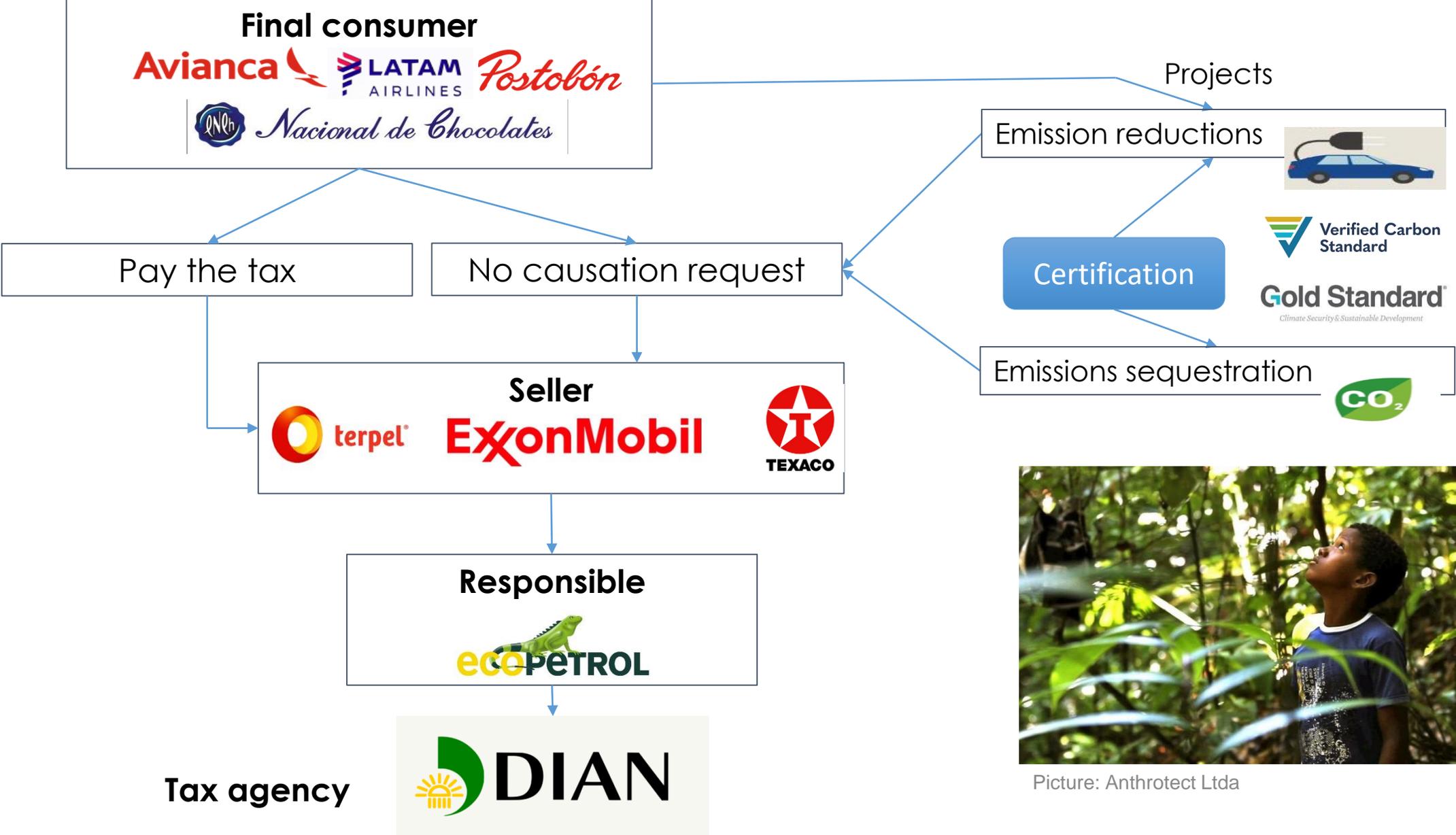
ASSESSMENT OF THE CARBON TAX

🌿 Lessons learned of the implementation of the carbon tax in Colombia (draft, Sabogal & Puerto).

- 🌿 Certainty of emissions reduction.
- 🌿 Cost-effectiveness (reach the objective at minimum global cost).
- 🌿 Flexibility of choosing how to comply with the regulation.
- 🌿 Political acceptance.
- 🌿 Tax revenue generation.
- 🌿 Administrative capacity of governments.
- 🌿 Incentive for innovation in technologies.



FLEXIBILITY: NO CAUSATION MECHANISM



Picture: Anthrotect Ltda

Flexibility: No Causation Mechanism

The carbon tax boosted national carbon markets through carbon neutrality certification.

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. Pending its entry into operation (was expected in November 2018).

Political Acceptance: Tax Reform (Law 1819/2016)



1 Reforma contra la evasión



3 Personas Naturales
La Reforma por la simplicidad tributaria para todos

VAT



5 IVA e Imposconsumo



Por el empleo y la inversión
Reforma Tributaria Estructural



6 Reforma para la protección del medio ambiente

Green taxes



2 Personas Jurídicas
La Reforma por una empresa pujante, con empleo estable y de calidad.



4 Monotributo
Se propone una alternativa voluntaria al impuesto que hoy pagan o deben pagar los pequeños comerciantes, con una tarifa reducida y de fácil cumplimiento.



7 Reforma por la protección de la salud de los colombianos

Political Acceptability: Earmarking

COLOMBIA PEACE FUND

Importance of **clear communication** about how resources are used.

This has been a deficit:

The screenshot shows the top navigation bar of the El Tiempo website with the logo 'EL TIEMPO' on the left and search, 'SUSCRIBIRME', and 'INICIO' on the right. Below the navigation bar are category links: 'VIDA', 'CIENCIA', 'EDUCACIÓN', 'VIAJAR', 'MEDIO AMBIENTE', and 'MUJERES'. A blue call-to-action button says 'Regístrate o inicia sesión para seguir tus temas favoritos.' Below this is a button labeled 'SEGUIR MEDIO AMBIENTE'. The main headline of the article is 'Impuesto nacional al carbono: ¿qué pasa con la plata?' and the sub-headline is 'Deben ser usados en proyectos que impacten al mismo tiempo aspectos ambientales y de paz.'

“Carbon tax: What is happening with the money?
Resources should be channeled to projects with environmental and peace issues”

DEFORESTATION



MUNICIPALITIES PDET



Source: Ministry of Finance

Source: Ministry of Environment

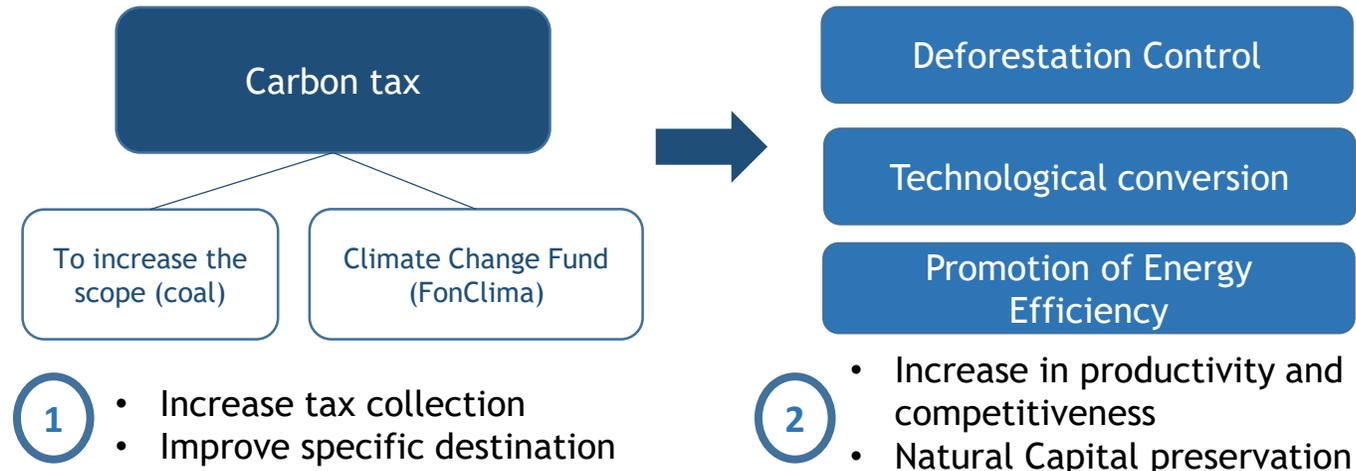
Next steps: Clean Economy and Sustainable Development Bill Proposal



“To promote better behaviours is also our function”
Minister of Finance – Alberto Carrasquilla.

Next steps: Clean Economy and Sustainable Development Bill Proposal

- The Ministry of Finance is working on proposals of **economic instruments that support green growth**
 - Carbon Tax Modification
 - Vehicle tax modification
 - Promotion of the circular economy
 - Promotion of agriculture and sustainable livestock (pesticides tax)
 - National Climate Fund -FONCLIMA
- **Innovation, competitiveness and higher productivity** with lower greenhouse gas emissions
- **Incentives for behavioral changes** that reduce environmental impact.
- **Sources of financing** for environmental management.



Gracias

Javier Sabogal Mogollón

Javier.sabogal@minhacienda.gov.co

Every environmental liability will eventually become a fiscal liability

