



El emprendimiento
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Minhacienda

Coalition of Finance Ministers for Climate Action

Ministry of Finance - Colombia

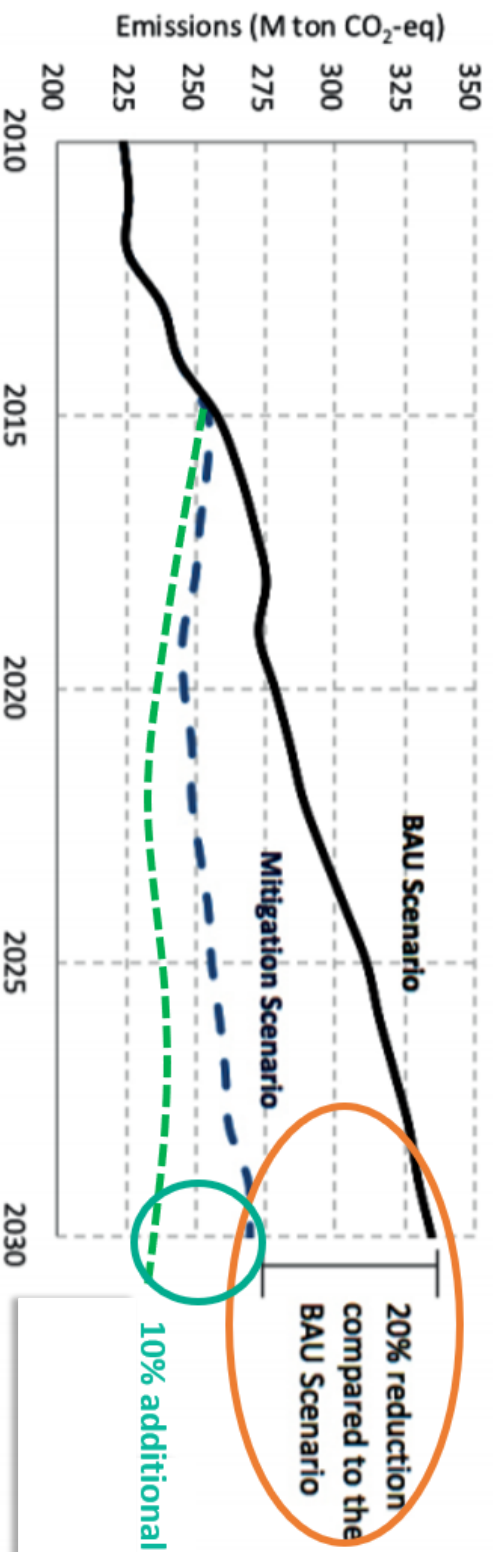
June 2019



NDC

Unilateral and unconditional target

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.



Conditional Target

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



Premises

- 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 liability will eventually become a **fiscal liability**



Climate change sectorial plan

- **Strategic lines proposed by the Ministry of finance:**
 - Economic instruments
 - Management and access to financing sources.
 - Macroeconomic modeling
 - Estimation of fiscal impacts associated with climate events
 - Capacity building
 - Internal management



Economic instruments

Taxes:


- Carbon tax
- Plastic bags tax
- Tax benefits for renewable energy
- Tax benefits for electric cars

Other instruments

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



Carbon tax – Key elements

- **Carbon tax since 2016 (Law 1819).**
 - To generate signals for greenhouse gas (GHG) emission reductions
 - Foundations for financing the NDC
 - Support a national productive transformation low-carbon strategy.
- **Offsetting mechanism** - OTC carbon market
- **Tariff:** 5 USD per ton of carbon dioxide. Tariff depends on the type of fossil fuel 
- **Fossil fuels:** Gasoline, natural gas, kerosene, liquefied petroleum gas, jet fuel, diesel fuel (ACPM), and fuel oil.
- **Taxable event:** the sale of any of these fuels within Colombian territory
- **Producers and importers** are responsible for collecting carbon tax
- The tax is **earmarked**, among others, to environmental issues.



Next steps

- 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)
 - To channel these resources to a **productive transformation low-carbon strategy**
 - **Technological conversion** and low-carbon technologies adoption
 - Making an association between the State and the private sector in order to generate economic growth that results in greater taxes for the state
- **Innovation competitiveness and higher productivity with lower greenhouse gas emissions**



Next steps

- 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
- To **identify policy areas** in order to increase the country's mitigation and adaptation efforts towards climate change
- This strategy is aligned with the fulfillment of national goals included in the National Development Plan 2018-2022 linked to legality, entrepreneurship and equality; and transversally in sustainability and mitigation of climate change



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