

CARBON MARKET BUSINESS BRIEF

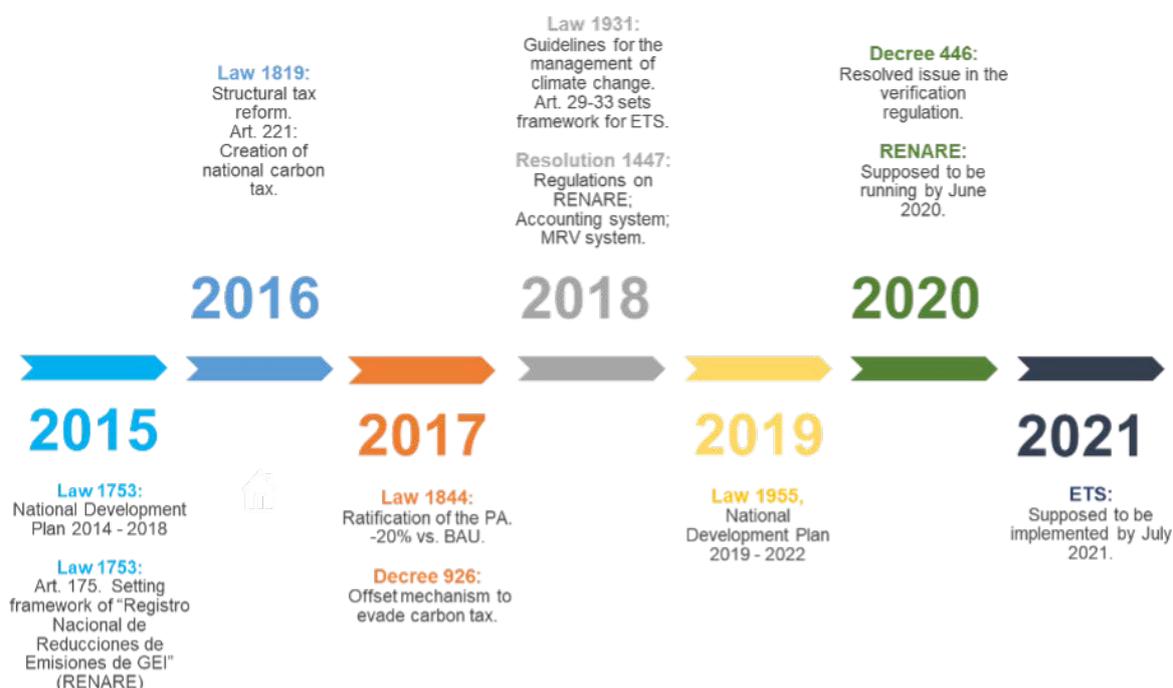
COLOMBIA

COLOMBIA ETS AT A GLANCE

Years in operation	<p>Under development. According to Colombia's Ministry of Environment and Sustainable Development (MADS), the deadline for ETS rulemaking remains 27 July 2021.</p> <p>Supported by the Partnership of Market Readiness (PMR), from September to November 2020, the government and market stakeholders launched the Colombian ETS Academy, which allowed the public sector, private sector and civil society to participate in the development of the ETS policy.</p>
Overall cap & trajectory	No information available yet.
Target(s)	Colombia ratified the Paris Agreement by Act 1844 of 2017, which also set a series of longer-term climate targets, including a 2030 GHG emission reduction goal of 20% which was updated to 51% below BAU in December 2020, and to reduce black carbon emissions by 40% compared to 2014 levels by 2025. This target translates to a 2030 emissions level of 169.44 million tCO _{2e} , implying a net reduction of 176 million tCO _{2e} .
Cumulative emissions reduced to date by the ETS	N/A
Sectors covered	To be determined
GHGs covered	No information available yet.
# of covered entities	No information available yet.
Allocation method	MADS will set the annual caps and determine the conditions to acquire allowances through an initial auction. Allowances may be granted directly to regulated entities who meet to-be-determined requirements.
Trading rules	N/A
Use of offsets and linking	<p>It is expected that the same rules as for the carbon tax (Decree 926) will apply in 2021: domestic carbon credits with vintages not older than five years. Priority will be granted to the forestry sector.</p> <p>Additionally, the National Government may recognise the tonnes of emissions that have been paid for via the carbon tax as allowances acquired at auction.</p>
Other features	MADS will communicate publicly the criteria for granting allowances and will present an annual report on the monitoring and operation of the ETS to Colombia's Congress.

Penalties for non-compliance	MADS will sanction regulated entities with fines for non-compliance with obligations.
Use of revenues	MADS will create a separate account in the National Environmental Fund (FONAM) for the revenues obtained by the ETS. These revenues will be used for GHG mitigation and climate change adaptation initiatives. As of 2021, there is no set date for this to be implemented.

MAJOR DEVELOPMENTS



Colombia's national carbon tax was introduced in 2016. The following year, Decree 926 created the offset mechanism as an alternative compliance option, which increased demand for Colombian carbon credits and Colombian emission reduction projects.

The national carbon tax covers approximately 27% of Colombia's emissions and the 2021 price is 17,660 Colombian pesos per tonne CO_{2e} (US\$4.93 aprox).

In 2018, Colombia passed Law 1931 – Strategies and Guidelines for the Management of Climate Change –which established the framework for a national ETS. In the same year, MADS passed Resolution 1447, which created and regulates RENARE – Colombia's national registry for GHG mitigation activities which is currently operational. This MRV system represents a key transparency mechanism to measure progress towards Colombia's ambitious NDC.

In March 2020, MADS passed Decree 446 to resolve a legal issue that only allowed one national auditor to verify and certify emission reductions eligible for compliance. In September 2020, MADS issued a resolution to address the short term problem of GHG initiatives from more than five years ago that have not been able to be validated or verified. MADS intends to further modify some of the rules around its offset mechanism and registry.

With stakeholders, MADS implemented the creation roundtables to boost the carbon market in Colombia and established four short-term strategic lines: (i) Improve the regulatory framework; (ii) Capacity building; (iii) Organise the operation of the market; (iv) Strengthen the existing institutional framework.

MARKET COMMENTARY

By 2020, the carbon tax and the offset mechanism had led to 42.8 million tCO₂e of offsets cancelled, COL\$1.42 billion Colombian collected, 108 mitigation initiatives and 3,523 offsets. More than 90% of the offsets come from forestry projects.

Due to the effects of COVID-19, carbon tax collection decreased close to 56% in 2020, compared with 2019.

The market price of national carbon credits has been fluctuating somewhere between 80% and 95% of the tax price, around US\$4.

Most likely, there will be a significant decrease in compliance credit demand for part of 2021 due to ongoing COVID-19 impacts; however, a delta between offer and demand is still expected.

USEFUL LINKS

[Law 175 of 2015](#)

[Law 1819 of 2016](#)

[Law 1844 of 2017](#)

[Decree 926 of 2017](#)

[Law 1955 of 2019](#)

REFERENCES

[ICAP News: Colombia approves climate law](#)

[ICAP: ETS Detailed Information – Colombia](#)

[ICAP ETS Map](#)

[Presentation of Francisco Charry, Director of Climate Change \(MADS\) at the 1st ASOCARBONO congress in November 2019](#)

[Law 1931 of 2018](#)

[Decree 446 of 2020](#)

[Resolution 831 of 2020](#)

[Resolution 1447 of 2018](#)

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