

CARBON MARKET BUSINESS BRIEF

COLOMBIA

COLOMBIA ETS AT A GLANCE

Years in operation	Under development as its design is being analysed by the Colombian government and its pilot phase may not be launched before 2024. According to the “Climate Action Law” adopted in December 2021, the ETS shall be fully implemented by 2030.
Overall cap & trajectory	No information is available yet.
Target(s)	<p>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 to 40% below 2014 levels by 2025. This target translates to a 2030 emissions level of 169.44 million tCO_{2e}, implying a net reduction of 176 MtCO_{2e}.</p> <p>In 2021, the Colombian Government established several new goals: carbon neutrality by 2050, updating its NDC commitments, zero deforestation by 2030, and declaring 30% of the national territory as protected areas by 2022.</p>
Cumulative emissions reduced to date by the ETS	N/A
Sectors covered	To be determined
GHGs covered	No information is available yet.
# of covered entities	No information is 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 that 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 recognize 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 the time of writing, there is no set date for this to be implemented.

MAJOR DEVELOPMENTS

Law 1753:

National Development Plan 2014 - 2018

Law 1753:

Art. 175. Setting framework of "Registro Nacional de Reducciones de Emisiones de GEI" (RENARE)

Law 1844:

Ratification of the PA. -20% vs BAU.

Decree 926:

Offset mechanism to evade carbon tax.

Law 1955:

National Development Plan 2019 - 2022

E2050:

Official launch of Colombia's Long Term Strategy 2050 at COP26: goal of carbon neutrality by 2050.

Law 2169:

"Climate Action Law": full implementation of the ETS and the Green Taxonomy by 2030.



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 2022 price is 18.829 Colombian pesos per tonne CO_{2e} (US\$4.96 approx).

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 creates 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.

In December 2021, Colombia passed Law 2169, known as the "Climate Action Law", to strengthen measures and initiatives for the promotion and development of carbon markets in the country, and to formalise important commitments, such as the full implementation of the ETS and the Green Taxonomy by 2030. Colombia's Green Taxonomy was launched in March 2022.

MARKET COMMENTARY

By 2020, the carbon tax and the offset mechanism had led to the cancellation of 42.8 MtCO_{2e} of offsets, 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 dropped nearly 56% in 2020 year-on-year.

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

Due to ongoing COVID-19 impacts, there was a significant decrease in compliance credit demand for part of 2021. However, at the end of 2021 the Colombian carbon market experienced a further boom with trading volume nearly doubling year over year – 360 million tCO_{2e} in carbon credits – mainly due to corporate carbon neutrality goals and the aviation sector's CORSIA mechanism.

As European carbon prices soared to €70/t in late 2021 and voluntary market prices internationally also went up, the export of Colombian credits increased – leaving fewer units for domestic use.

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](#)

[2050 Colombian Strategy](#)

[Law 2169 of 2021](#)

[Colombian Green Taxonomy Policy 2022](#)

USEFUL LINKS

[Law 175 of 2015](#)

[Law 1819 of 2016](#)

[Law 1844 of 2017](#)

[Decree 926 of 2017](#)

[Law 1955 of 2019](#)

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