Colombia

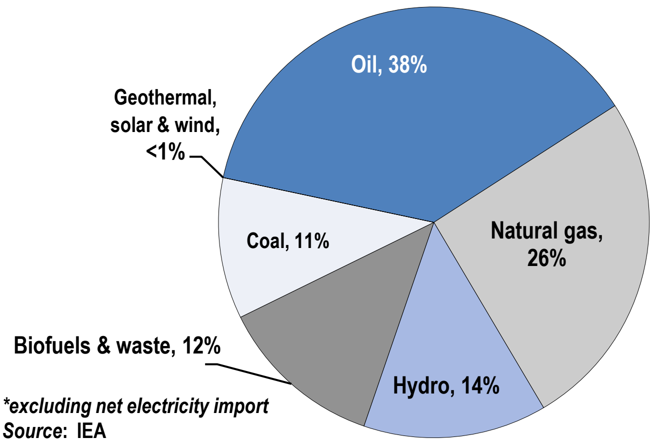
The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

In 2018, Colombia ranked as the fifth largest net exporter of coal in the world. Colombia's reserves of coal are the largest in the continent and are scattered across the nation's three mountain ranges. At least 85% of the indigenous production of coal were exported in the last ten years, with Europe and the United States as its main export partners.

Colombia is endowed with modest oil and gas resources. Its proven reserves of oil stood at 1.96billion barrels at the end of 2018. It serves as a net exporter of crude oil with the United States as its main destination.

Total Primary Energy Supply* in 2017



*excluding net electricity import
Source: IEA

Hydroelectric generation dominates the power sector with around 78% of electricity being generated from hydric resources in 2017. Climatic variability impacts hydroelectric generation, which is substituted with thermal generation, mainly from natural gas, in times of drought.

Electricity generation and marketing are liberalised and carried out in a competitive market, while the regulation of the transmission and distribution favours centralisation. *Interconexión Eléctrica S.A. ESP* is the major transmission company, owning 75% of the assets comprising the national power grid *Sistema de Transmisión Nacional*. Electricity users are divided among regulated and non-regulated with regulated users paying electricity according to a formula determined by the *Comisión de Regulación de Energía y Gas* (CREG), while non-regulated ones pay market-set prices.

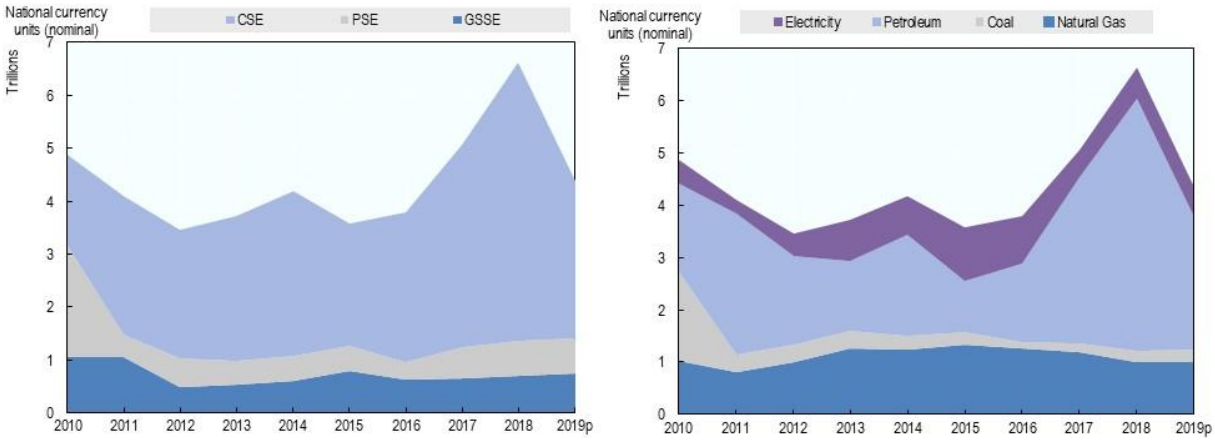
In 2003, the hydrocarbons sector was restructured in order to address the continuing depletion of the country's crude oil reserves, which would have turned it into a net oil importer. To increase competitiveness, the regulatory role of the national oil company *Empresa Colombiana de Petróleos* (Ecopetrol) was removed, with the then newly-established National Hydrocarbons Agency taking over this role. As of 2018, the country's proven crude oil reserves amounted to 1.96 BBbls and with production recording a 1.3% year-on-year increase, at 316 MBbls. Colombia also possesses around 114 bcm of proven natural gas reserves.

Energy prices and taxes

In 2007, the Fuels Prices Stabilisation Fund (*Fondo de Estabilización de Precios a los Combustibles, FEPC*) was established to limit international fuel price fluctuations with the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*) as the administrator. In its onset, FEPC received its initial capital from 10% of Ecopetrol's assets from the previous oil stabilisation fund FAEP (*Fondo de Ahorro y Estabilización Petrolera*). The FEPC was then mandated to finance itself through the following means: i) using the proceeds of its investments; ii) collecting from hydrocarbon importers and producers a calculated positive differential between a reference price (*Ingreso al Productor)* set by the Ministry of Finance and the international reference price (*Precio de Paridad*); and iii) as a temporary measure, resources allocated by the state budget. A March 2017 ruling of the country's Supreme Court struck down item (ii) as void, disabling the FEPC to fund itself through this means with prices still being regulated by the government.

Electricity prices are divided into regulated and non-regulated. Regulated prices are set by the *Comisión de Regulación de Energía y Gas* (CREG) and the subsidised rates are financed largely by high-income customers and industrial and commercial users. The Wholesale Energy Market is divided in short-term and long-term markets, where the latter allows energy users to manage their risk on short-term price volatility.

Total support for fossil fuels in Colombia by support indicator (left) and fuel type (right)*



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

*The above charts are based on an arithmetic sum of the individual support measures identified in the Inventory. Because they focus on budgetary costs and revenue foregone, the estimates for partner economies do not reflect the totality of support provided by means of artificially lower domestic prices. Particular caution should therefore be exercised when comparing these estimates to those reported by the IEA for these countries.

Recent developments and trends in support

Electricity and gas subsidies targeting underprivileged parts of the population amounted to around Colombian Pesos (COP) 1.4 billion annually between 2012 and 2019, with COP 772.5 million earmarked for 2020.

Despite rationalising the modalities of the Fuel Price Stabilisation Fund (FEPC) to improve its sustainability, the Fund remains a strain on the country's public budget, which has registered a deficit of almost COP 4 trillion in 2018 (0.4% of GDP). In August 2018, a presidential decree was issued to enhance the transparency around the structure, financing of the fund including the reference prices used to calculate compensation differentials to producers. Direct transfer figures in 2019 for the FEPC show a significant -60% year-on-year decrease, which drove the declines seen in Colombia's Total Support Estimates in the graph above. In 2020, the government announced plans to eliminate the reference pricing system through which the monthly reference prices are derived, with the ultimate aim of phasing out the Fuel Price Stabilisation Fund in the next couple of years.

Examples of measures	
Public Funding of the National Mining Agency (ANM) (2010-)	This measure refers to the public funding granted to the National Mining Agency (Agencia Nacional de Minería – ANM), for promoting the mining sector activity, assessing the potential of Colombia's underground in terms of mineral extraction, managing the procurement of exploration and extraction contracts and improving the safety of the whole mining sector.
Subsidies for the Infrastructure Development of the Natural Gas Network (1997-)	The Special Fund for the Development of Natural Gas was created in 1997 by National Law 401. It is managed by the Ministry of Mining and Energy and is funded by a 3% tax levied on natural gas transported domestically. The primary objective of the fund is co-fund the development of the national pipeline network for the transportation of natural gas in remote, underserviced areas.