

## 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 and eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

### Energy resources and market structure

Colombia is the eighth biggest producer of coal in the world and fourth largest exporter. 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's is endowed with modest oil and gas resources. Its proven reserves of oil stood at 1.7 billion barrels and 4.02 trillion cubic feet at the end of 2017. It is a net export of crude oil with the United States as its main destination.

Hydroelectric generation dominates the power sector with around 70% of electricity being generated from hydric resources. Climatic variability impact hydroelectric generation, which is substituted with thermal generation in times of drought.

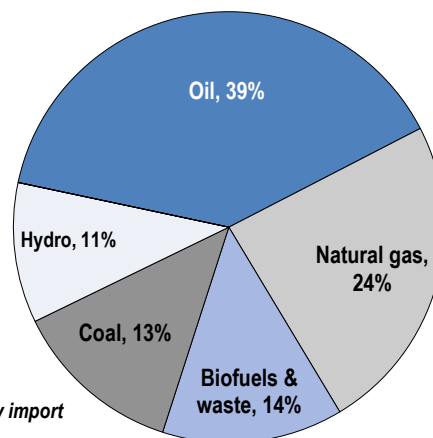
Electricity generation and marketing are liberalised and carried out in a competitive market, while the regulation of the transmission and distribution favours centralization. *Interconexión Eléctrica S.A. ESP* is the major transmission company, owning 75% of the assets comprising the national power 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 2017, the country's reserves amounted to 1.78 BBbls and at the current production rate of 312 MBbls per year, the country disposes of 5.7 years of crude oil extraction. Colombia also possesses around 114 bcm of proven natural gas reserves.

### Energy prices and taxes

In 2007, the Fuels Prices Stabilization 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 stabilization 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,

Total Primary Energy Supply\* in 2016

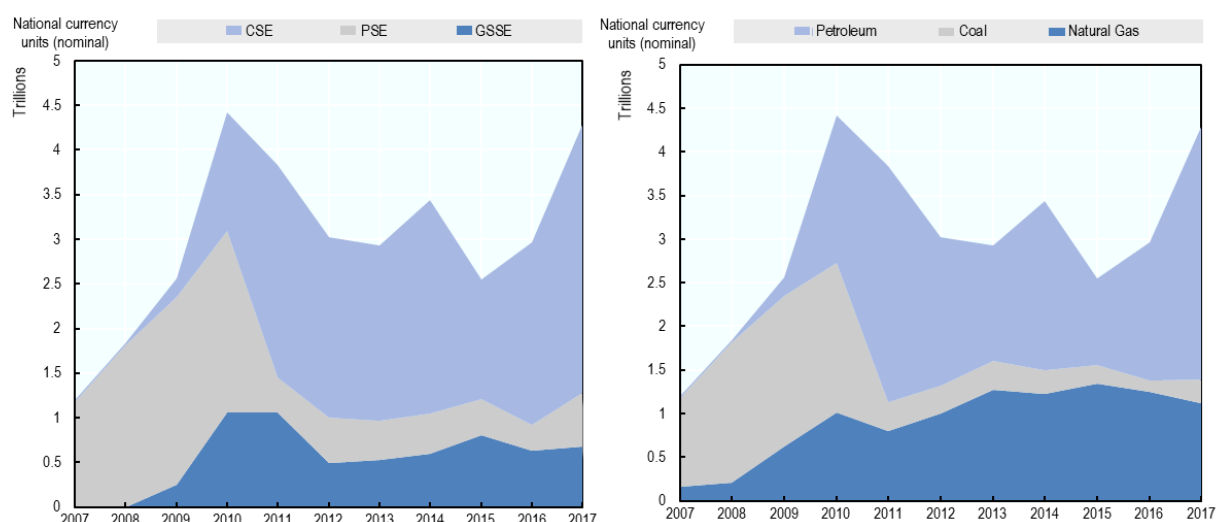


\*excluding net electricity import  
 Source: IEA

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 in regulated and non-regulated. Regulated prices are set by the *Comisión de Regulación de Energía y Gas* (CREG) and the subsidized 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 prices 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) 1.6 billion between 2012 and 2016, with COP 776.3 billion earmarked for 2017.

Despite rationalising the modalities of the Fuel Price Stabilisation Fund to improve its sustainability, the Fund remains a strain on the country’s public budget, which has registered a deficit of almost COP 2 trillion in 2017 (0.2% 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.

#### 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, underserved areas.