

# Colombia National Program of Tradable Greenhouse Gas Emission Quotas

## General Information

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### ETS Description

In 2018, Colombia adopted a law for climate change management (“Climate Change Law”, *Ley de Cambio Climático*), which outlines basic provisions for the establishment of an ETS, or the “National Program of Tradable GHG Emission Quotas” (*Programa Nacional de Cupos Transables de Emisión de Gases de Efecto Invernadero – PNCTE*). Non-compliance is to be punishable by a fine of up to double the auction price. Auction revenues, as updated by Article 262 of Law 2294 of 2023, will now be allocated to the “Fund for Life and Biodiversity” (formerly the “Fund for Sustainability and Climate Resilience”). These resources are designated for purposes set by the national carbon tax, as well as for administering the PNCTE and the Mandatory Emissions Report under Law 2169 of 2021 (the “Climate Action Law”, *Ley de Acción Climática*). The Climate Change Law also includes crediting provisions: voluntary actions of non-regulated entities that generate GHG emissions reductions or removals may be issued allowances if they are verified, certified, and registered in the National Emission Reductions Registry (*Registro nacional de reducción de emisiones de GEI – Renare*), and deemed eligible for the program.

On September 2024, the Colombian government opened a public consultation on the Decree for the regulation of the PNCTE. According to the consultation document, the PNCTE would have several phases leading to full implementation of the system in 2030. Minambiente would publish the cap annually, and the caps of the introductory period (2025 to 2030) would be in line with the NDC goal of emitting a maximum of 169.44 MtCO<sub>2</sub>e in 2030. Minambiente would also be in charge of determining covered entities and emissions, as well as allocation methods; auctioning is expected to be the main method. Banking of allowances would be allowed within the same implementation phase. The draft Decree proposes a reference price for allowances equal to the carbon tax rate and specifies that Minambiente may define a starting auction price. Monitoring periods would be one calendar year.

The draft Decree would establish the preliminary phase in accordance with the graduality principle of the PNCTE. The objectives of the preliminary phase would be to test and adjust the operational rules of the PNCTE, generate information to evaluate the design elements of the system, contribute to the achievement of the mitigation goals, and identify opportunities for improvement before the start of the second phase.

The 2021 Climate Action Law sets a goal to fully implement the ETS by 2030, as well as an obligation for legal persons to report direct and indirect GHG emissions, following criteria to be set by Minambiente.

### ETS Status

under development

### Jurisdictions

Colombia

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

183.5 MtCO<sub>2</sub>e (2021)

## GHG reduction targets

**By 2030:** 51% reduction of GHG emissions compared to BAU by 2030. 40% reduction of black carbon emissions compared to 2014 (updated NDC)

**By 2050:** Carbon neutrality (Climate Action Law 2021)

## Size & Phases

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### Phases

According to the draft Decree, the system will have three phases from the beginning to 2030, including a preliminary phase.

## Flexibility & Linking

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### Offset credits

**QUANTITATIVE LIMITS:** According to the draft Decree, Minambiente may allocate up to 10% of the cap in each compliance period to reduction or removal activities.

### Banking and borrowing

Banking is allowed within the same implementation phase

### Links with other Systems

The PNCTE is not linked with any other system. The Colombia carbon tax rate serves a reference price.

### Other carbon pricing instruments in the jurisdiction

**Carbon Tax:** Colombia carbon tax

**Domestic crediting mechanism:** Colombia crediting mechanism (carbon tax exemption mechanism)

## Compliance

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### Compliance mechanism

Covered entities must surrender one allowance for every tCO<sub>2</sub>e emitted for all their covered emissions.

### Compliance Period

1 year

## Market Regulation

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### Market Stability Provisions

#### PRICE STABILIZATION RESERVE

**Instrument type:** Quantity-based instrument (predominantly)

**Functioning:** Minambiente may create and reserve a percentage of the allowances of a given compliance period, as a means to stabilize or control allowance prices.

#### REFERENCE AUCTION PRICE

**Instrument type:** Price-based instrument

**Functioning:** The reference price of allowances for the starting auction price might be equal to the carbon tax rate. Minambiente may define a starting auction price.

## Market Design

### LEGAL STATUS OF ALLOWANCES:

Article 29 of the 2018 Climate Change Law defines an emissions allowance as a tradeable right that gives its holder the authorization to emit a tonne of CO<sub>2</sub>e into the atmosphere.

## Other Information

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### Institutions involved

**Ministry of Environment and Sustainable Development:** Responsible for defining national environmental policy and promoting the recovery, conservation, protection, ordering, management, use and exploitation of renewable natural resources.

**Department of National Planning:** Entity of the national government that coordinates, articulates, and supports Colombia's short-, medium-, and long-term planning and guides the cycle of public policies and the prioritization of investment resources.

**Ministry of Finance:** Coordinates macroeconomic policy; defines, formulates, and executes the fiscal policy of the country; and manages the nation's public resources from the budgetary and financial perspective.

**National Climate Change System (SISCLIMA):** A set of state, private, and non-profit entities, policies, standards, processes, resources, plans, strategies, instruments, mechanisms, and information related to climate change applied to manage the mitigation of GHGs and adaptation to climate change in the country.

### Regulatory Framework

[Climate Change Law \(Ley 1931 de 2018: Ley de Cambio Climático\)](#)

[Climate Action Law \(Ley 2169 de 2021: Ley de Acción Climática\)](#)

[Public consultation on the Decree Project to Regulate the PNCTE](#)

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