

Taxing Energy Use 2019: Country Note – Colombia

This note explains how Colombia taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.

The note complements the Taxing Energy Use 2019 report that is available at <http://oe.cd/TEU2019>. The report analyses where OECD and G20 countries, as well as Colombia, stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.

The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Colombia can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO₂, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.

Structure of energy taxation in Colombia

As at 1 July 2018, the main taxes on energy use in Colombia are the following:

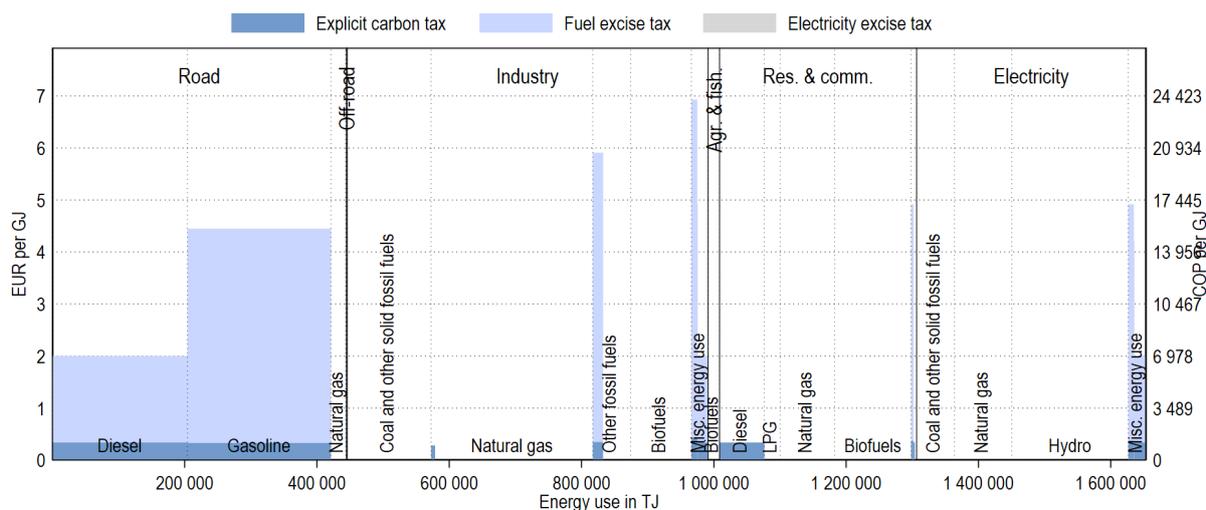
- The National Gasoline Tax (*Impuesto Nacional a la Gasolina*) applies to gasoline, diesel and all other liquid motor fuels that are used in vehicles and in stationary combustion engines. The tax is adjusted annually to inflation.
- The Surcharge on Gasoline and Diesel (*Aceite Combustible Para Motores – Sobretasa a la Gasolina y al ACPM*) applies to the same fuels subject to the National Gasoline Tax.
- The National Carbon Tax (*Impuesto Nacional al Carbono*) is set to a nominal rate of COP 15764 (~EUR 5) per tonne of CO₂, which is adjusted annually to inflation plus one percentage point. The tax applies to liquid and gaseous fossil fuels that are used as propellant, in stationary combustion engines, or as heating fuels. It does not apply to coal and other solid fossil fuels nor to natural gas unless used by refineries or in the petrochemical industry. Emitters have the option to meet their carbon tax liability by using offset credits generated from domestic projects.

Colombia does not have an emissions trading system for CO₂ emissions from energy use (OECD, 2018^[1]).

Effective tax rates on energy use in Colombia

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy and carbon taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

Figure 1. Effective tax rates on energy use by sector and energy category

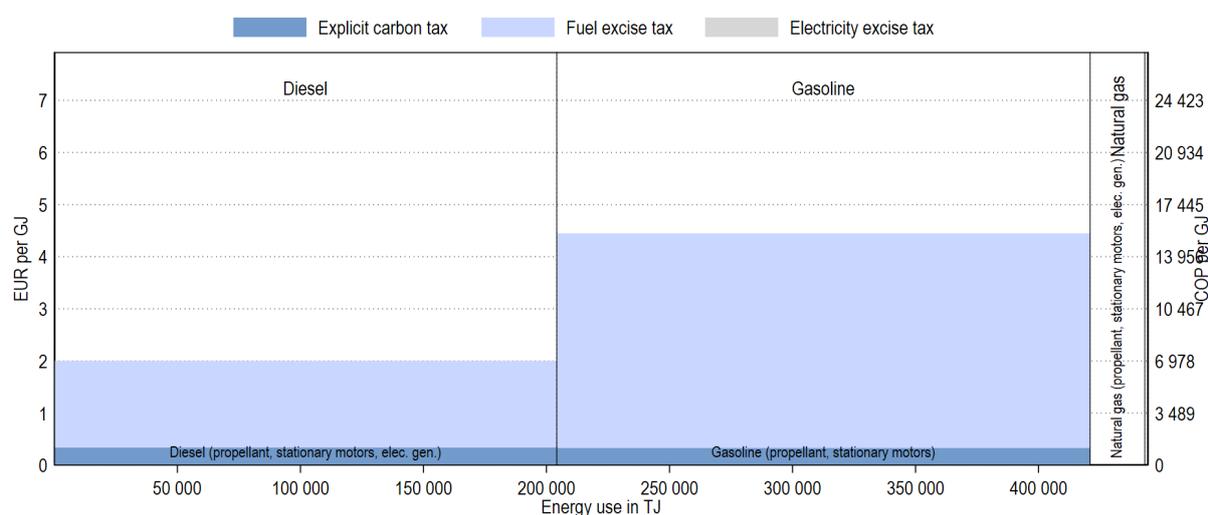


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. Natural gas is not taxed.

Figure 2. Effective tax rates on energy use in the road sector

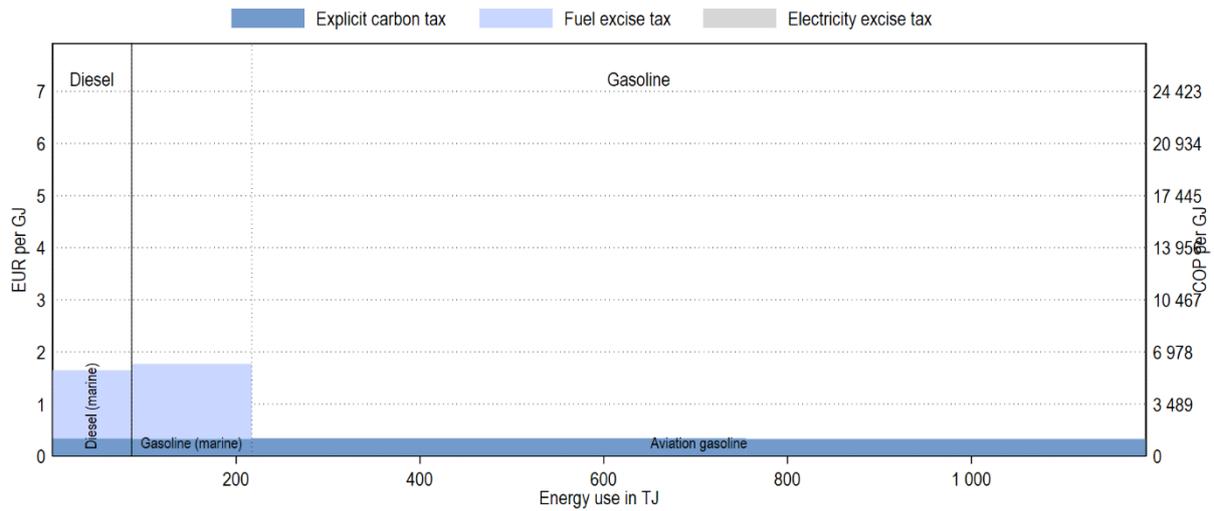


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

Off-road

In the off-road sector, fossil fuels used are taxed. This includes fuels used for commercial navigation (“marine”) and commercial aviation.

Figure 3. Effective tax rates on energy use in the off-road sector

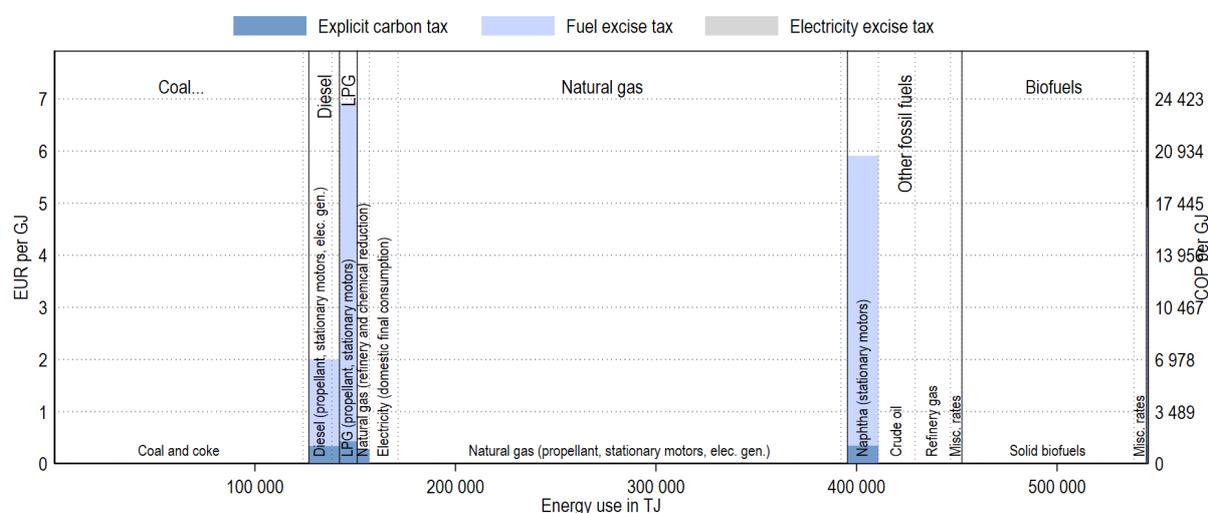


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.

Industry

In the industry sector (Figure 4), diesel, LPG, and Naphtha are taxed. LPG is subject to the carbon tax if it is sold to industrial users and if exclusively used for industrial activities. The intention of the legislation is to tax the acquisition of fossil fuels for energy purposes and in addition, their combustion. Natural gas is subject to the carbon tax if it is used by refineries or in the petrochemical industry. Otherwise natural gas is not taxed. Solid fossil fuels such as coal and coke and other fossil fuels, such as crude oil and refinery gas, are not taxed. Solid biofuels are not taxed.

Figure 4. Effective tax rates on energy use in the industry sector

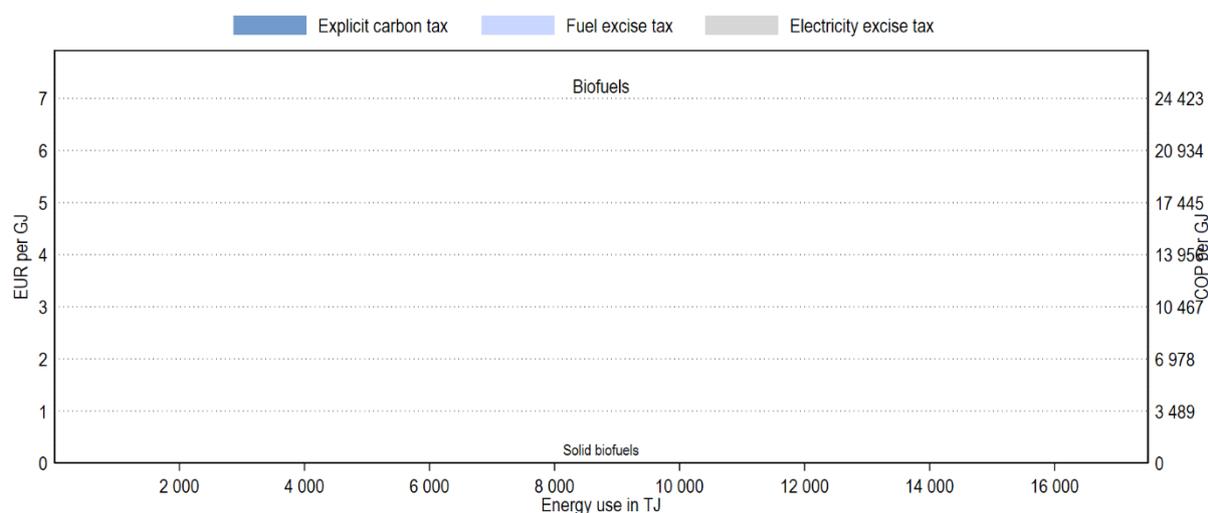


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

Agriculture and fisheries

Solid biofuels are the only energy use that is reported for the agriculture and fisheries sector (Figure 5). Such use is not taxed.

Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector



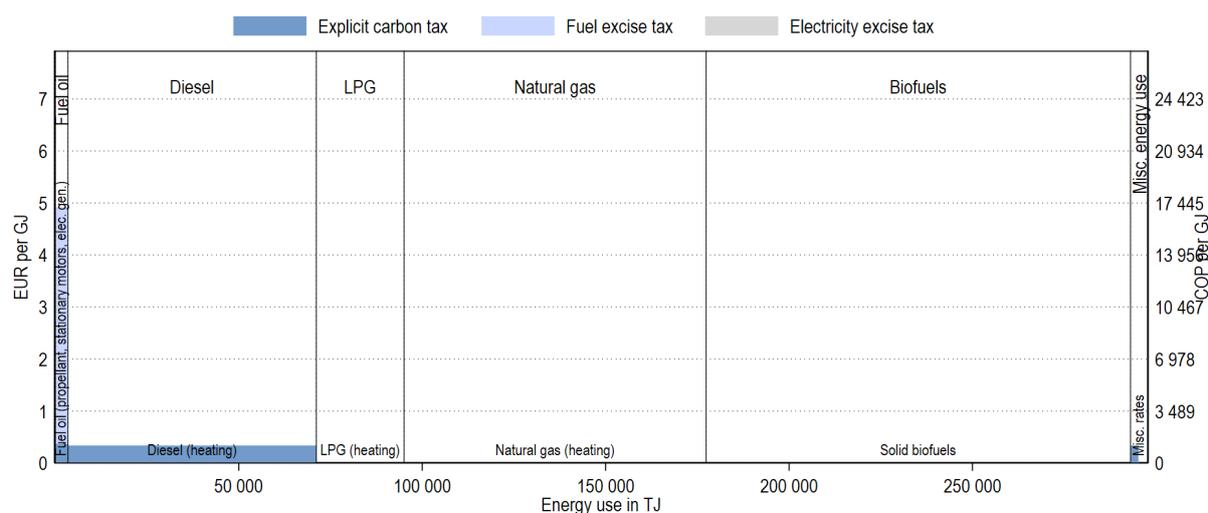
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Residential and commercial

In the residential and commercial sector (Figure 6), the use of fuel oil, kerosene (grouped under misc. rates) and diesel is taxed. Other fuel use is not taxed.

Notice that TEU reports the energy use associated with electricity consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

Figure 6. Effective tax rates on energy use in the residential & commercial sector

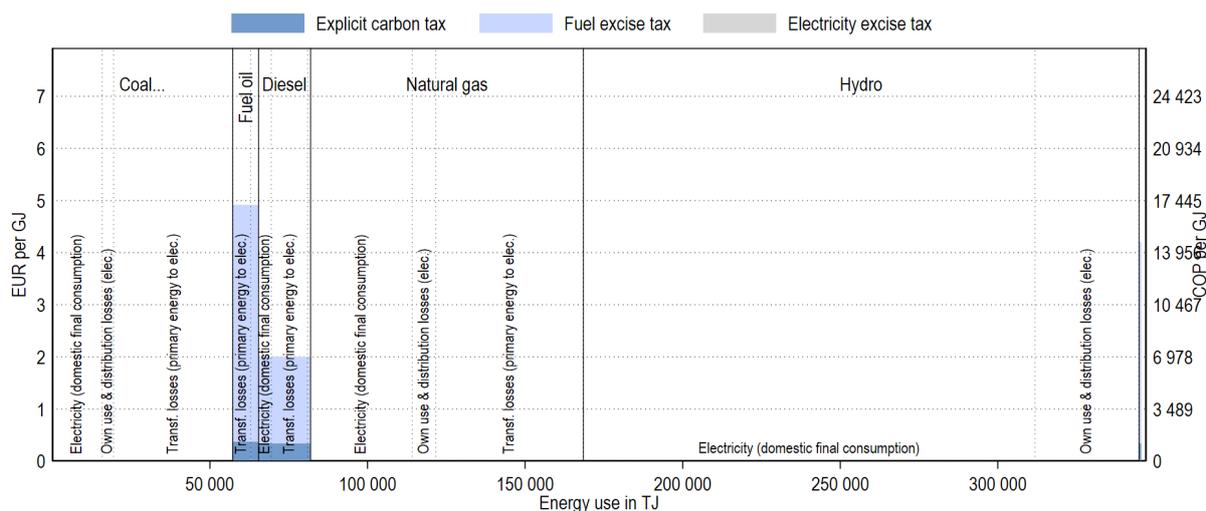


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Colombia. Fuel oil, kerosene (not discernible in the figure), and diesel are taxed. Other fuels used to generate electricity are not taxed. The final consumption of electricity is not taxed either.

Figure 7. Effective tax rates on energy use in the electricity sector



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

References

- IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), <http://dx.doi.org/10.1787/data-00513-en> (accessed on 16 October 2018). [2]
- OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264305304-en>. [1]