

1. Introduction

Colombia is facing significant risks to its territories, population, and economic capital due to climate change. To address this challenge, the Ministry of Finance and Public Credit (MHCP) is promoting comprehensive measures that recognize the resources needed to implement the National Climate Change Policy and meet international commitments. The MHCP is focused on efficiently distributing resources, designing economic and financial instruments for mitigation and adaptation, and developing metrics that assess the value of natural capital and the economic impacts of climate change. The Integrated Climate Change Management Plan for the Finance and Biodiversity Sector (PIGCCSH+B) outlines five strategies that target the international community, national and subnational governments, the productive sector, and civil society. The plan emphasizes fiscal efficiency, climate finance, and the importance of institutionalism. Through these efforts, Colombia aims to effectively manage climate change and its impacts.

2. Key Remarks

1.5%

... would be the minimum cost on the country's real annual GDP because of climate change.

In the face of a decrease in global demand for oil and coal, export revenues would be reduced by...

10%

6%

...of government revenues could cost the country the global energy transition if no progress is made in a productive transformation.

To meet Colombia's CO2 emissions resilience and neutrality by 2050 would require an investment over GDP of ...

23.4%

3. Integrated Climate Change and Biodiversity Management Plan



1 International strategy

Greenwashing mitigation: + transparency in the identification of actual green projects for climate action.

Lower corporate income taxes, excluding the extractive sector

Use of biomass, small hydroelectric, wind, geothermal, solar, marine and hydrogen sources.

Clear mechanisms for the allocation of resources to green projects that generate positive GDP returns.

Lower tax pressures

+ investment in non-conventional energy sources

Green fiscal rule



5 Citizenship and civil society strategy



2 National Government Strategy

Adaptation and mitigation measures

Financing measures

Non-conventional

1.5% of GDP by 2030
1.1% of GDP by 2050

Donations
Financial Markets
Green Taxes

+ economic growth
- unemployment rate
- inequality

- financing costs
+ financial autonomy
- fiscal and exchange rate pressures

+ investment projects
+ diversification of the export basket

Fiscal and external risks of public investment financing reduced

Increased financing needs
+ current account deficit
+ fiscal deficit
+ debt

Compliance with the Paris Agreement
Carbon neutrality in the long term
+ economic growth



3 Strategy Subnational Governments

Carbon emissions and coal
Consumption of single-use plastics
Surcharge on income for the extractive sector

Taxes on polluting emissions, providing incentives for less harmful energy sources
Incentives for behavioral change in society
Financing of the transition agenda with resources from higher commodity prices



4 Productive sector strategy

4. Illustrations

Between 2022 and 2024, the MHCP has led key advances in climate and fiscal policy:

- We established the **Life and Biodiversity Fund**, which channels 80% of carbon tax revenue to environmental investments.
- We proposed the **Green Fiscal Rule** to finance high-impact climate projects.
- Increased carbon tax and tax credits for energy transition projects and alternative energy infrastructure.
- Implementation of the **GEMMES model** for assessing the macroeconomic impacts of the energy transition and associated NDC investments.
- Establishment of a **national development plan** with a focus on productive transformation and climate action.

5. Key lessons learned

Within the design of the climate action policy promoted by the MHCP, significant learning has been developed to understand the energy transition in Colombia, such as:

- The analysis of ecosystem dependencies revealed that **48% of Colombian GDP has a direct relationship with nature**.
- Colombia has higher fiscal multipliers associated with green investments than in economies such as Chile, India, Indonesia, among others. **An increase of 1% of GDP in green investments should generate a cumulative growth of 4.1% in the fifth year, generating positive effects on total employment.**



Hacienda

Nicolás Escobar* – Daniel Garzón H.**

* Economist, General Vice-Ministry

** Economist, Technical Vice-Ministry

Ministry of Finance and Public Credit - Colombia

