



Colombia

Population ¹	49,648,685
Area (km ²) ¹	1,141,749
GDP per capita (USD) ¹	6,667.79
TPES (Mtoe) ²	38.36
Energy intensity (toe/10 ³ 2010 USD) ²	0.10
CO ₂ emissions - energy (MtCO ₂) ³	75.29

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	3 projects 1 deal	new projects acquisition deal	70m EUR total project CapEx Deal value n.a.
Transport via pipeline	1 deal	minority stake deal	Deal value n.a.
Manufacture of refined petroleum products	1 project	new project	4m EUR total project CapEx
Mining of hard coal	1 deal	acquisition deal	2689m EUR total value of deal
Support activities for other mining and quarrying	2 deals	acquisition deals	1m EUR total value of deals

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics/webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics/webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Colombia is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Colombia's overall risk level against the assessed areas is **low**.

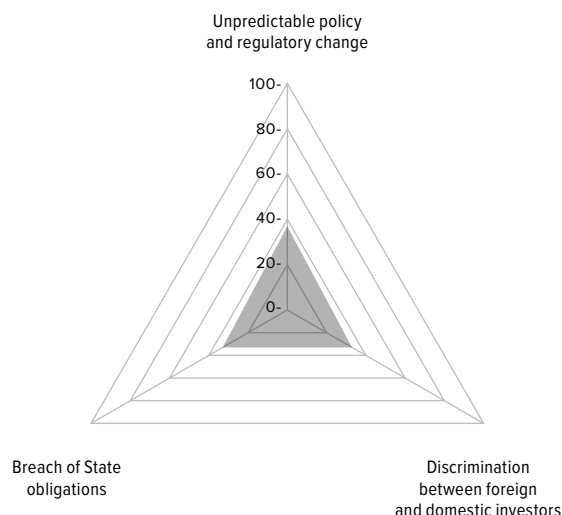
Among the three risks assessed in EIRA, *discrimination between foreign and domestic investors* and *breach of State obligations* are lower compared to *unpredictable policy and regulatory change*.

Colombia has a good performance on three indicators, and a moderate performance on one indicator. It has received a good score of 68 on *regulatory environment and investment conditions*. On *rule of law* it has scored 67, while *management of decision-making processes* and *foresight of policy and regulatory change* are at 65 and 58, respectively.

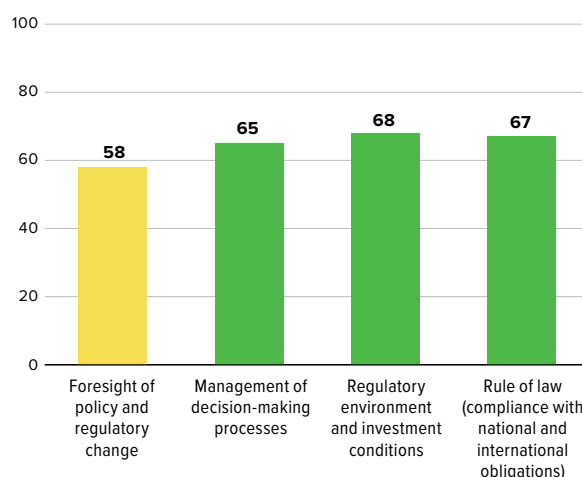
On a more detailed level, Colombia's overall sub-indicator performance is good. The highest-scoring sub-indicator is *transparency* at 81, followed by *restrictions on FDI* at 80. On *management and settlement of investor-State disputes* it has scored 75, and on *communication of vision and policies* it has a score of 65. Its performance on *respect for property rights* (58) and *regulatory effectiveness* (56) is moderate. The lowest-scoring sub-indicators are *robustness of policy goals and commitments* and *institutional governance*, at 50.

While Colombia has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the country's institutional governance and the robustness of its policy goals and commitments.

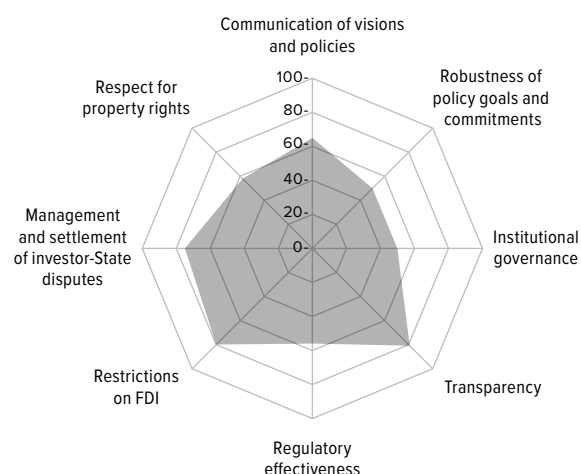
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Congress approved the National Development Plan “Pact for Colombia, Pact for Equity” (2018-2022) through Law 1955 of 2019.

Colombia ratified the Paris Agreement in 2018 and submitted its first NDC.

STRENGTHS

The 3D policy (decarbonisation, digitisation and decentralisation) sets the strategic direction for Colombia's future development. The country is leading the regional goal to ensure 70% renewable energy contribution from Latin America and the Caribbean by 2030. Law 1964 of 2019 requires the use of electric vehicles for public and official transportation to be 100% by 2035. As of 1 January 2023, all diesel vehicles entering or manufactured in the country must use EURO VI or more advanced technology to reduce air particle emissions by 96%. The Government also aims to increase the share of wind, solar and gas projects by giving attractive incentives to market players. The Ministry of Mines and Energy (MME) is working to make the mining industry more competitive and sustainable. According to the Comprehensive Climate Change Management Plan, the Government intends to cut CO₂ emissions by 11.2 million tons by 2030.

The Mining and Energy Planning Unit (UPME) within the MME monitors the evolution and fulfilment of the energy policy objectives. Additionally, the Superintendence of Utilities inspects and controls all matters related to utilities. Law 1955 of 2019 obliges the MME to provide the Congress with an annual report on the resources assigned for subsidy payments. The Law also has provisions on strengthening the audit, monitoring, and control of mining activities. It mandates the creation of the National Statistical System to give citizens and the State quality national and territorial statistics.

AREAS FOR IMPROVEMENT

It is commendable that the Government is now developing an energy sector policy for 2050. In preparing this policy, it may consider including scenarios that take into account the global decline in coal demand. A long-term perspective in this regard is essential because it will give national and subnational authorities time to identify alternative economic activities and mobilise the financial resources for making the shift. It will also provide the communities that rely on the coal industry time to acquire the skills necessary for transitioning to alternative activities.

The Government is encouraged to conduct a regular impact assessment and cost-benefit analysis of its energy and investment policies. In addition to inspecting and controlling the expenditure of budgets, the Government should periodically evaluate the implementation of the policy measures to ensure they are producing the intended results.

Management of decision-making processes

QUICK FACTS

The Government formulates energy policies through the MME.

The Agencia Nacional de Minería (ANM) launched an online platform, “Anna Minería”, for processing mining titles.

Law 1712 of 2014 provides for the right of access to public information in Colombia.

STRENGTHS

The Colombian Government is trying to streamline and simplify licencing procedures for energy investors. “Anna Minería” brings together the country's environmental mining information. It seeks to reduce the time for procedural approvals in mining activities from one year to three months. The portal facilitates the management of over 7,626 titles in force, representing 3.11% of the country's area. According to Decree 829 of 2020, UPME is the only entity that can evaluate and certify the eligibility of energy efficiency and renewable projects for tax incentives, such as VAT exclusion, exemption from customs duties, accelerated depreciation for non-conventional energy sources projects, and income deduction for energy efficiency projects. The Decree allows UPME to digitalise the procedure to access these tax benefits. Instead of the traditional three-month process of the National Authority for Environmental Licenses, companies certified by UPME can access these incentives in 45 days.

Public bodies are obliged to publish and disclose documents, laws, protocols, among others, that reflect the State's activities. It is expected that citizen participation in the decision-making process will improve significantly following Colombia's accession to the OECD on 28 April 2020. The MME recently invited citizens to submit comments and proposals on a draft resolution which seeks to redefine and categorise energy sources in line with the country's commitment to the energy transition. The electricity regulator, Comisión de Regulación de Energía y Gas (CREG), regularly publishes on its website audit reports, strategic plans, resolutions, budget planning documents and other evaluation and control management reports.

AREAS FOR IMPROVEMENT

The Government has reduced substantially the time and cost spent by companies in procuring licences and permits. Now, it may also consider establishing a one-stop shop that is authorised to grant approvals exclusively for energy projects. Currently, there is a general participation mechanism that allows citizens to submit queries and applications to the National Planning Department on investment policies by presenting a personal request. A unified and automated system will further facilitate the ease of doing business in the country.

Regulatory environment and investment conditions

QUICK FACTS

The Agencia Nacional de Hidrocarburos (ANH) is a special administrative unit in charge of administrating and regulating hydrocarbons. The ANM is a state agency, attached to the MME, for managing the mining sector.

The CREG, attached to the MME, regulates the activities on electric energy, natural gas, LPG and liquid fuels.

STRENGTHS

The electricity sector is competitive. It is unbundled and horizontal and vertical integration of utility companies that provide electricity services is prohibited. The Government is implementing new regulations for the oil and gas industry. In December 2019, it awarded 26 blocks in the Permanent Area Allocation Process (PAAP) and signed five offshore contracts after a five-year hiatus. According to the ANH, the PAAP conducted in 2019 had a success rate of 37% on the 70 areas offered. In October 2019, the MME concluded the country's first successful renewable energy auction. The PPAs awarded in this auction will potentially increase the installed capacity for non-conventional generators up to 2,500 MW from the current 60 MW.

The Constitution of Colombia guarantees equal treatment to foreign and domestic investment, except for limited restrictions that are per the OECD index of FDI restrictions. According to Government records, in electrical energy, there are currently 26 thermal, renewable, hydroelectric and transmission energy projects underway, with an estimated investment of COP 17 billion. In La Guajira, there will be nine wind generation projects, with investments exceeding COP 7 billion and generating more than 6,000 jobs. Colombia grants tax incentives, such as a decrease in VAT from 19% to 5%, customs duties reduction of 5% for hybrid vehicles and 0% for electric vehicles and charging systems, and discounts on compulsory insurance to reduce the price of electric cars. The Government has prioritised 35 mining and hydrocarbon projects, which represent 53,000 jobs and investment worth COP 37 billion by 2022. According to the MME, nine of these projects account for 80% of investments and employment. Royalties from these projects will go to the education, health and infrastructure sectors.

AREAS FOR IMPROVEMENT

The CREG's independence should continue to be reinforced by gradually separating it from the executive branch of the Government. The CREG has a degree of financial autonomy, but this can increase considerably if its budget is not subject to the MME's approval. Restructuring the CREG's composition will also help to limit the role of ministers and public office holders. Finally, re-appointment of the CREG's experts should be possible for only one additional term to avoid indefinite prolongation.

Rule of law

QUICK FACTS

Law 1563 of 2012 establishes a comprehensive set of rules on national and international arbitration.

The New York Convention entered into force in Colombia on 24 December 1979.

The Constitution guarantees private property and other rights acquired under civil laws.

STRENGTHS

The domestic courts of Colombia have a pro-arbitration and pro-recognition stance. Law 1563 of 2012, based on the UNCITRAL Model Law, defines limited grounds for annulling or declining the recognition of an international arbitration award. The domestic courts typically construe these grounds narrowly. On 20 July 2019, the Ministry of Justice and Law presented before the Senate a bill to amend Law 1563 of 2012. The changes envisaged relate to the duration of the arbitration process, the precautionary measures, and the evidence, among others. The country's new offshore model contract includes terms that are attractive to foreign investors, such as the option of international arbitration, provided they fulfil some of the domestic law requirements.

The Constitution states that expropriation may occur only for reasons of public utility or social interest, upon the payment of compensation, and subject to a judicial decision. Any expropriation by the State must meet the requirements established in Law 388 of 1997, which contains the criteria to conduct an administrative expropriation. The compensation amount should take into account the interests of the community and the individuals concerned. In cases determined by legislators, expropriation may take place by administrative action, subject to subsequent litigation before the administrative law courts, including about the price. Exploration and production contracts typically contain a clause requiring the contractors to endorse scientific and technology-related activities. This obligation can be satisfied with the payment of a fee calculated with a formula which takes into account the area of the field of exploration or production. The Intersectoral Intellectual Property Commission serves at the inter-agency technical body for IP rights issues.

AREAS FOR IMPROVEMENT

The Constitution of Colombia has provisions that protect the property and assets of investors from expropriation, but these can be updated to reflect best practices. The domestic law should define the procedure for determining whether a compulsory acquisition of private property by the State has been undertaken for "public utility or social interest". It should also specify the timeframe, legal effects, and bodies responsible for making this decision, as well as outline measures to ensure the procedure is well-coordinated at the national and sub-national level. This approach will give more clarity and security to investors on the legal regime regulating property rights.