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## Can Colombia Really Replace Oil And Gas Revenue?

Colombia's new President, Gustavo Petro, wants to move the South American country away from fossil fuels and replace oil revenues with income from tourism, agriculture, and renewable energy.

Colombia has vowed to stop giving new oil and gas exploration licenses in a U-turn policy since Petro, a former leftist guerilla, took office last year.

But the oil industry in the country and various economists and analysts say that the move away from oil could have unintended consequences, such as shrinking the country's export revenues and finances if changes are rushed.

Moreover, recent tax amendments to raise the levies on the coal and oil industries – vital for Colombia's finances – could cripple those industries while there is still demand for fossil fuels globally, analysts say.

Earlier this month, the Colombian president said at the World Economic Forum in Davos that the only way to save the planet from the climate crisis was to reduce the consumption of oil and coal.

Climate change threatens to extinguish humanity, and the sooner the world realizes that it needs to stop using fossil fuels, the better chance people have to make a change before the 'point of no return,' Petro said.

Existing contracts will be strengthened, and the decision to not grant new exploration contracts will not affect those already signed, Mines and Energy Minister Irene Velez said.

Together with the regulator ANH, the ministry has reviewed the existing contracts and found that those contracts would guarantee Colombia's national gas supply until after 2037, and there may even be surplus resources, Velez added.

According to the Asociación Colombiana del Petróleo y Gas (ACP), Colombia's oil industry group Colombian Oil Association, the South American oil producer and exporter will run out of oil within a decade without new exploration contracts.

"The world will need oil for decades, and we need oil income," Francisco Lloreda, president of the Colombian Oil Association, told The Wall Street Journal.

"But for some reason, this government appears to want to shoot itself in the head," Lloreda added.

Colombia's gasoline and diesel-powered vehicles will still account for around 90% of all vehicles in 2032, the association said in a report this month. Fuel consumption will grow by 2.5% annually through 2032, and imports are expected to account for 20-30% of demand by then, the association said.

Investments in the Colombian oil and gas sector are expected to drop in the coming years due to the new policies, the country's Autonomous Fiscal Rule Committee (CARF) said in a report last week, citing the oil industry association ACP.

If implemented, the decision not to sign new exploration contracts and the tax reform would have negative effects on investment decisions in the sector, CARF said, noting that the oil industry association's estimates point to a 20% slump in investments every year between 2022 and 2029. By 2029, Colombia's oil

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point to a 50% slump in investments every year between 2023 and 2030. by 2030, Colombia's oil production would decline by 286,000 barrels per day (bpd), according to the report.

CARF recommended that Colombia's leadership reconsider the 'no exploration policy' and consider the income tax the country would generate if investments in and production of oil is reduced.

In 2021, Colombia's oil production averaged 760,000 bpd, per data from the U.S. Energy Information Administration (EIA).

Colombia was South America's largest coal producer and second-largest petroleum and other liquids producer after Brazil in 2021. The country is also a significant oil exporter, and in 2021, it was the fifth-largest crude oil exporter to the United States.

Felipe Bayón, the outgoing president of state-owned energy firm **Ecopetrol**, believes that oil production in Colombia has a future and the business case is still solid, especially considering the new world energy order after the Russian invasion of Ukraine.

"The worst thing that could happen to us would be to go through the same situation," Bayón told the Journal, referring to Europe's race to replace Russian pipeline gas supply.

"Colombia has to maintain its energy sovereignty," he added.

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