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## Colombia's energy transition should be gradual, warns Ecopetrol chief

State-owned group has embarked on shift but says replacements will take 'time, effort and money'

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Oil, gas and mining are vital to Colombia's economy, representing more than half of exports © Reuters

Joe Daniels in Bogotá YESTERDAY

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Colombia's leftist government must make its planned transition away from fossil fuels a gradual one if it is to work, the outgoing chief executive of state-owned oil and energy company Ecopetrol has warned.

"There is no substitution in which you can just flip a switch to turn one thing off and another on," said Felipe Bayón in an interview with the Financial Times. "It's going to take a lot of time, effort and money to ensure that other industries take its place."

Oil, gas and mining are vital to Colombia's economy, together representing more than half of exports. Ecopetrol, by far Colombia's biggest oil producer and the fourth-largest oil company in Latin America, claims to account for 30 per cent of exports — a vital source of foreign currency entering the country at a time when Colombia manages fiscal and current account deficits. Production last year averaged 709,500 barrels of oil equivalent per day (boepd), Ecopetrol has said.

But that has not stopped President Gustavo Petro, a former guerrilla member who took office in August as the country's first leftist head of government

who [took office in August](#) as the country's first leftist head of government, from pursuing ambitious environmental goals.

Legislation passed in December included a windfall tax on profits and the cancellation of a statute that allowed oil and coal companies to deduct royalty payments from their tax bills. Mining minister Irene Vélez-Torres, an academic and environmentalist, has promised a halt on new oil exploration projects, something that both the industry and Petro's moderate finance minister [have bristled against](#).

Last week, the government moderated its stance slightly, with the ministries of finance, commerce and mines jointly affirming a commitment to a gradual transition that would take into account Colombia's broader economic stability.

If a moratorium on oil exploration were to happen it would hurt [Ecopetrol](#). During Colombia's election last June — when Petro was favourite to win — [Ecopetrol](#)'s share price fell from \$17.47 to \$11.03. It has hovered at this lower level since, falling occasionally below \$9, reflecting uncertainty about his willingness to turn rhetoric into policy.

“The only way to halt the climate crisis is through zero consumption of carbon and petroleum,” Petro said at the World Economic Forum in Davos in January. He stated on the campaign trail last year that the company must become the largest clean energy producer in Latin America.

While [Ecopetrol](#) has [begun to decarbonise](#) — becoming the number one producer of renewable power in Colombia and pledging to reduce routine flaring by 2030 in line with a World Bank initiative — it is happening at a slower pace than the president would appear to like. The government has promoted solar and wind energy, especially in the remote La Guajira and Guaviare provinces, though such projects would require overcoming huge hurdles, not least of which is organising and convincing landowners to sell land over which power lines can run for hundreds of kilometres to major cities.

“The only ones who can do that are the government,” Bayón said. “But there can be no transition without transmission.”

The Colombian government owns 88.49 per cent of [Ecopetrol](#), with the remaining shares traded in Colombia and New York. The company reported a record net profit of \$6.9bn for 2022, double the year before.

[Ecopetrol](#) said the 2021 purchase from the government of a controlling stake in Isa, Latin America's biggest energy transmission company, drove the increase in profits.

“The traditional transition that we have seen these companies make is to become generators of energy, not transporters,” said Daniel Guardiola, executive director for equity research at BTG Pactual. “[Ecopetrol](#) took an unorthodox path.”

Francisco Monaldi, director of the Latin America Energy Program at Rice University's Baker Institute, said the move to buy Isa made sense from a political perspective, and provided cash to Colombia's previous administration in a time of need, though less so from a commercial one. “The potential for growth and keeping up profits are limited.”

Bayón, who will leave [Ecopetrol](#) at the end of the month after seven years at the company as chief operating officer and chief executive, said the risk of

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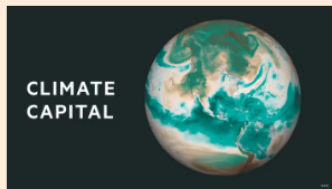
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political meddling remains a concern. Although there is no formal law regarding its independence from the government, **Ecopetrol** has traditionally been run at arm's length. The government did not respond to a request for comment.

In October the president shook up the company's board, installing a majority of appointees, who have yet to name a successor to Bayón. Petro came under fire from opposition politicians and analysts in January after announcing that he would take over the state utility regulators in order to combat rising prices. That move is being challenged in Colombia's constitutional court.

"**Ecopetrol** needs to be protected from not being run as a technical exercise," Bayón said. "It's been politicised. Independence needs to be respected and it needs to be run like a business."

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