



Colombia

81%

of business executives say Colombia risks falling behind in the race to an electric future

Structural and implementation bottlenecks such as permitting delays, grid constraints and financing barriers are delaying progress towards clean electrification.

What Business Needs

To reverse the slow pace of electrification identified by 86% of senior executives, business leaders want to see support for an effective electricity market that better rewards non-fossil fuels.

Policy Context

As a member of the International Energy Agency, Colombia shows a strong formal commitment to clean electrification. Its latest Nationally Determined Contributions plan, for instance, anticipates growth in the provision of distributed energy and clean-energy solutions for off-grid areas. This builds on a series of demand-side policies. A case in point is the PROURE plan, which, as part of its goal to increase efficiency across the energy system, encourages the acquisition of electric vehicles, electric rail systems and charging infrastructure. Similarly, Colombia's main energy transition policy, Law 2099, includes tax incentives and other support mechanisms to encourage companies to switch their equipment to clean electricity. This shift is strongly backed by the overwhelming majority of business leaders (97%) who say that Colombia should transition away from fossil fuels.

Even so, electricity still remains less than one third (29%) of final energy demand.¹ As a result, the strong consensus among senior executives (81%) is that Colombia risks falling behind in the race to an electric future. Many (47%) point that finger at insufficient government investment in the grid, which comprises one of the most frequently cited barriers to faster electrification. This desire for greater grid capacity is highlighted by the belief among 85% of business leaders that the country's power system is not keeping pace. A further 78% say their business is electrifying faster than the government is preparing the system for.

Business Viewpoints

The gap between policy ambition and real-world progress is felt keenly by business, which, for the most part, is enthusiastic about the upsides of clean electrification. This is especially evident at an individual firm level, where company leaders believe that electrifying their operations would assist in lowering their energy bills and increasing their energy security—identified by 42% and 33% of executives as among the top deliverables of electrification, respectively.

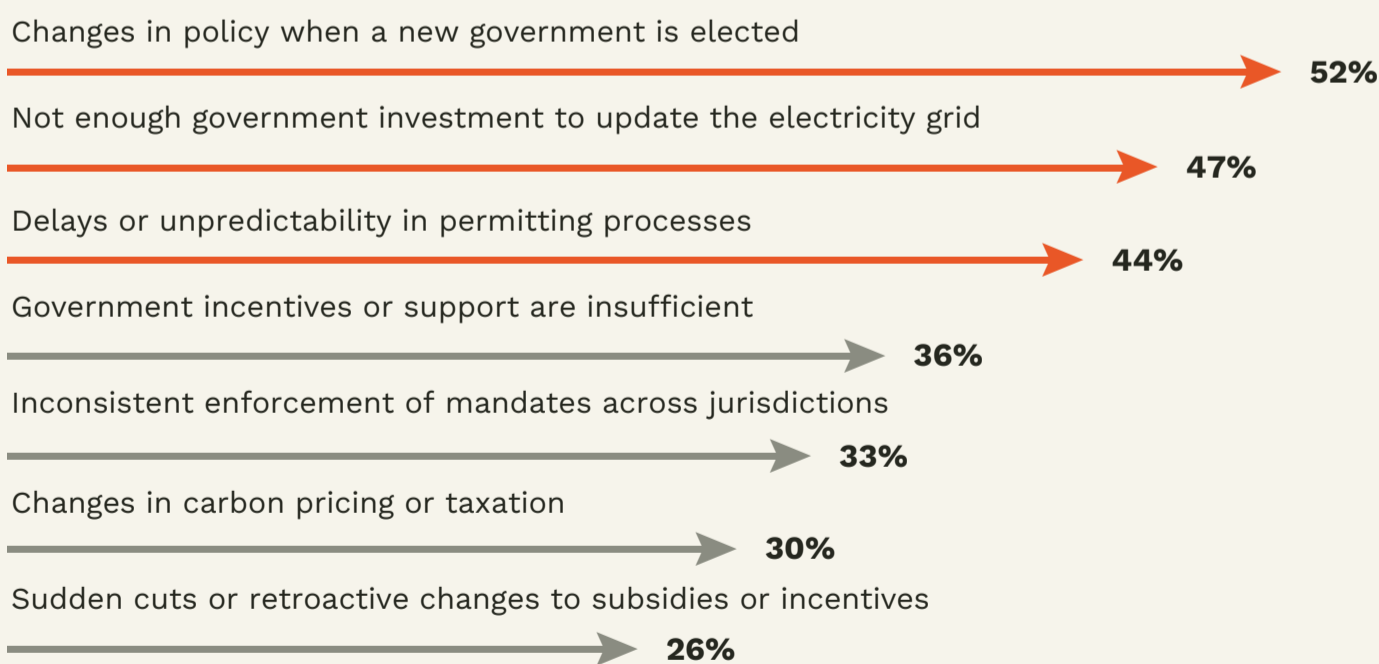
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Alongside this, Colombian business leaders are more likely than any other country in the poll to single out reducing environmental damage (43%) and tackling climate change (32%) as among the leading benefits of electrification. In this vein, most have an ambitious timetable for switching over their companies to electricity, with 80% and 95% expecting to have done so by 2030 and 2035, respectively.

At a practical level, however, government policy is not moving as fast as most business leaders (86%) want. Among other consequences, this is obstructing plans to quickly transition their companies; for example, over half (52%) of executives report delays or cancellations of electrification projects due to market barriers.

To boost private sector confidence, successive governments should maintain a consistent strategy. This is reflected in the belief of three in four (75%) executives who say that government policies and incentives change too often, thus making it difficult to electrify their operations. More proactively, executives identify an expansion of the grid and clearer long-term policy planning as among their preferred policy interventions by the government. This fits with a general desire for structural reforms to the electricity market to make the system more flexible and more responsive to short-term market and operational needs. Ideally, part of such a reform would also see both the removal of fossil fuel subsidies and be sensitive to the socio-economic implications of a rapid transition.

Colombian businesses cite policy uncertainty and grid investment gaps as key barriers



Which of the following government policies, if any, present the biggest challenges to electrifying your operations? Select up to three



¹ https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/09/oecd-economic-surveys-colombia-2024_7b382d76/a1a22cd6-en.pdf