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Tatiana Serova

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Tatiana Serova is a freelance journalist and a Masters' student in International Energy and Journalism. She has experience working in newsrooms and for international organisations...
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Colombia Is Betting Big On Wind And Solar

By [Tatiana Serova](#) - Jan 18, 2021, 2:00 PM CST



For Colombia, 2021 is starting with the promise of a boom in renewable energy generation. On January 14th, the Ministry of Finance announced the offering [of its first green bonds](#) next July, aimed at funding environmental projects, notably renewable energy plants. A new round of auction allocating 5 GW of wind and solar capacity for long-term PPAs is also slated for 2021. And although renewable energy sources (excluding hydropower) currently represent only 1% of the country's electricity mix, Ivan Duque's government is determined to make them the next energy frontier for the country.

Fossil fuels and hydropower have historically been the cornerstones of the Colombian energy landscape. Yet, several trends suggest that it might be time for a change. The oil sector has been a key driver for the Colombian economy, with a [share amounting to over 40%](#) in the primary energy supply. However, due to rampant corruption and civil unrest with the FARC, the security of Colombian energy infrastructures became harder to guarantee. This was a problem in a country where international investment had already fallen due to the drop in oil prices in 2014 and again in 2020. In addition, the depletion of oil resources is threatening the future of the whole Colombian petroleum industry: in 2019, the proven reserves were estimated at 2 billion barrels, which was [equivalent to only 18 more years of exploitation](#) (excluding exports).

Beyond oil, Colombia has also managed to transform the rivers flowing through its territory into a powerful source of energy. The country is proud to [have 70% of its electricity coming from massive dams](#) - such as the San Carlos or Guavio - installed across the country's rivers providing close to 12 GW of capacity. However, the increasing risks of flooding and the [reluctance of local communities to embrace new dam projects](#) have incentivized the move from hydropower towards alternatives.

Combined, the constraints on oil and hydropower are indications of the decline of conventional energy in Colombia. In its National Energy Plan 2050, voted on in 2016, the Colombian Ministry of Energy set the ambitious target of [2.2 GW capacity of non-conventional energy by 2022](#) (versus 1500 MW today), and [up to 10% renewable energy by 2028](#) in one of its most optimistic scenarios.

Colombia benefits from ideal conditions for wind and solar developmentAt first, these projections appeared overly ambitious and failed to draw positive attention. During the tender organized in February 2019, the government failed to draw any response from energy companies because of restrictive antitrust conditions. Following this attempt, the Colombian government altered its National Development Plan with new measures that were more attractive to investors. [An exemption from VAT](#) for wind and solar projects was introduced, and border tariffs for equipment imported for those projects were suppressed. The following rounds were far more successful, attracting \$2.2 billion investment.

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Wind energy is the main driver of the Colombian renewables revolution. Specifically, the region of La Guajira, located in the Northern part of the country, is seducing investors for its considerable wind potential, with wind speeds reaching 9 m/s. For the moment, only one offshore wind farm is operating there, but that is expected to change soon with [18 wind farm projects approved in 2019](#) (for a total capacity of 1.2 GW). Although the sun shines bright in Colombia, photovoltaic technology still lacks competitiveness and so is not as popular as wind energy. The largest solar project in the country is the Parque Solar El Paso, powered by the Italian Enel Green Power. But the government is determined to promote solar energy as a key part of its decarbonization. In 2020, the Ministry of Energy [announced the creation of a subsidy scheme](#) for households not connected to the national grid and wishing to install solar panels. Even the oil company [Ecopetrol has demonstrated a willingness to take part in the solar transition](#) and co-financed the construction of a new 50 MW solar plant.

But Colombia pushed its renewable goals even further than just wind and solar. A partnership with Chile was implemented to develop a large-scale research program on green hydrogen (hydrogen produced from renewable sources). Although this project is still at an embryonic stage, Colombia hopes to benefit from the global hydrogen boom, which attracted massive investments as part of multiple international post-Covid recovery plans. Chile is a particularly relevant partner, as its president Sebastian Pinera [recently pledged to become a major exporter of this clean fuel by 2040](#). The cost of hydrogen production is still a major issue, but the intent is certainly there.

Remaining challenges of grid integration and cost reduction

Despite the country's ambitious goals in regards to renewable energy, the Andean nation will have to deal with several challenges. The most urgent and probably most costly one will be the grid integration of these renewables facilities and granting access to electricity in rural and remote areas often excluded from the National Interconnected System. The government will also have to guarantee fair electricity prices for the consumers without excessively subsidizing the sector.

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Special attention was given to indigenous communities living in La Guajira, communities that cannot be left behind when renewable projects are implemented. During the GWEC summit on wind energy in Colombia, [the governor of La Guajira Nemesio Roys warned](#) that the Pajaro community of La Guajira did not have access to the gas produced in their region, and such a situation must be avoided when it comes to renewables.

Furthermore, even though the capital costs of wind energy are rapidly falling, they are still far from being competitive with conventional fuels. The sector still heavily relies on subsidies schemes, such as the Renewables Law (REL) of 2013 or the Fund for Non-Conventional Energies (FENOGE) in 2000. The strike price agreed upon at the closure of the second auction [was USD 0.028/kWh](#), but has to be further improved during next rounds of auctions.

Due to the eternal "low emissions vs. security of supply" dilemma, Colombia is unlikely to fully rely on renewables in the future and will have to guarantee a baseload source of energy. The logical choice for a transition fuel is natural gas, currently occupying a modest [share of 9% in total energy supply \(2012 data\)](#), but is expected to grow in the upcoming years. It will be mostly imported from 2024 and will serve to replace coal plants.

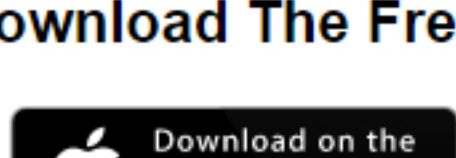
In any case, it seems clear that the motivations behind Colombia's renewable energy strategy are not limited to environmental concerns. The policy is driven by the necessity of diversification to ensure less dependency on oil and hydropower, and also by the pragmatism of using renewables for the post-Covid recovery.

By Tatiana Serova for Oilprice.com

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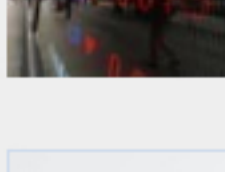
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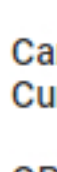
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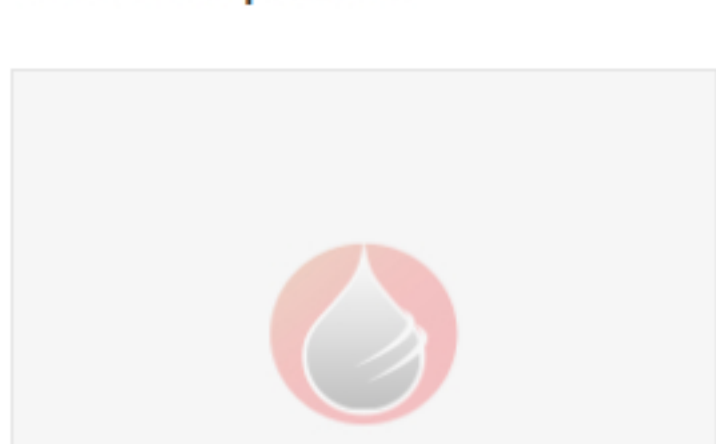
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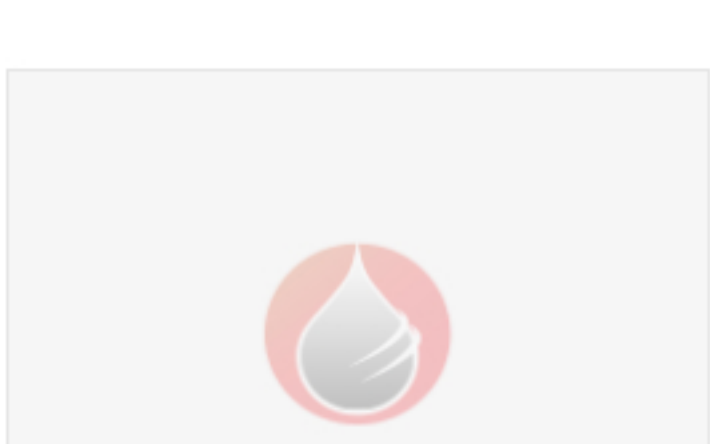
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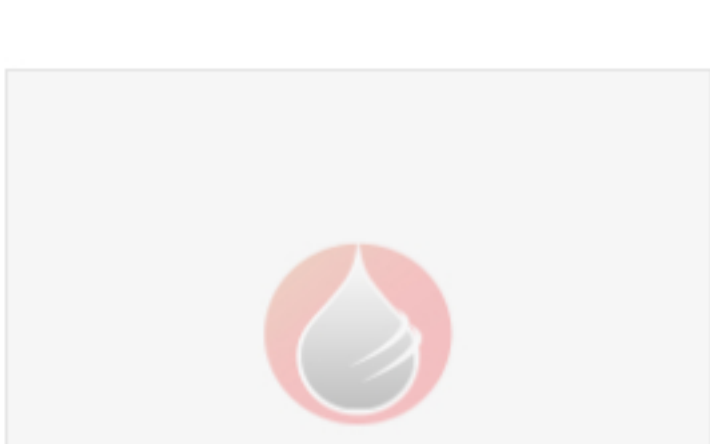
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