

The expected effects of climate change on the current account of Colombia

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Resumen:

This study examines the expected effects of climate change on the current account of Colombia. We present a literature review that explains how the associated risks affect the balance of payments. We then project the current account balance until 2050 in different climate scenarios to establish whether the impact of these risks could affect the country's current account over the long term. Our results indicate that, compared with a scenario in which current climate policies are maintained, achieving net zero emissions by 2050 could widen the current account deficit by the equivalent of 4.6% of GDP. Under a scenario in which the transition is delayed, the cost would be equivalent to 2.6% of GDP. This finding can be attributed to a permanent drop in oil prices and an expansion of public debt, resulting from a decline in global demand for fossil fuels and additional spending to meet environmental targets.

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