

I4CE

INSTITUTE FOR
CLIMATE
ECONOMICS

Unité de la Commission Européenne
de l'Agence Française de Développement

CSOs discussions on Green Budgeting

2022-05-03



Icebreaker on your expectations

5 min

Link to the Klaxoon session

Christoph,
Germanwatch
(DE), Learn more
about GBing +
best practices of
green budgeting

Holger
FOES / Green
Budget Germany
DE
Networking, new
intl. experiences
on GB

Matti
NABU
DE
learning about
green budgeting in
other countries

Sebastien Postic
I4CE - FR

Understanding
better where EU
CSOs stand in
Green Budgeting

Ioli Christopoulou
The Green Tank
Greece
understanding
better the potential
for collaboration
on GB

Sofia
Systemic, Portugal
To better
understand how I
can introduce
green budget in
Portugal

András
Clean Air Action
Group
Hungary
Learn about new
ideas and about
other
organisations'
activities on Green
Budgeting

Markus
Greenpeace
Belgium
learning about
what is there and
what is possible

Marion
I4CE
FR
going further with
other CSOs on GB

Emeline (CAN
FRANCE) to share
our experience
and work on GB

Olivier
RAC - France
learn more about
green budgeting
and the involment
of CSO

Inês
Portugal
Learn more about
current green
budgeting best
practices

Baiba (Latvian
Fund for Nature)
learn about other
countries'
experience on
green budgeting

Martina, CDE from
Czechia, to learn
about green
budgeting

Jonas
(Umanotera) -
Learn more about
how other NGOs
work with green
budgeting

Michelle, Social
Justice Ireland - I
hope to learn what
other CSOs are
doing to engage
with green
budgeting and
experiences with
policy

Marie-Noelle,
FOES,
International
experience and
potential for
German budget
policy

Please add your name, organization, country and your expectation for the session

Nicolas Jarraud
The Cyprus
Institute
SDSN Cyprus
Learn about Green
Budgeting
Advocacy

Katalin
Clean Air Action
Group,
Hungary
learn about other
CSO's
experiences

Joachim Roth IISD
Better
understanding how
green budgeting
works in different
contexts and how
it can be applied
by CSOs

Marija
Institute of Public
Finance
CRO
How likely is to
introduce GB in
Croatia?

Stefanie (Climate
& Company)
- learning about
Green Budgeting
in other countries
- role of CSOs for
green budgeting
- understanding of
different definitions
and perspectives
on green
budgeting
practices

Today's discussion

| | | | |
|----------------------|---|---|--------|
| 14:10 | Green Budgeting in Europe: definition and current trends <i>I4CE</i> | | 20 min |
| 14:30 | Concrete case study: Slovenian experience on green budgeting <i>Jonas Sonnenschein - Umanotera</i> |  | 10 min |
| 14:40 | Concrete case study: what is the French green budget and how I4CE reacted <i>Sébastien Postic - I4CE</i> |  | 10 min |
| 14:50 | Concrete case study: Tax expenditures and green budgeting analysis <i>Emeline Notari - Climate Action Network – France (Réseau Action Climat)</i> |  | 10 min |
| Coffee Break (5 min) | | | |
| 15:05 | Concrete case study: For a more sustainable and readable budget policy in Luxembourg <i>Muriel Bouchet - Idea Foundation</i> |  | 10 min |
| 15:15 | Cross fertilization session: How to act in your country? <i>Moderated by I4CE</i> | | 20 min |
| 15:35 | Group discussion #2 – Perspectives for future collaboration? <i>Moderated by I4CE</i> | | 15 min |
| 15:50 | Beyond climate budgeting - Presentation of a further social assessment <i>Sébastien Postic- I4CE</i> | | 10 min |
| 16:00_ | Thanks for participation and informal discussions | | |



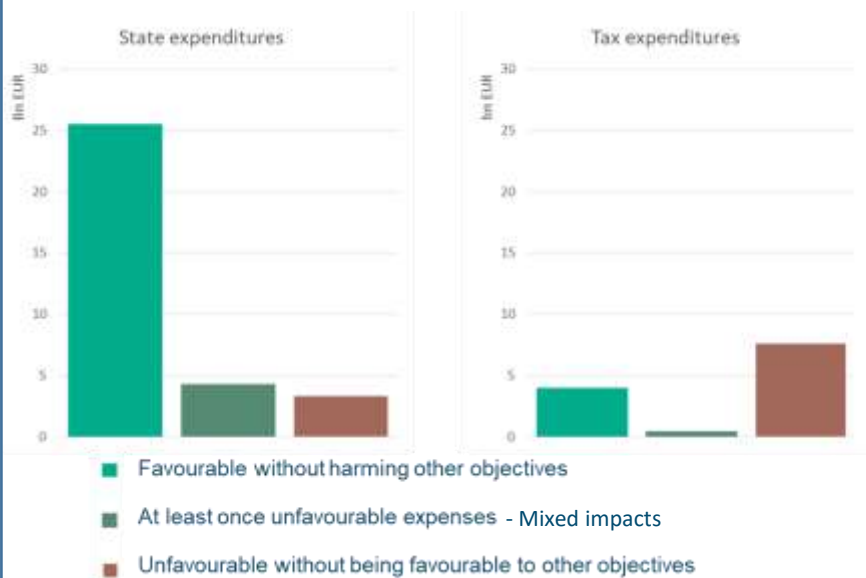
What is green budgeting?

What is a green budgeting exercise?

Green budgeting:

- Identify **revenue** and **expenditure** that **contribute/are detrimental** to the achievement of **environmental objectives**,
- Quantify associated **monetary volumes**

French example



Source : [Rapport sur l'impact environnemental du budget de l'Etat, PLF2022](#)

Green budgeting enables to...



Identify and understand
which expenditure is beneficial for the climate, and which has a negative impact



Assess the alignment
of expenditure with climate goals



Analyse opportunities
for redirecting expenditure in alignment with climate goals



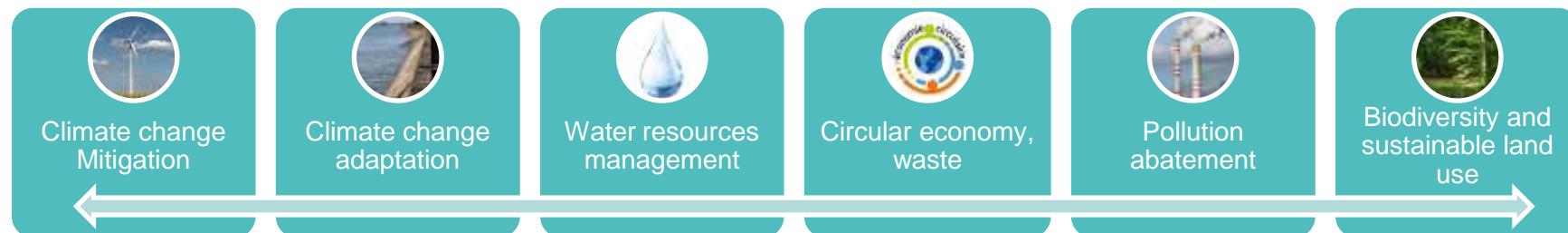
Monitor developments
year on year

@I4CE

Items with mixed impact

A budgetary item may be considered with a mixed impact if it has **a positive effect on one or several environmental objective(s) and a negative effect on another one or several others**

Examples: based on the 6 environmental dimensions in the French green budget



Rail new lines : mixed impact

In the medium term, these expenditures reduce the carbon footprint of mobility and transport, but their construction results in waste in the short term and land take that has a negative impact on biodiversity



Air transport: Unfavourable

Investment expenditures funded out of the specific budget for "Air Traffic Control and Operations" and every expenditure promoting air transport are tagged as unfavourable for the Climate Mitigation and Climate Adaptation Objectives, as well as the Pollution Objective



Source : Ministère de l'Economie, des Finances et de la Relance, 2021

Why doing it?

Objectives:

Inform
budgetary
decision-making



Dialogues between budget
& actions on the environment



Transparency
and citizens' demand

GREEN BUDGETING

Increase the
consistency of
public action



Reporting to get
financial supports (green
bonds, UNFCCC, ...)

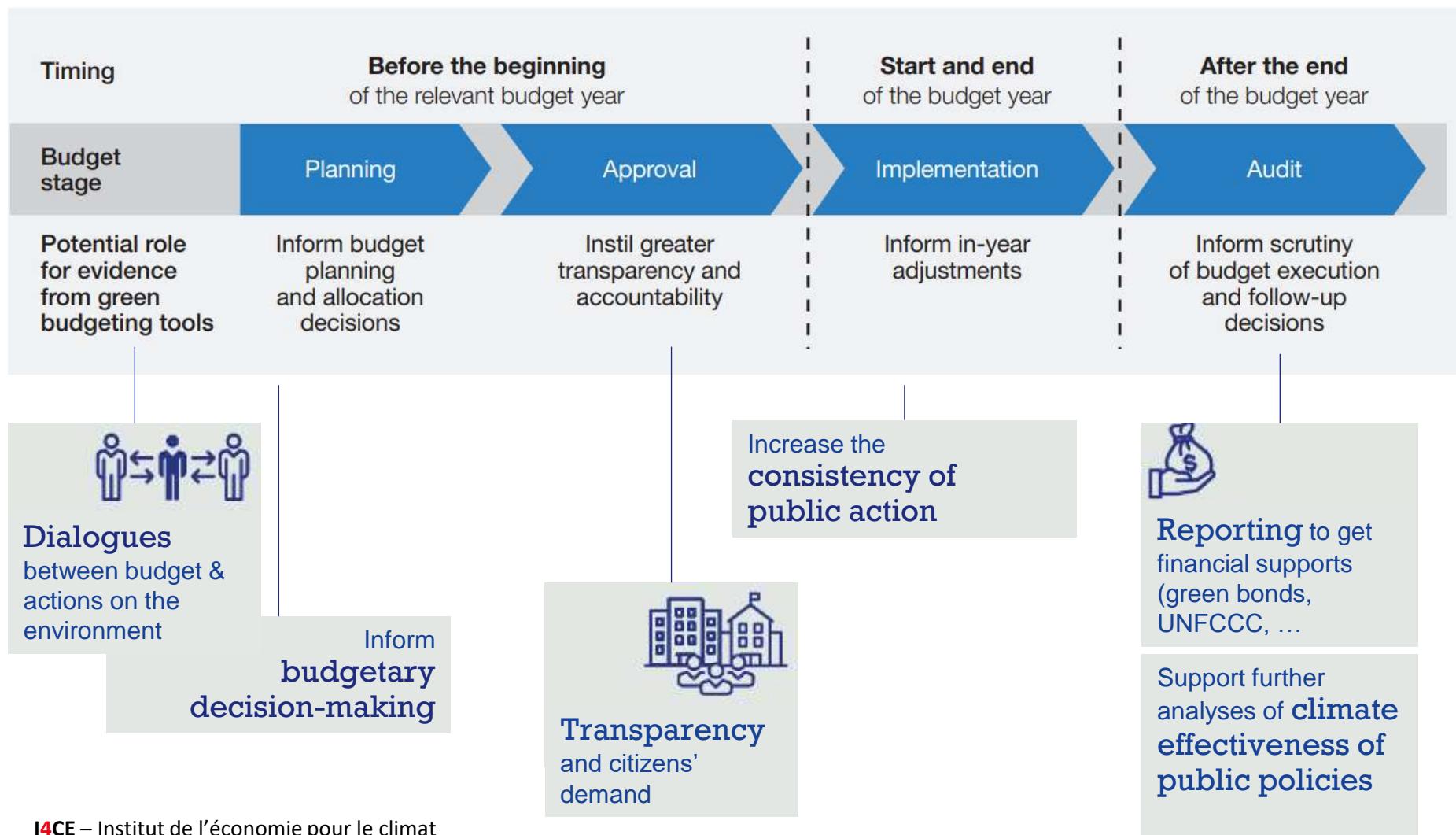
Support further analyses
of climate
effectiveness of
public policies



The communication objective
should not influence the assessment
nor its analysis

A green budgeting exercise can serve different objectives based on its integration in the national budgetary process

Source: [I4CE \(2021\)](#) based on OECD (2021)



European context and development of green budgeting practices

2017

Launch of the
Paris collaborative on Green Budgeting



2020

30% of the **EU budget** should be spent to fight climate change, with specific attention to biodiversity protection and gender-related issues.



2021

The **EU RRF (Recovery and Resilience Facility)** asked for **at least 37%** of each EU Member States plan to be climate spending. The methodology is based on the [Rio markers system](#) with some elements from the [EU Taxonomy Regulation](#) and the DNSH principle.



Source: [Recovery and Resilience Scoreboard](#)

2022

23 EU Member States volunteered to be trained on GB
11 EU Member States are doing a form of green budgeting



Adoption of the **EU Taxonomy** ([first delegated act](#)). It defines green economic activities which **can be useful for designing a green budget methodology**.

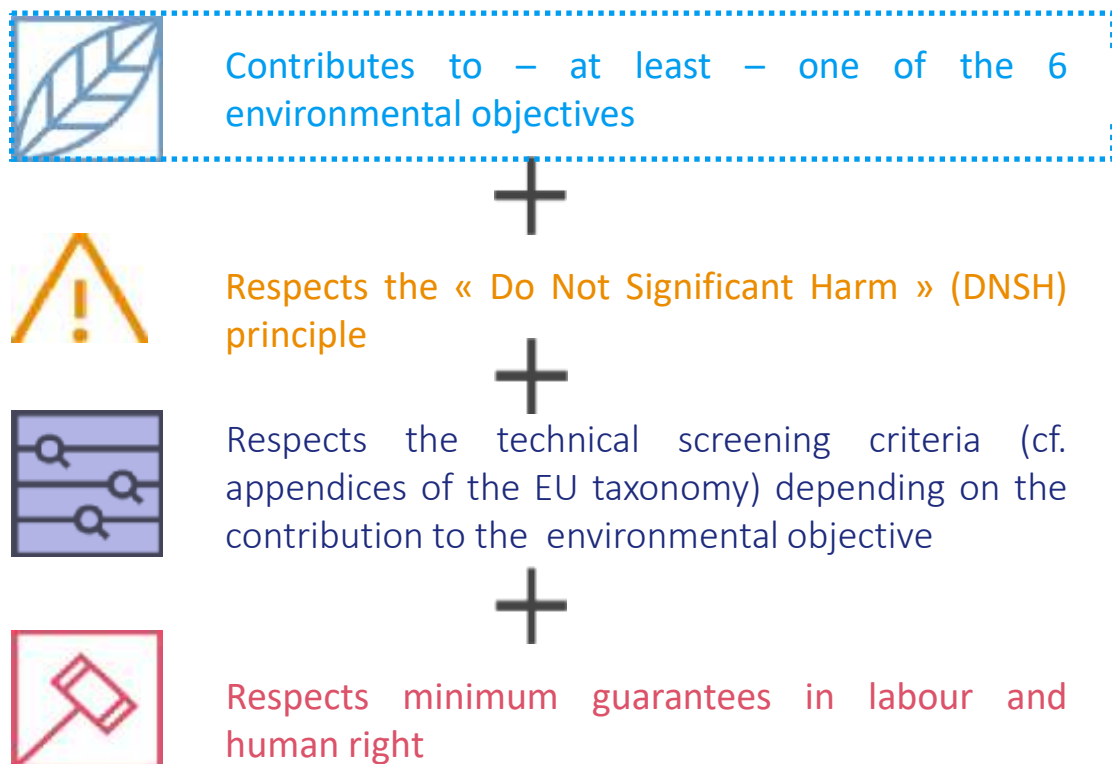


July, 11th
2022

Adoption (to be confirmed) of the [complementary delegated act](#) of the **EU Taxonomy on gas and nuclear**.

The EU taxonomy: defining sustainable activities for investors (and companies)

An activity can be considered as sustainable if it:



Source: [EU Taxonomy](#)



| | | | | | |
|--|-------------------------|--|--------------|--|------------------------------|
| | Forest | | Energy | | Technologies & communication |
| | Industry/ Manufacturing | | Water, waste | | Buildings |

The EU Commission: Green budgeting reference framework

*Climate?
Other environmental
dimensions?*

*Green only?
Brown?*

*State budget?
Local budget?*

*Expenditures?
Revenues?
Tax expenditures?*

Coverage

Light tagging?

The European Commission promotes national approaches rather than “one-size fits all”.

Accountability

Purpose?

*Special task force?
Who leads the
reporting?*

Governance

Deliverables

*GB report on
budgetary plans?
executed budgets?
multi-annual plans?
Recovery plan?*



EU Framework: Level 1

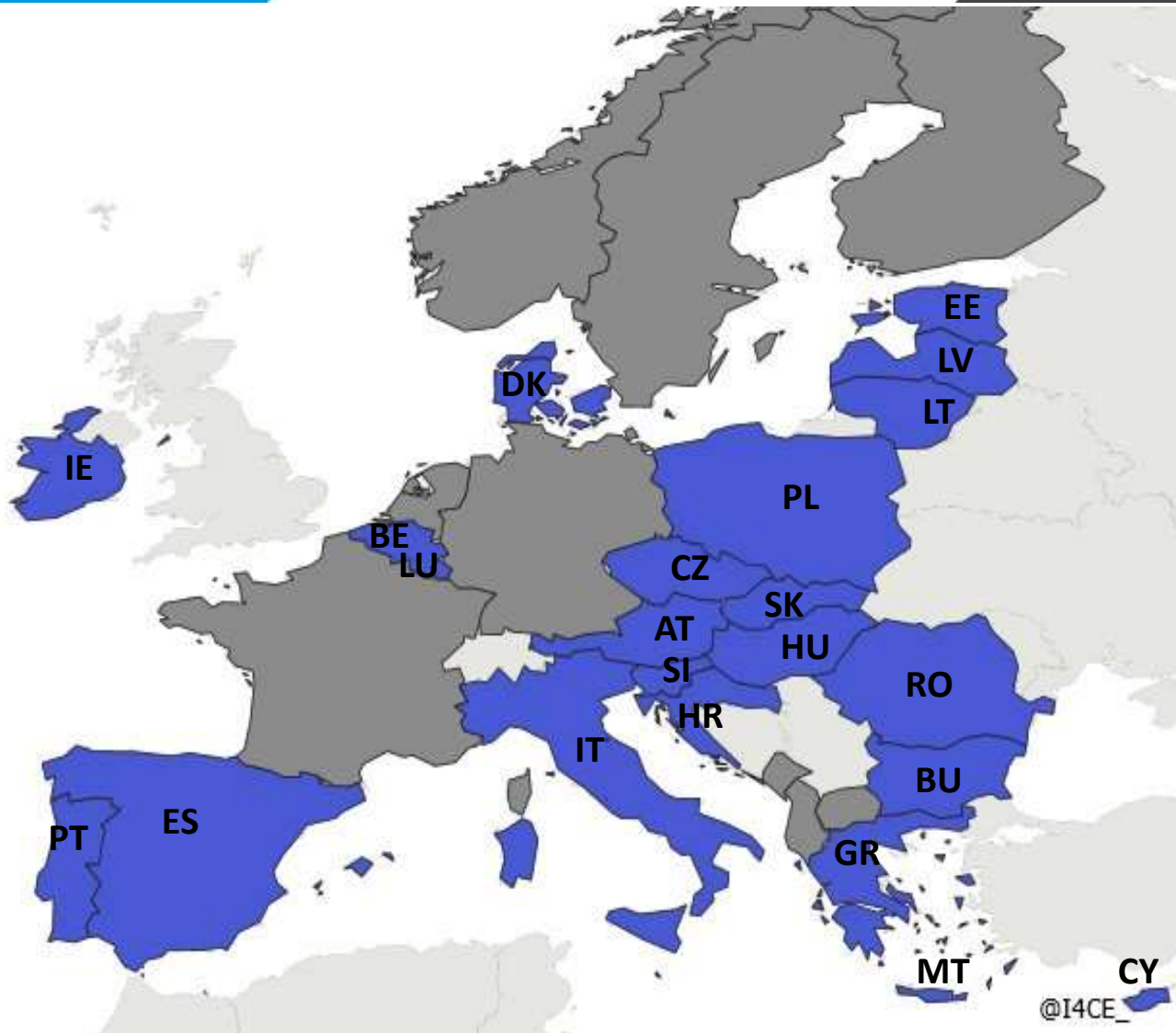
Level 2

| Coverage | | |
|--------------------------------|--|---|
| Env. objectives | <ul style="list-style-type: none"> Climate | <ul style="list-style-type: none"> 6 env. objectives |
| Budget items | <ul style="list-style-type: none"> Green exp. and revenue | <ul style="list-style-type: none"> Green & brown Exp., revenue, tax exp |
| General govt | <ul style="list-style-type: none"> Central govt only | <ul style="list-style-type: none"> Central / subnational govt State-owned enterprises |
| Methodology | <ul style="list-style-type: none"> Light tagging | <ul style="list-style-type: none"> Comprehensive tagging Impact assessment |
| Deliverables | <ul style="list-style-type: none"> Pres in annual budget Pres in execution report | <ul style="list-style-type: none"> Annual budget annex Multi-annual plan Extra budgetary entities |
| Governance | <ul style="list-style-type: none"> Ad hoc Task force | <ul style="list-style-type: none"> Permanent central structure Budget contacts in ministries |
| Transparency Accountability | <ul style="list-style-type: none"> All deliverables public Evaluation of methodology | <ul style="list-style-type: none"> All deliverables public Evaluation of deliverables Parliamentary discussion |

Building capacity of EU Member States on green budgeting

- Project in collaboration with Expertise France, funded by the EU Commission (DG REFORM),
- 3 modules:
 - Module 1: An **introduction to green budgeting** (*completed*)
 - **Country-specific** modules :
 - Module 2: A training on the **methodological challenges** of green budgeting based on a country-specific case study (*one 2-day training per country, in progress*)
 - Module 3: A guided self-diagnostic of the **national green budgeting framework** (*one 2-day training per country, forthcoming*)
- Trainings aimed at the representatives of the **Finance and the Environment Ministries**
- A large number of MS participate in the project – 23 MS for Module 2

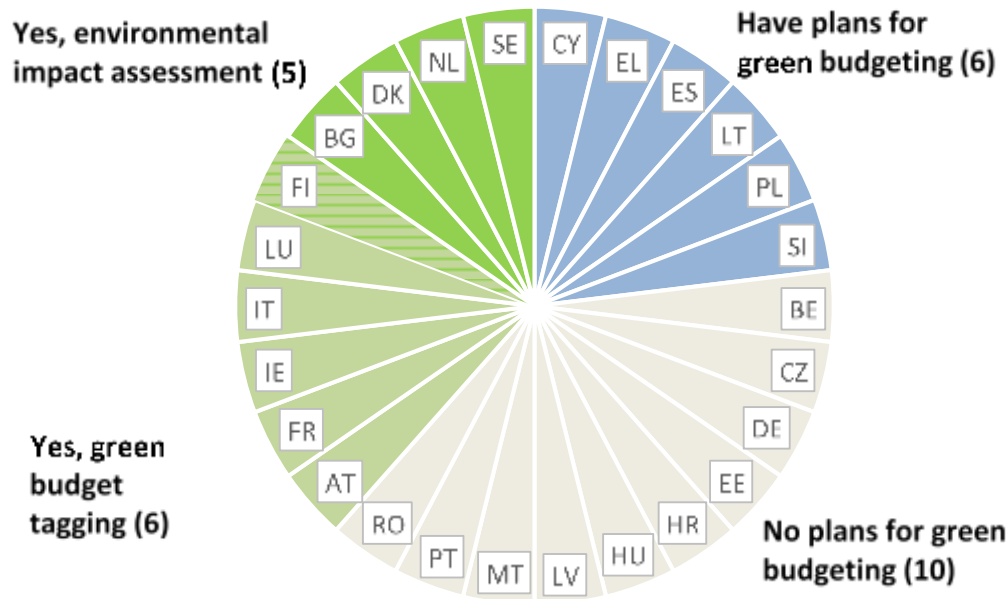
Green Budget Training for European Member States



Volunteered for
Training

Green Budgeting practices in 2021

... across responding EU Member States



*Finland is performing both green budget tagging and environmental impact assessments.

Source: 2021 European Commission survey on green budgeting [Green Budgeting Practices in the EU: A First Review](#)

CSOs play an essential role in the implementation of green budgeting





NGOs, think tanks, and members of the civil society can:

- **Demand** or encourage **governments to conduct green budgeting** exercises;
- **Assess** the quality of national **green budgeting** exercise;
- **Demand higher quality** green budgeting, reporting, dispersion of information;
- Ensure green budgeting exercises are **not used for green washing**, are not used as reason not to further engage in green transition;
- Incorporate green budgeting results into **national budget deliberations and public debate**;
- **Encourage changes in governmental approach to climate change** using green budgeting results as a springboard.

Elements that need external scrutiny:

- **Implementation**: scope, accuracy, consistency, recurrence, transparency;
- **Communication**: not overstating achievements, diffusion across government bodies;
- **Use**: guide public policies and actions, budget to become greener over the years.

National climate councils

| Country | Name | Function | Organisation | |
|----------------|----------------------------|----------|--|---|
| Denmark | Professor Peter Møllgaard | Chair | Klimarådet [Council on Climate Change] |  |
| Finland | Markku Ollikainen | Chair | Suomen ilmastopaneeli [The Finnish Climate Change Panel] |  |
| France | Professor Corinne Le Quéré | Chair | Haut Conseil pour le Climat [High Council on Climate] |  |
| Greece | Professor Costas Synolakis | Chair | Ειδική Επιστημονική Επιτροπή για την Αντιμετώπιση της Κλιματικής Αλλαγής [National Scientific Climate Change Council] | |
| Ireland | Marie Donnelly | Chair | An Chomhairle Chomhairleach um Athrú Aeráide [Climate Change Advisory Council] | |
| Sweden | Johan Kuypenstierna | Chair | Klimatpolitiska Rådet [Climate Policy Council] |  |
| Sweden | Lisbeth Schultze | Chair | Nationella expertrådet för klimatanpassning [Expert Council on Climate Adaptation] | |
| Iceland | Halldór Thorgeirsson | Chair | Loftslagsráð [Climate Council] | |
| Switzerland | Dr Kathy Riklin | / | Organe consultatif sur les changements climatiques/Beratendes Organ für Fragen der Klimaänderung [Advisory Body on Climate Change] | |
| United Kingdom | Lord Deben | Chair | Climate Change Committee | |
| United Kingdom | Baroness Brown | Chair | Climate Change Adaptation Committee | |

Sources: <https://climatecouncilsnetwork.org/> and [Climate Governance Systems in Europe: the role of national advisory bodies](#)

Useful institutional resources

- [European commission webpage on green budgeting](#) with a [database](#) of all member states and a [study](#) on green budgeting experiences in selected Member States
- [OECD webpage on Paris collaborative on green budgeting](#)
- <https://www.financeministersforclimate.org/>
- [Taxonomy Regulation](#)

Useful material



[\(CEPAL, 2015\)](#)



[\(IADB, 2021\)](#)



[\(Pacific Islands Forum Secretariat, 2019\)](#)



financeministersforclimate.org



[\(IACE, 2019\)](#)



[\(UNDP, 2019\)](#)



[\(World Bank, 2021\)](#)



[\(BIOFIN, 2018\)](#)



[\(GFLAC - Colombia, 2016\)](#)



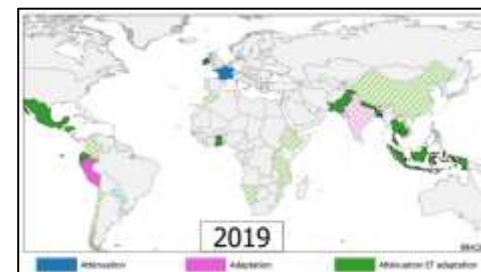
[\(IACE, 2021\)](#)



[\(France, 2020\)](#)



[\(OECD, 2021\)](#)



[\(ID4D, 2020\)](#)

Useful material - Continued



[*\(UNDP, 2018\)*](#)



[*\(climatefinance-developmenteffectiveness.org\)*](#)



[*\(France, 2019\)*](#)



[*\(PEFA, 2020\)*](#)



[*\(OECD, 2021\)*](#)



[*oecd.org*](#)



[*\(EU, 2021\)*](#)



[*\(I4CE, 2021\)*](#)



[*\(UNDP, 2015\)*](#)



[*\(UNDP, 2016\)*](#)

Concrete case study: Slovenian experience

Dr. Jonas Sonnenschein, Project manager





The Slovenian experience with green budgeting

dr. Jonas Sonnenschein – jonas@umanotera.org

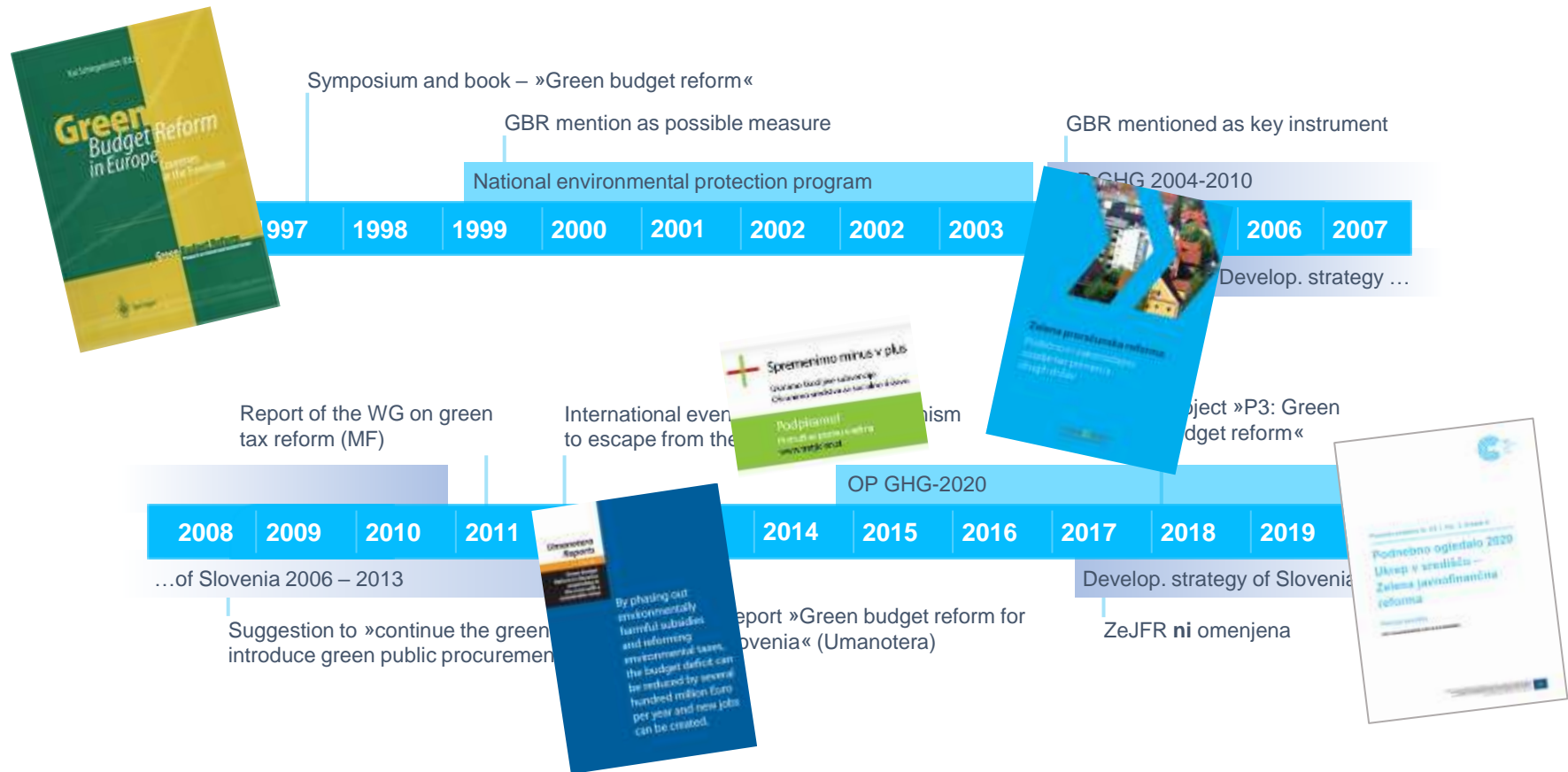
Supported by:



on the basis of a decision
by the German Bundestag



25 years of green budgeting in SLO





The GBR focus shifted over time

1990s & 2000s Ecological tax reform

2010s EHSs + budget consolidation

early 2020s Green spending

late 2020s Consolidation again?



Green budgeting & consolidation



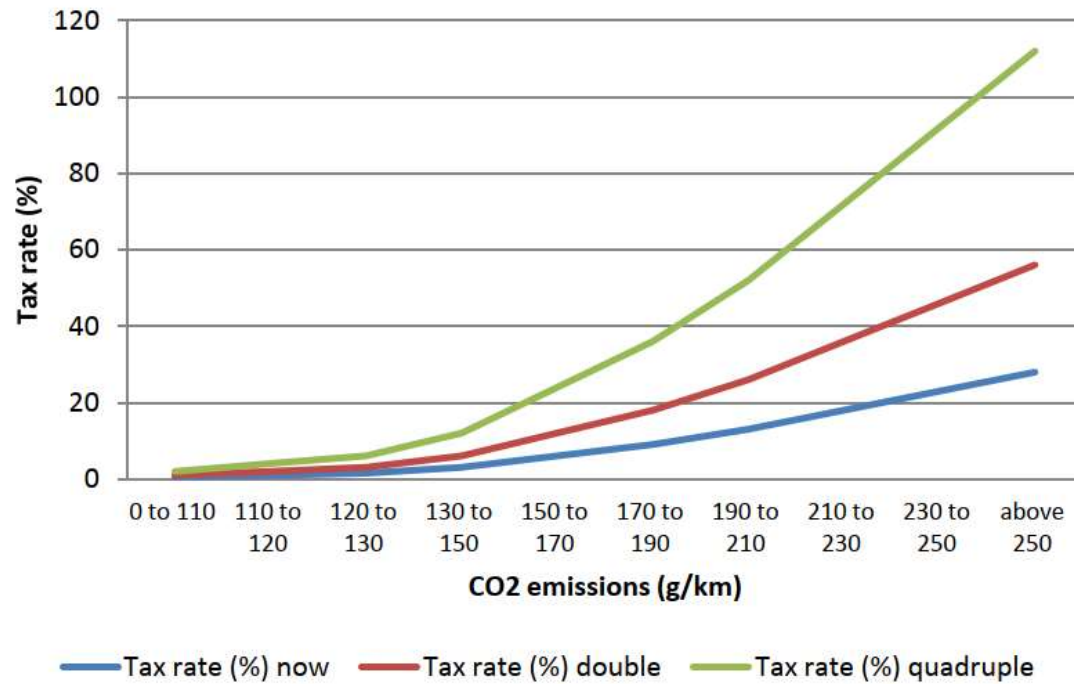


Table 1: Environmentally Harmful Subsidies by sector⁴

| Subsidies 2011 (in million EUR) | On budget | Off budget | Total |
|------------------------------------|------------|------------|----------------|
| Energy | 176 | 20 | 196 |
| Transport | 281 | 0 | 281 |
| Agriculture | 74.5 | 0 | 74.5 |
| TOTAL | 503 | 20 | >523 |



Figure 7: Motor vehicle tax rates (petrol cars)





Campaign 2013

“Let’s turn the minus into a plus”



Spremenimo minus v plus

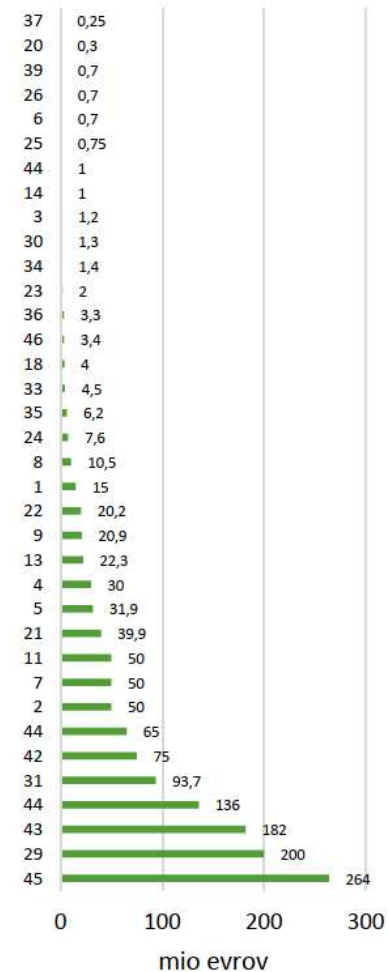
Ukinimo škodljive subvencije.
Ohranimo sredstva za socialno državo.





Government project P3

Identification of the **budget effect** of 46 environmentally relevant (good and bad) support instruments





P3 project:

Classification of support instruments

- by impact categories (air, soil, water)
- by impact direction
 - lowering environmental damages
 - potentially lowering env'l damages
 - Worsening environmental damages
- by sector (fossil fuels, electricity, transport, agriculture, business)



Green budgeting in the 2020s

EU funds

- Green Recovery Tracker ([Slovenia](#))
- EU Cash Awards (tag [Slovenia](#))
- Reaching for a green recovery ([CAN EU + Bankwatch report](#))

National budget

- Repetition of the “P3” screening exercise (?)
- I4CE capacity building workshop (January 2022)
- **New government!!!** (green bonds, new institutions)



Barriers towards green budgeting

Knowledge

- Lack of “common language in cross-sectoral work”
- Lack of specific climate measures in the context of GBR

Institutions

- Lack of continuity in cross-sectoral work
- Self-censorship in ministries
- Lack of long-term institutional frame hinders design of policies

Political economy

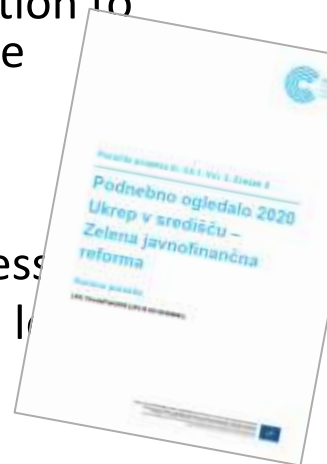
- Lack of political will and leadership

Structural factors

- Short government and budget cycles vs. long-term climate action
- Much of the budget is locked in to fixed expenditure (social transfers, health care, education etc.)
- Excise duties’ main function to generate budget revenue

EU/int’l factors

- Tax competition
- Economic competitiveness
- Unanimous voting at EU level





UMAN  TERA

Thank you for your attention!

dr. Jonas Sonnenschein

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www.umanotera.org



Supported by:



Federal Ministry
for Economic Affairs
and Climate Action



European
Climate Initiative
EUKI

on the basis of a decision
by the German Bundestag

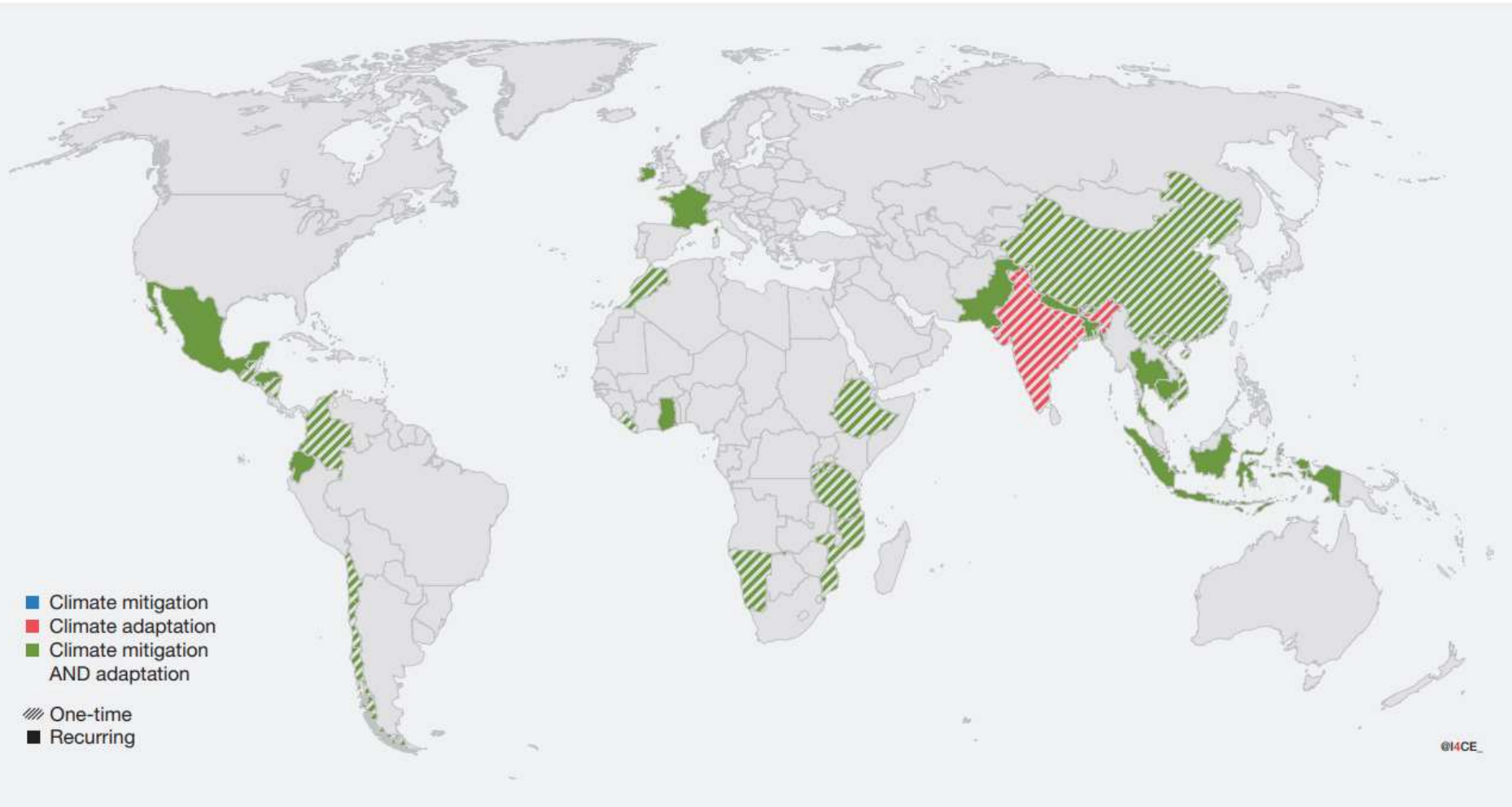


Concrete case study: the French story

Sébastien Postic, Project manager



Decades of experience with climate budget tagging



- Since 2008 in Asia
- 50 countries and more to come, specially in the EU at a local and national level

The Yellow Vests catalyst...

Launch of the
*Paris collaborative on
Green Budgeting*



2017

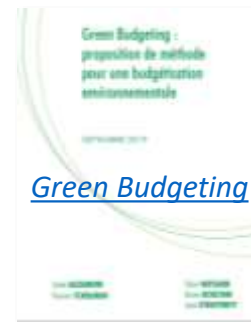
2018

2019



April 2019:
MTES and MEF
launched joint
taskforce on GB
methodology

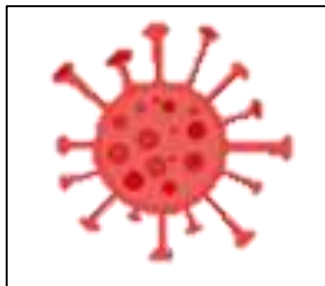
September 2019:
Report from
taskforce on GB
methodology



November 2019:
Energy Climate
Law laid out
**commitment to
reach net-zero by
2050**

Draft budget law:
**obligation to
present a report
on the
environmental
impact of the
Stat's budget**

... and the post-Covid needs



September 2020:

- *France's 1st Green Budget (for 2021 bill)*

September 2021:

2nd Green Budget (for 2022 bill)

2020

2021

Recovery plan:

- 0 brown spending
- 30% climate-friendly



[Report on environmental impacts of the 2021 State budget](#)




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ET DE LA RELANCE
*Liberté
Égalité
Fraternité*



[Report on environmental impacts of the 2022 State budget](#)


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France's GBT seen from I4CE

Launch of the
Paris collaborative on
Green Budgeting



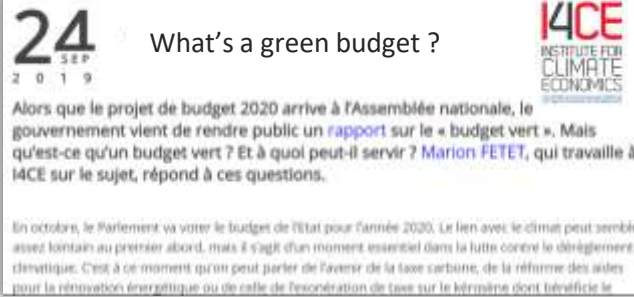
360-degree climate
assessment of France's
State budget



2017

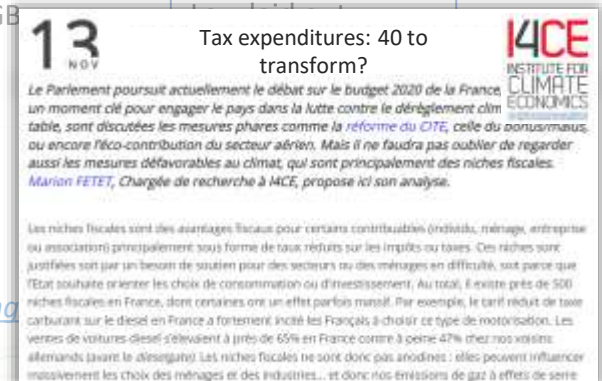
2018

2019



September 2019:
Report from
Taskforce on GB
Methodology

November 2019:
Energy Climate



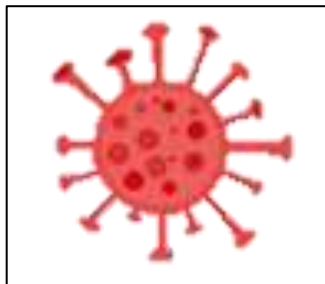
environmental
impact of the
Stat's budget

Green Budgeting



IGF

France's GBT sector



08 OCT 2020 France's Green Budget: What's Next? **I4CE** INSTITUTE FOR CLIMATE ECONOMICS

#I4CExpertViewPoint

A few days after the publication of France's 2021 budget bill, and before any debates in parliament, the government released an environmental assessment of it. This assessment, often referred to as the "green budget", is an important step forward for the transparency of public action, according to **Marion Feret** and **Sébastien Postic** from I4CE. Nevertheless, they suggest improvements to be made to the scope of the budget analyzed or to the classification of certain expenditures. And they call for making the green budget a real tool for greening the budget.

A new step for budget transparency

France is not the first country to take an interest in the environmental impacts of its budget, as I4CE pointed out in a [previous post](#) on the experiments carried out in this area for nearly fifteen years in some fifty countries. But France stands out by integrating spending that is damaging to the environment and by analyzing not one but six environmental dimensions: climate mitigation and adaptation, land use,

12 OCT 2021 Environmental Budget Assessment: Let's complement them **I4CE** INSTITUTE FOR CLIMATE ECONOMICS

The French government has just published the environmental budget assessment, or 'Budget' of its 2022 draft budget. **Morgane Nicol** of I4CE and **Michel Colombier** of IDDRI offer insights into these exercises, which are becoming more popular in many countries and local authorities. They highlight that the environmental budget assessment does not dispense with an Ecological Transition Strategy. Instead, it must be used to draw up a financing plan for this transition.

Environmental Budget Assessments have become increasingly popular. **France, Ireland, Nepal and Ecuador** and some more 45 countries have all conducted a **climate assessment of their budgets**. Local authorities in France have already published the results of their respective exercises. Lille and Strasbourg, the Bourg-en-Bresse community, the Bettun and Montmorot communes, the Mayenne Department, and Occitanie are all among them.

The publication of an environmental budget assessment : one piece of the puzzle

2020

2021

ID4D Sustainable Development Goals **I4CE** INSTITUTE FOR CLIMATE ECONOMICS

"Green budgeting": paths to creating real added value

Few green budgeting initiatives have led to concrete reforms or revisions of priority investments. How can we move from simple theoretical exercises to concrete action for the environment?

Oskar Langner **Sébastien Postic** **Aurélien Dubouy**

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LOCAL BUDGETS CLIMATE ASSESSMENT: OBJECTIVES & APPROACH

[Methodology for Climate assessment of local authority budgets](#)



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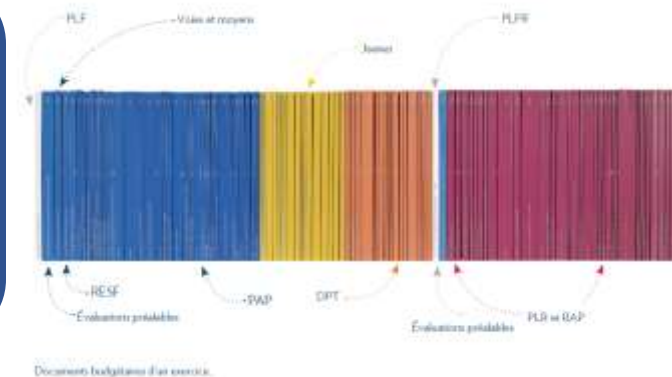
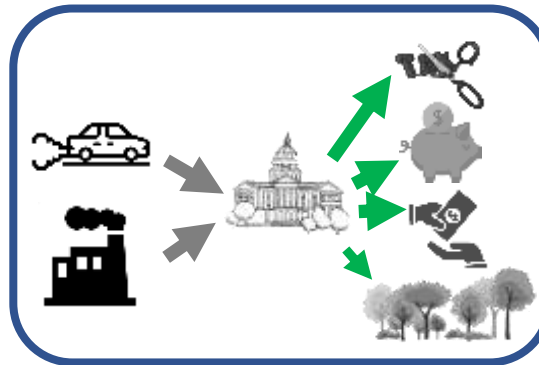
The Good, the Bad and the Unclear: Environmental Budget Tagging

From mainstreaming national effort to reforming budgetary instruments

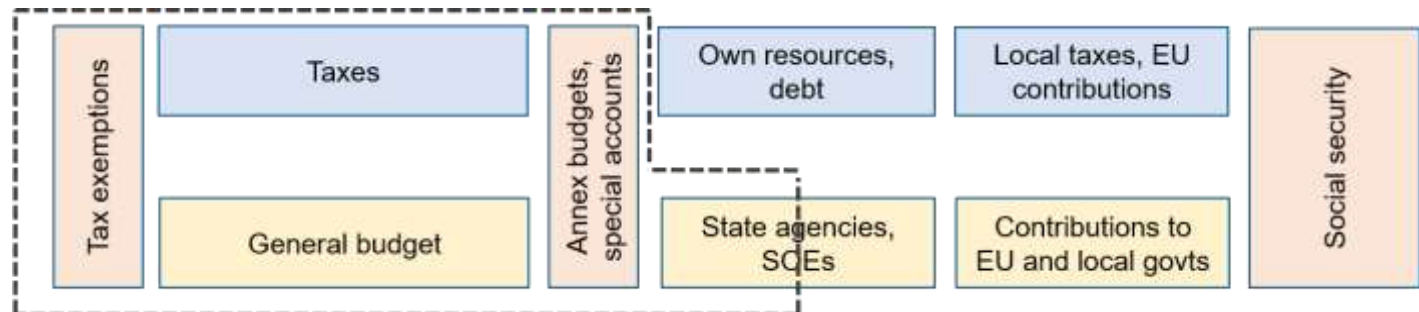
[The Good, the Bad and the Unclear: Environmental Budget Tagging](#)

France's Green Budget in a nutshell

Why?



What?



So what?

250 climate-related measures...

Totalling nearly EUR 100bn...

Mostly favourable...

And mostly unintended.

EUR 53bn taxes – Mostly climate-friendly

Overview: 25 climate-related taxes

EUR 10bn with a climate purpose

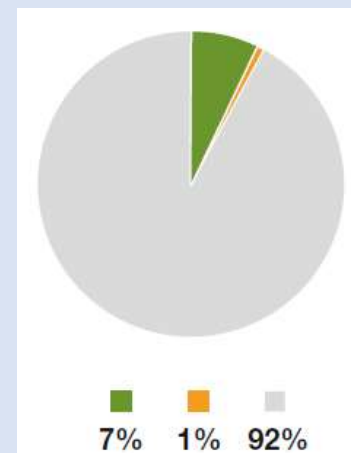
Carbon component of various taxes

EUR 33bn with climate co-benefits

Energy & car taxes

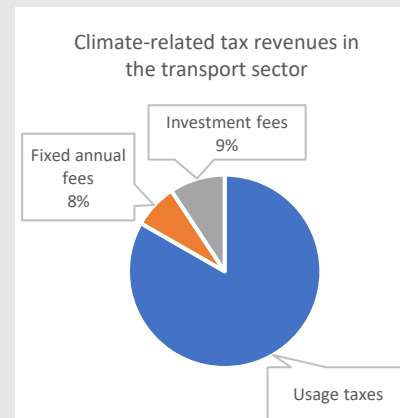
EUR 10bn with ambiguous effects

Electricity use & infrastructure

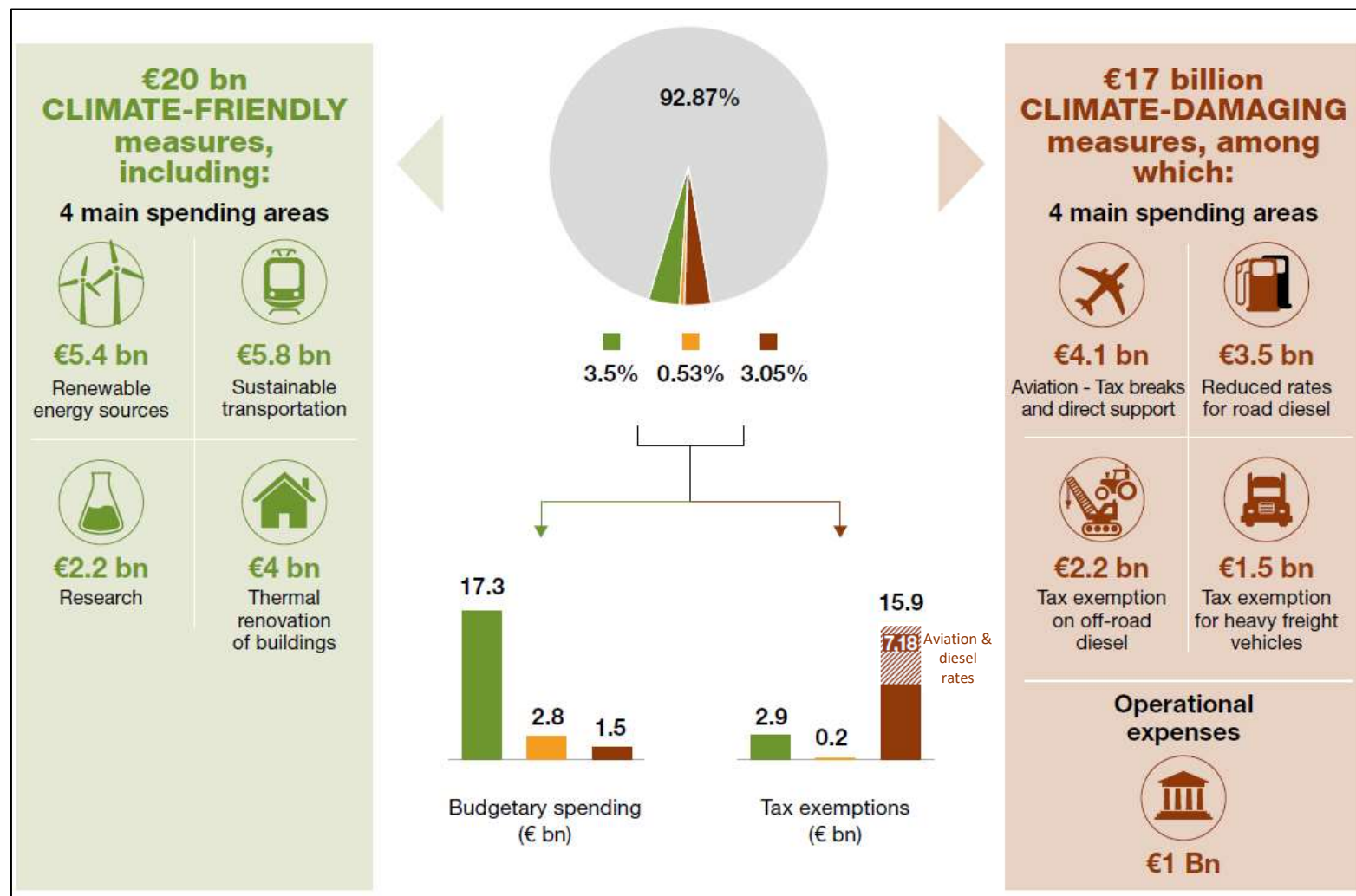


Transport taxes: green but inefficient

- Very few taxes when buying the car
- High usage taxes
- Revenue-raising, not behavioural change
- Planting the seeds for the yellow vests...



French example | EUR 40bn Spending



Spending: selected insights

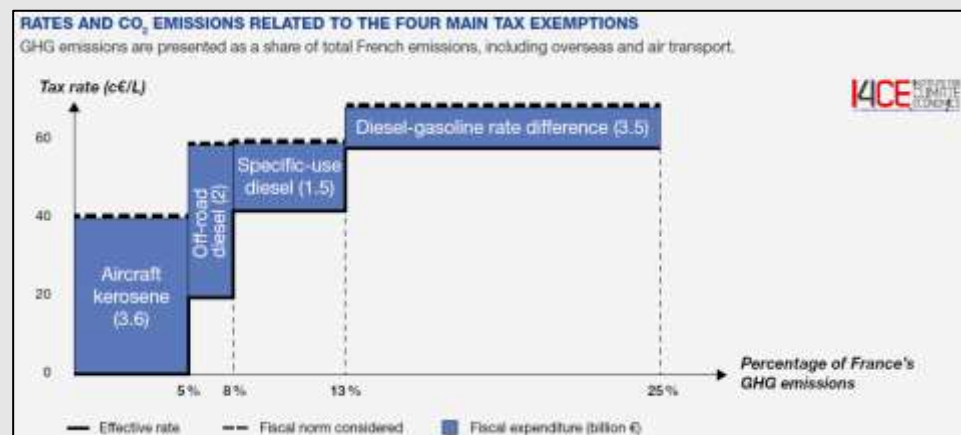
Operating expenses matter

- 15% of the budget
- Highly scattered, hard to monitor
- High share of climate-relevant spending (transport, heating)
- Need for exemplarity e.g. when passing a carbon tax
- A matter of change management

| BUILDING | |
|---|--------------|
| New buildings (mostly housing) | 1,006 |
| Building renovation (500 million in housing) | 780 |
| Energy consumption in buildings | 275 |
| TRAVEL | |
| Travel expenses, fuel expenses (excluding operational fuel) | 166 |
| Operational fuel, aircraft fuel | 458 |
| Train compensation to SNCF | 170 |
| Investment in the vehicle fleet | 17 |
| TOTAL | 2,872 |

Variety of tax niches

- Most of anti-climate action is here
- Various reasons, tax bases, and rates
- Hard to reform
- Need at least better monitoring



A green budget is not a strategy!

- “Increase green, reduce brown” is limited
 - Residual brown e.g. defense
 - Spend more vs. spend better?
 - National priorities and different time horizons
 - Extra-budgetary tools



Long term strategy
=> Map and trajectory

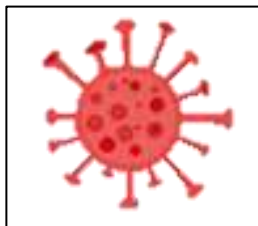


Green budget
assessment
=> GPS position



Political decision
=> Someone holding
the wheel!!

... So what now?



2017

2018

2021

2022



Advance GB at EU level

Spend all fossil taxes in climate action

Reduce and ultimately roll back all harmful spending

Increase scope (*tax, tax niches*)

Avoid Greenwashing (*nuclear, new cars*)

Make it an effective constraint (*air transport*)

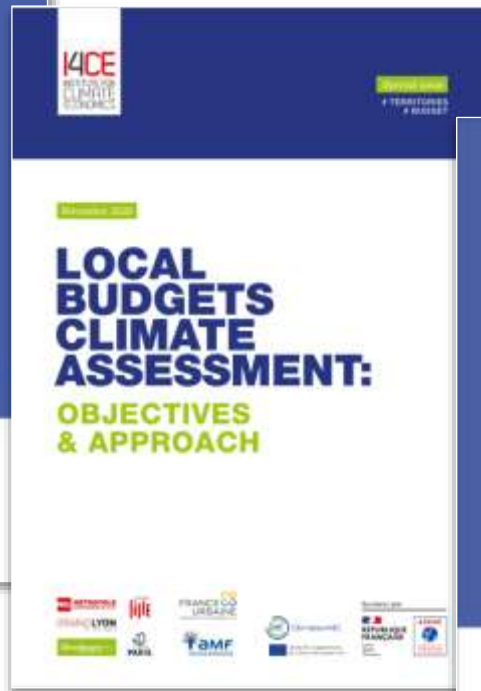
Include into long-term planning tools (*mainstream into decision-making*)

Overview of our research

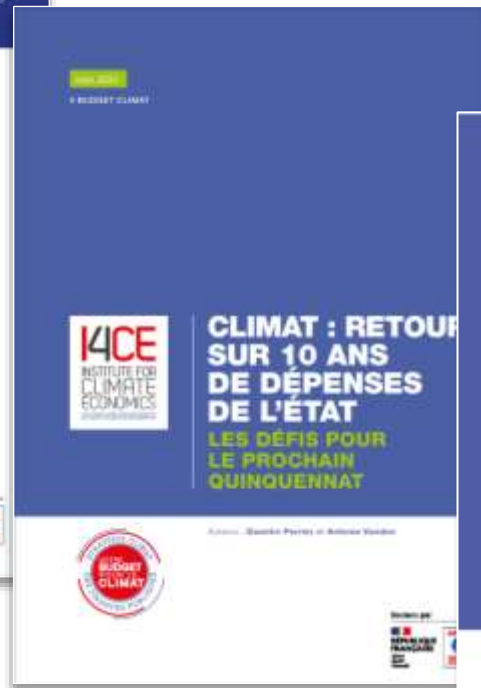
2019



2020



2021



2021



Concrete case study: French NGO perspective

Emeline Notari, Climate Policy Officer



The French green budget : what are the key points ?

3 key points :

- The importance of harmful tax and budget expenditures for climate and biodiversity in France, and the flawed methodology used by the government to do its green budget
- The need to increase our green spendings
- What public policies should follow such report

Harmful tax and budget expenditures for the climate in the French green budget

- A green budget that is more and more used in a way to hide some harmful tax expenditures
- The importance of including all kinds of harmful subventions for the climate : the French green budget counts 10 billion harmful spendings, while the CAN France counts 25 billion

The need to increase our green spendings

- The green budget identifies 42 billion that are spent each year in an environmentally friendly way
- It's less than the Ministry of environment's budget (49.9 billion)
- We have more than 5 billion's tax and budgetary expenditures of the Ministry that are considered harmful for the climate and the biodiversity

What policies should follow such exercise?

- The CAN France is asking for a national strategy to eradicate these harmful taxes and budget expenditures and to increase France's green spendings

Thank you for your attention
Any questions?

Concrete case study: For a more sustainable and readable budget policy in Luxembourg

Muriel Bouchet, Director



03.05.
2022

FONDATION IDEA a.s.b.l.
For a more sustainable and readable
budget policy in Luxembourg

Fondation IDEA: created in 2014, by the Luxembourg Chamber of Commerce. In order to enhance the socioeconomic debate in Luxembourg. In a neutral, scientific way.

Independent think tank (the only one in Luxembourg). Macroeconomics, demography and public finances (**including long-term sustainability**), labour market and social issues, cross-border cooperation, finance, ...



But we also focus on «**green**» **sustainability**, greenhouse gases, mobility, ...



GREEN BUDGETING : OPINION ON THE 2021 DRAFT BUDGET

We produce each year an opinion on the draft State budget in Luxembourg. Discussions with Members of the Parliament (Commission on Finances and Budget), press conference. Very good media coverage and our opinion is prominent on the Internet site of the Luxembourg Finance Ministry.

In our opinion on the 2021 draft budget, we proposed several «amendments» to the budget. Including the «Green Budget» perspective. We were inspired by the French situation: annex to the budget in Autumn 2020.



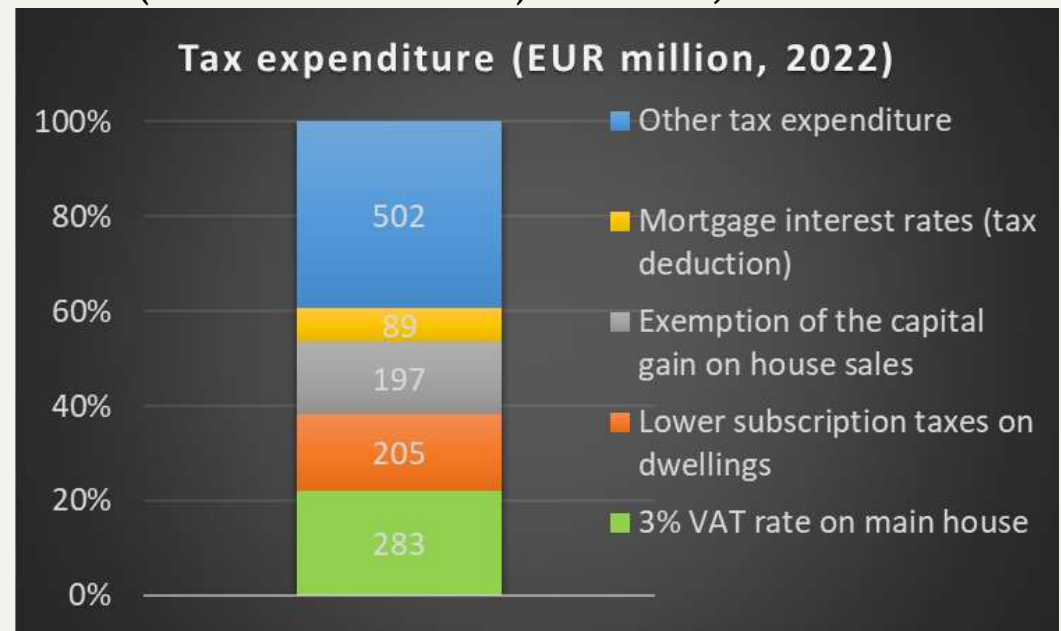
GREEN BUDGETING : OUR PROPOSAL

Our concrete proposal:

- **Ultimately**, to flag public revenue, expenditure and «tax expenditure» (positive, negative or neutral for the green transition), based on several criteria: greenhouse gases, biodiversity, water, circular economy, ... Good governance, transparency, for general government.
- But with **a «step by step» approach** («time and resources»). Starting point: the so-called «tax expenditure» (central State), listed in a specific annex to the Luxembourg draft budget.

GREEN BUDGETING : TAX EXPENDITURE IN LUXEMBOURG

- Total amount of EUR 1 276 million (i.e. 1.7% of GDP) in 2022, of which EUR 774 for housing (1.1% of GDP).



- Conditionality** (incomes, green housing), and **green budgeting** stricto sensu. Then, based on this experience, **gradual extension** (expenditure and revenue).

GREEN BUDGETING :

TWO « METHODOLOGICAL » CHALLENGES

- **First:** «Where to start from?» We propose to begin with tax expenditure. This is not fully in line with the «*Commission's Reference Framework*». But Luxembourg is quite specific: tax expenditure are large (i.e. 1.7% of GDP) and concentrated on housing (a big challenge in Luxembourg) ➡ **integrated approach, pragmatic strategy** taking into account the socio-economic situation.
- **Second:** the current list of public expenditure **disregards several items** (company cars, for instance).
 - Not really a problem. The list is stable and the amounts are updated each year (as in the «general budget») ➡ reliable starting point.
 - But we should of course promote further extensions of the list.

GREEN BUDGETING : « PROGRESS REPORT »

- **No direct integration** in the 2022 draft budget.
- But a section on Green Budgeting was included in the (very recent) **Stability Programme of Luxembourg**:
«In the medium-term, the green budgeting methodology will evolve, depending on the experience gathered on the ground and through the efforts made at the European level in order to develop the related tools».
- In addition, Luxembourg now takes part in the OECD «**Paris Collaborative on Green Budgeting**» (14 countries). This was one of our most prominent recommendations (networking and access to methodological tools).

Thank you for
your attention

www.fondation-idea.lu



Cross fertilization: How to act in your country?

15 min

Link to the Klaxoon session

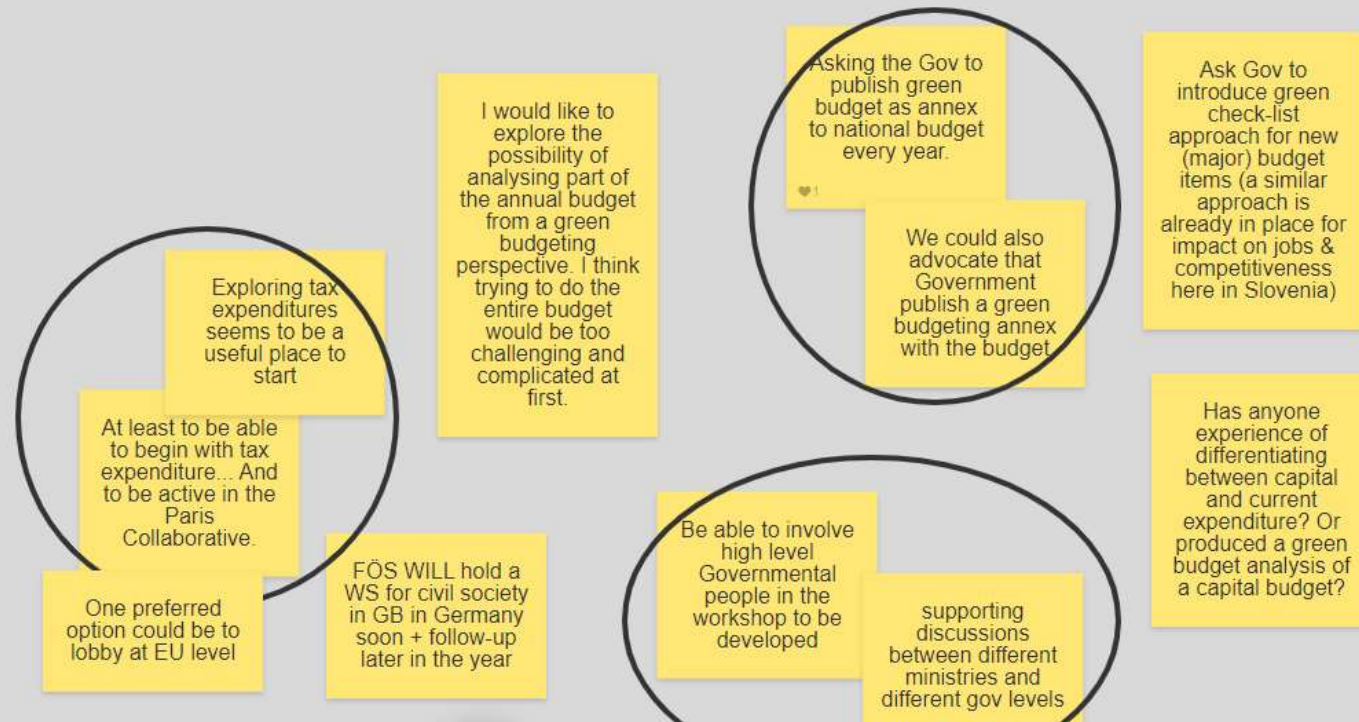
Towards a Climate Neutral EU: Efficient Allocation of EU...

The EU's transition to climate neutrality committed to in the...

www.levego.hu/en/cam...

In Hungary, CAAG has done green budgeting between 1991 and 2016 but it is impossible to influence the current government. Therefore, we are working on the EU budget which can have a substantial effect on the national budget:

Post what you would like to do about green budgeting after this presentation
(1 post-it per idea) (5 min)





Group discussions

Perspectives for future collaboration?

15 min

Some ideas... to complete

- Would you like to have a meeting if one government publishes its budget (organized by one local CSO)?
- Would you like to have a mailing list on CSOs and GB?
- Do you see other actors to contact? How would you like to proceed? Every one contact its “national friends”?
- Would you like to contact your climate council? Open letter?
- Your government? How?
- Would you like to launch a tracker? Each national CSO could feed the tracker to identify who is doing what

Joint work on the
revision of
National Energy
and Climate
Plans?



Going further: social assessment

Dr. Sébastien Postic, Project manager



I4CE

INSTITUTE FOR
CLIMATE
ECONOMICS

Unité de la Commission Européenne
de l'Agence Française Développement

End of the world, versus end of the month?

*A framework to integrate social considerations into green
budget assessments*

How to account for social justice in climate action?

- **Climate action without social safeguards may be an issue**, not a solution
 - See e.g. France, Ecuador, Egypt, Indonesia...
- Old issues, new concepts: Just transition, SDG budgeting, etc.



How to account for social justice in climate action?

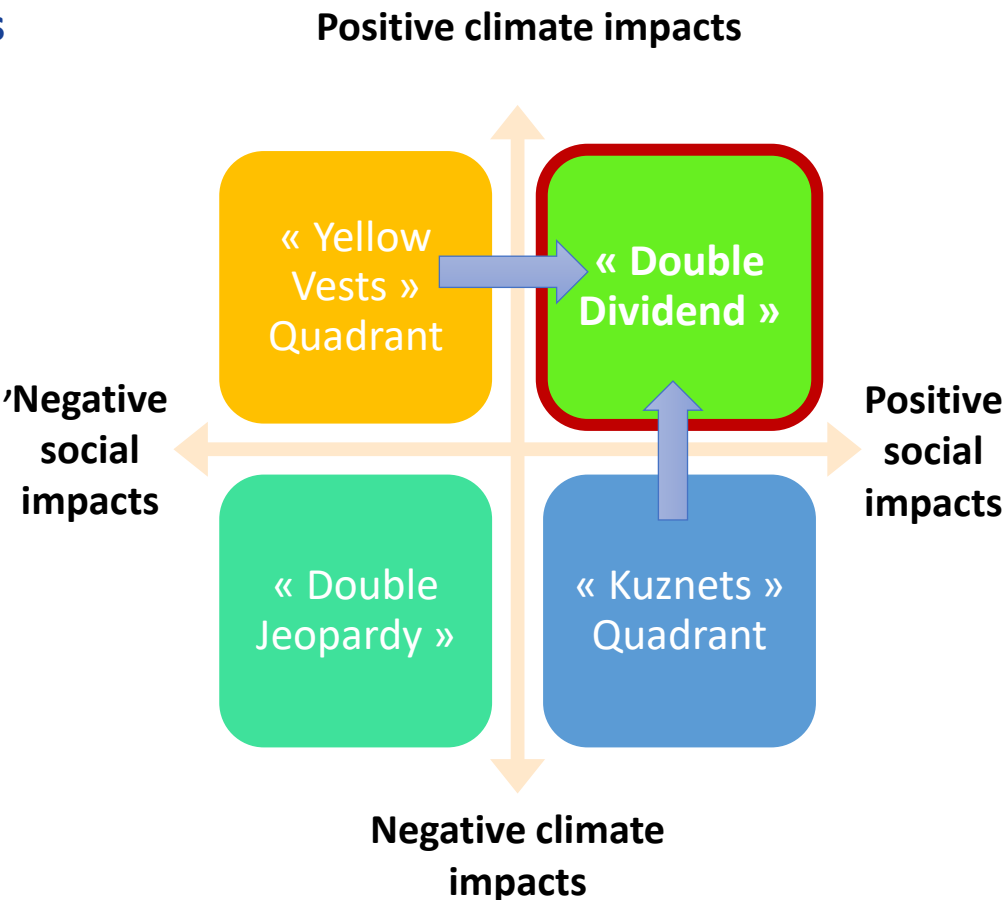
➤ Climate action without social safeguards

may be an issue, not a solution

- See e.g. France, Ecuador, Egypt, Indonesia...

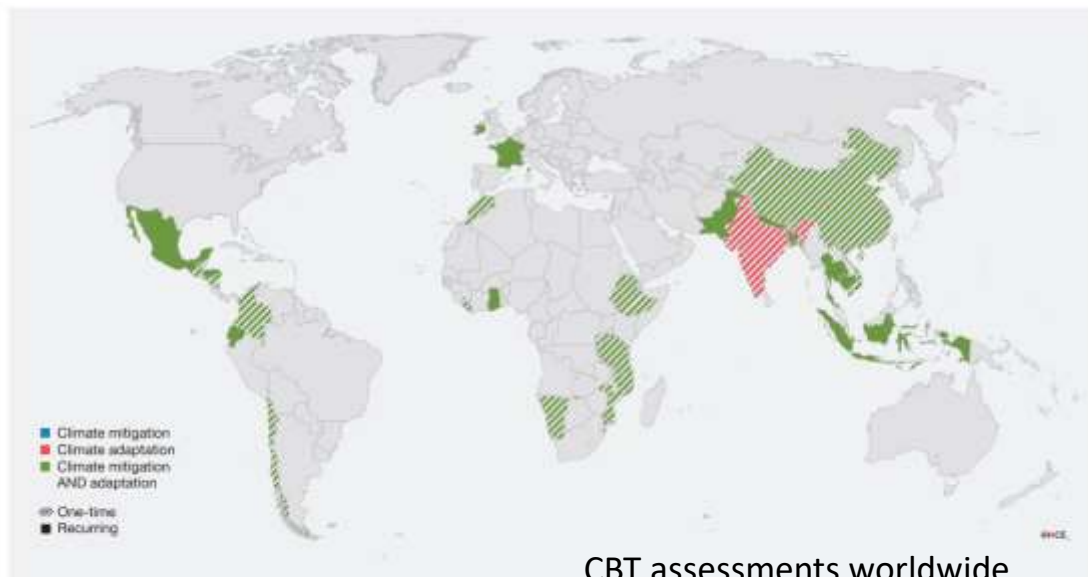
➤ Old issues, new concepts: Just transition, SDG budgeting, etc.

➤ Some opposite effects, but also some opportunities for **co-benefits**.



Why climate budgets should care about social impacts

- **Between $\frac{1}{4}$ and $\frac{1}{2}$ of a country's GDP**
- **Climate and social issues are still addressed in silos in the budget:**
 - Two **technical issues with their own experts**, lacking dual knowledge
 - Transversal issues difficult to address individually by policy makers, MPs & CSOs; **let alone together!**
- **The tools are here already!!**
 - E.g. climate budget taggings...



Source : I4CE

CBT assessments worldwide

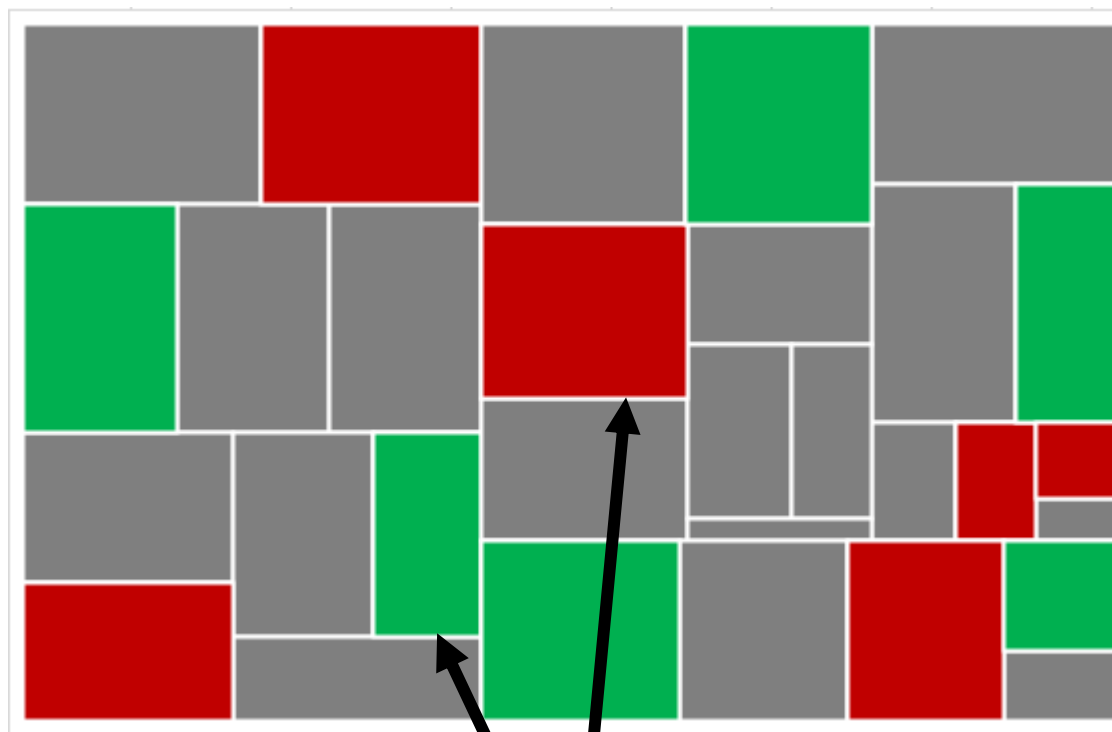
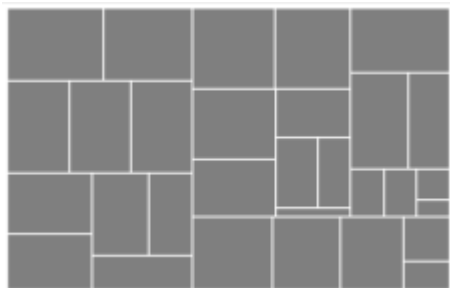
<https://www.i4ce.org/download/environmental-budget-tagging-climate/>

Screening green budgets for social hotspots – At a glance (1)



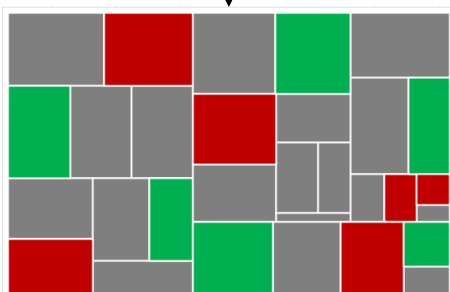
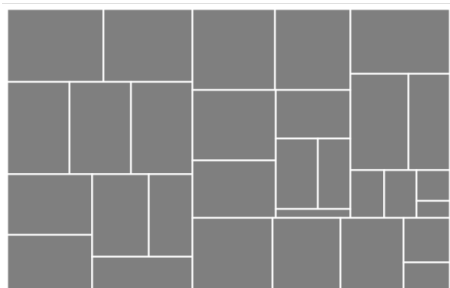
State budget

Screening green budgets for social hotspots – At a glance (2)

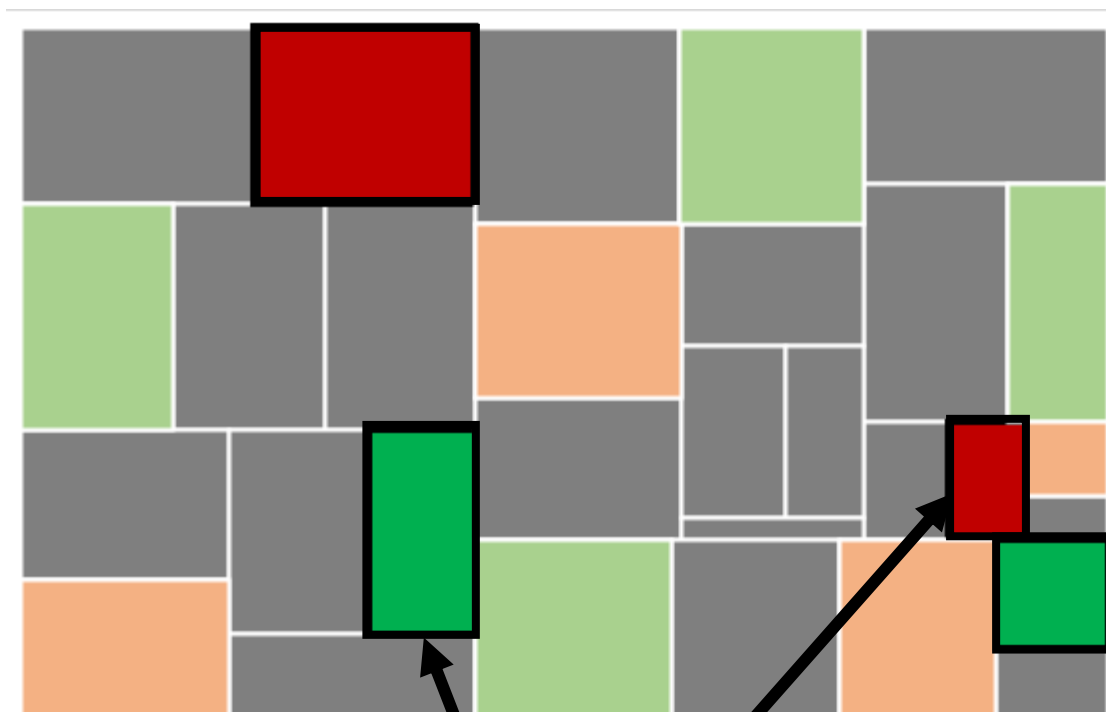


**Climate-related measures
-> Green Budget**

Screening green budgets for social hotspots – At a glance (3)

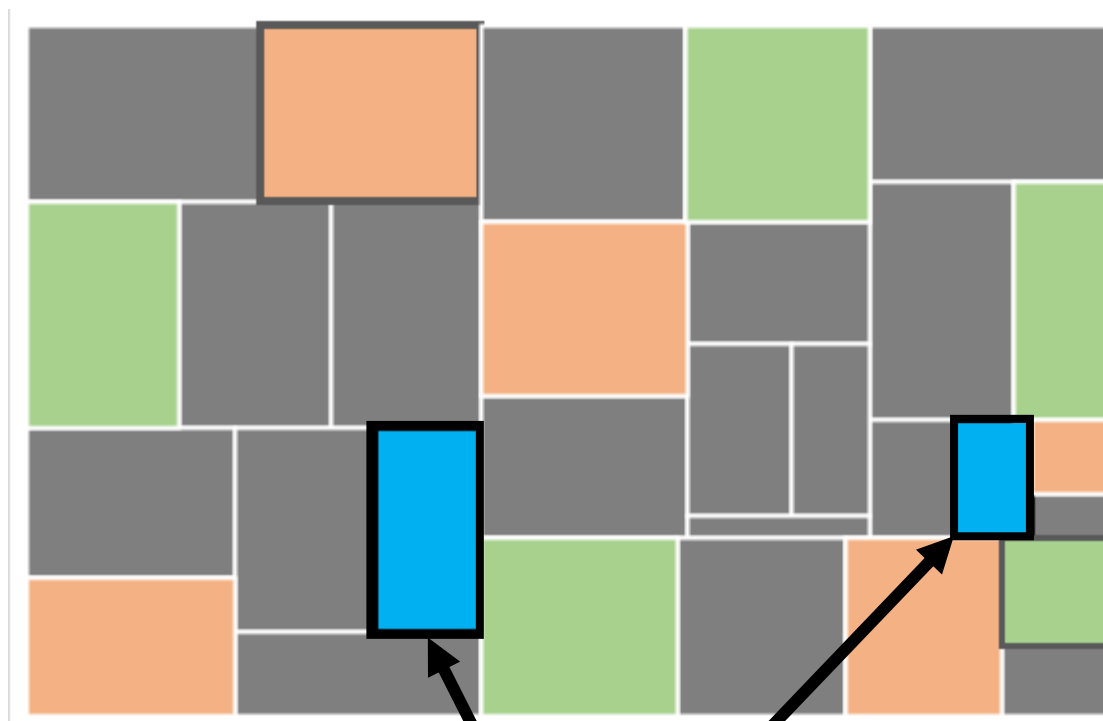
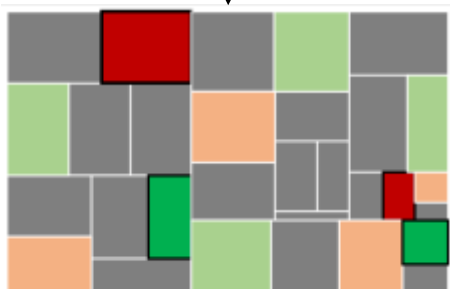
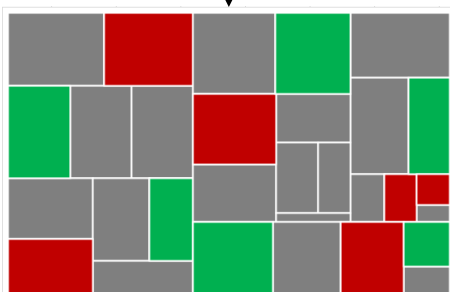
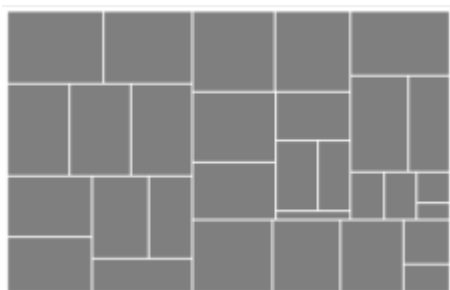


le climat



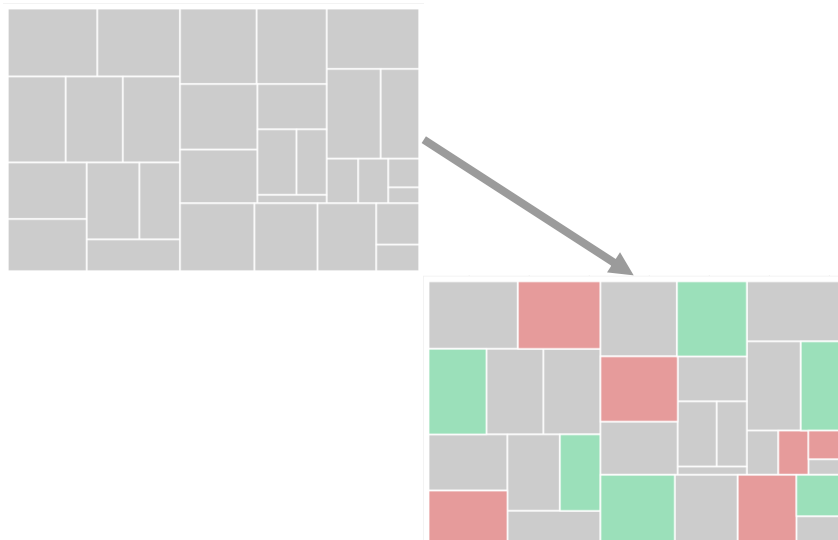
Social and climate impacts

Screening green budgets for social hotspots – At a glance (4)

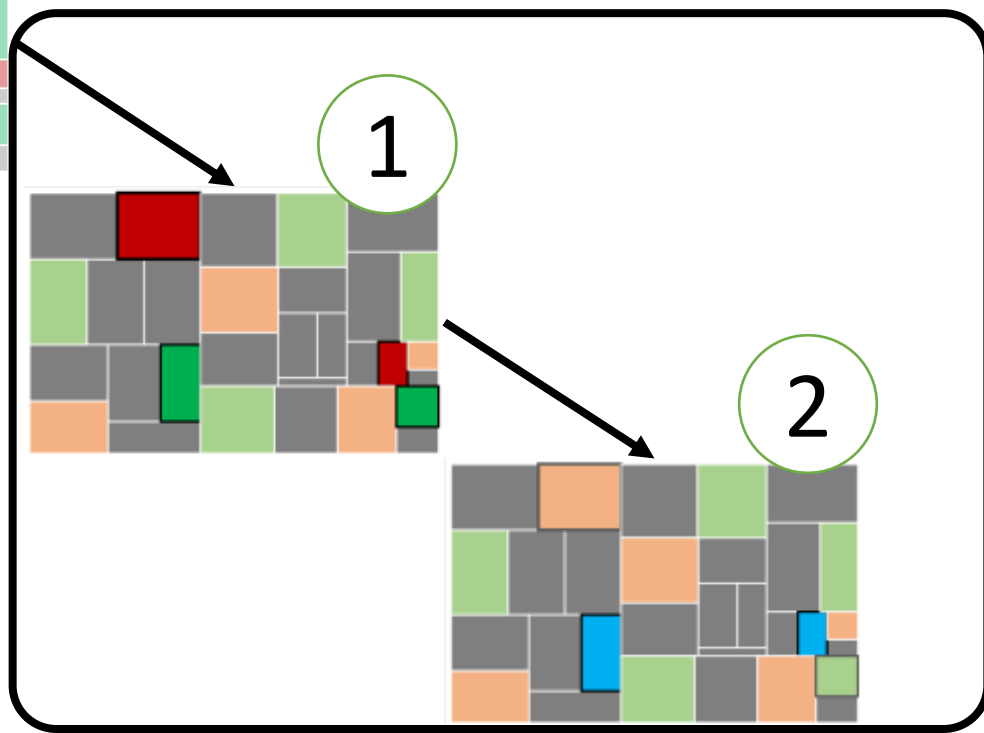


« Socio – climate
hotspots »

Screening green budgets for social hotspots – At a glance

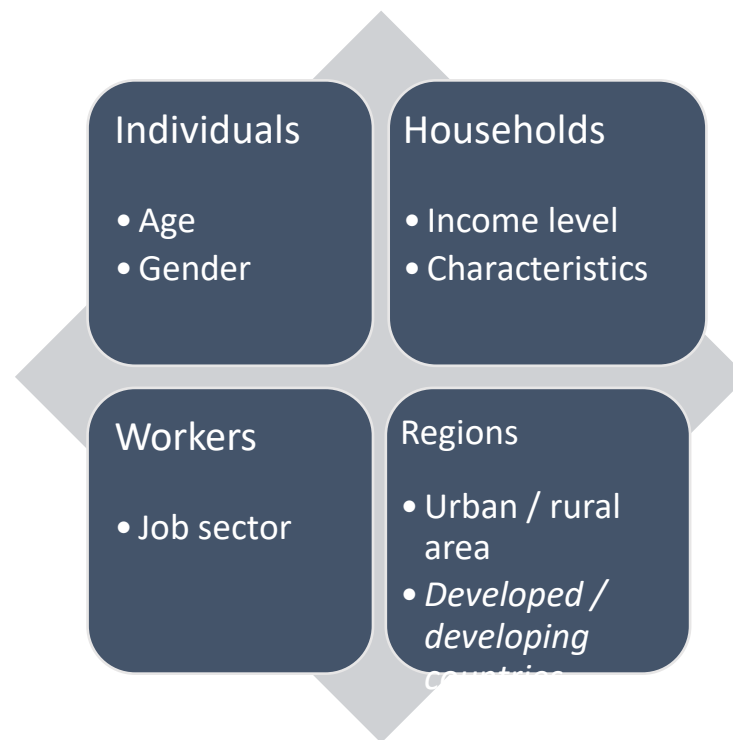
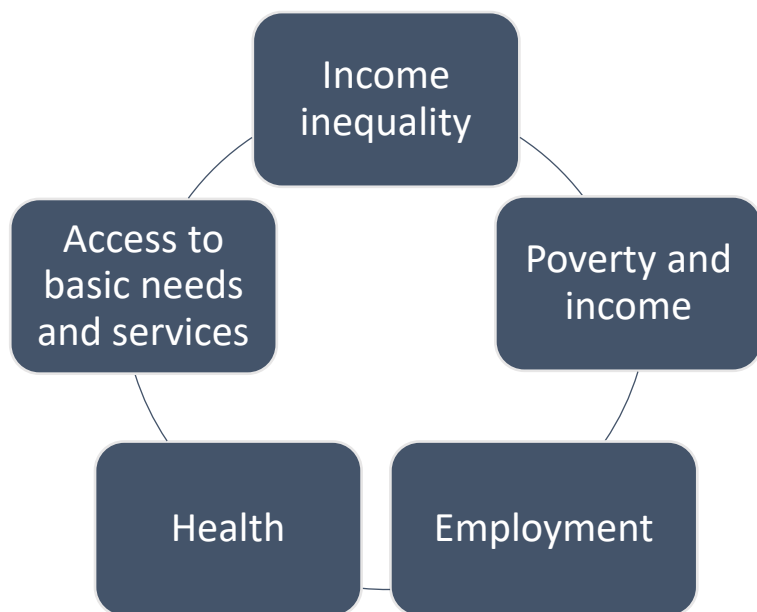


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Social impacts – What are we talking about?

Social indicators Intensification factors

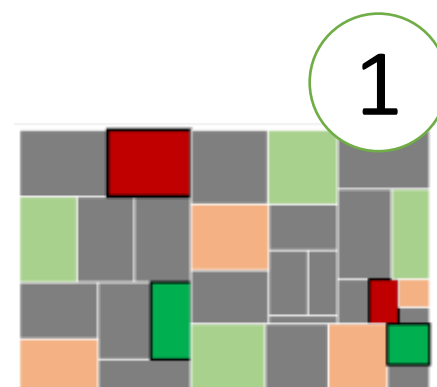


Example:

- Workers in polluting or energy-intensive sectors are more at risk of losing their jobs, and finding a new job is more difficult for older workers.

| | | | |
|----|------------------------------------|--|-----|
| 1 | Sector | Energy | |
| 2 | Category | Renewable energy | |
| 3 | Sub-category | Development of renewable energy projects | |
| 4 | Budgetary measure | Investments | |
| 5 | Code | EN1_1 | |
| 6 | Countries (developed – developing) | Developed & developing countries | |
| 7 | Mitigation | Positive impacts | |
| 8 | Adaptation | / | |
| 9 | Social co-benefits | Health benefits; employment impacts in RE sector; women employment; regional implications for workers, job creation where limited employment opportunities | |
| 10 | Social adverse side-effects | if increased energy prices: impacts on poorer households, energy poverty & health impacts, job losses in RE sector; population displacements | |
| 11 | Social indicators | Income inequality | YES |
| | | Poverty & income | YES |
| | | Employment | YES |
| | | Health | YES |
| | | Access to basic needs & services | YES |
| 12 | Intensification factors | Income | YES |
| | | Urban / rural area | YES |
| | | Job sector | YES |
| | | Gender | YES |
| | | Age | NO |
| | | Other household characteristics (energy used for heating, family structure, employment status, dwelling type, car & home ownership) | NO |

Step 1 - Identify social impacts



- Only climate-related measures
- **Both positive and negative** social impacts

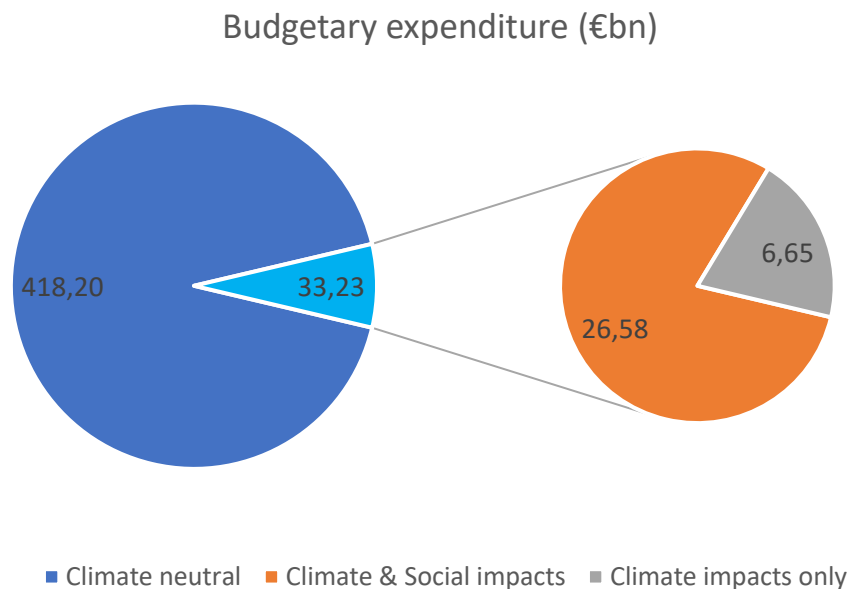
Source:

<https://www.ofce.sciences-po.fr/pdf/revue/07-176OFCE.pdf>

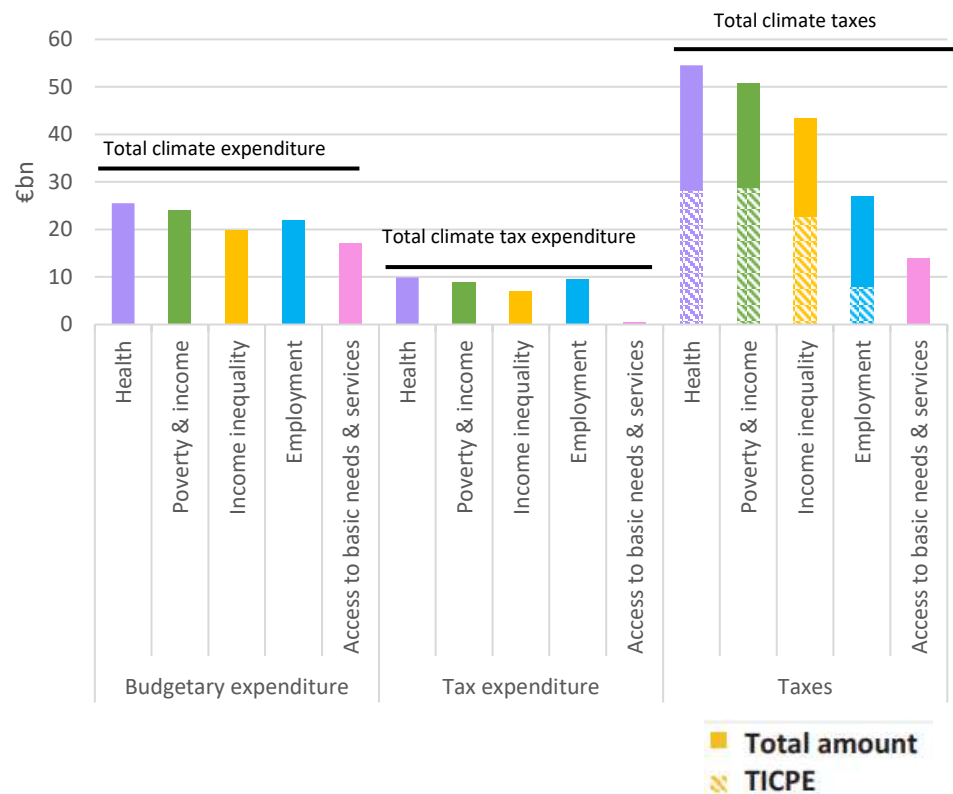
Insight #1 – Social impacts are everywhere!!

- **80%** of climate-related budgetary expenditure **have social impacts** – 100% for taxes and tax expenditure.

- The social dimensions **Health and Poverty and Income** are the most impacted.



[\(Forthcoming publication\)](#)



Step 2 – Single out socio-climate hotspots

➤ Selection criteria :



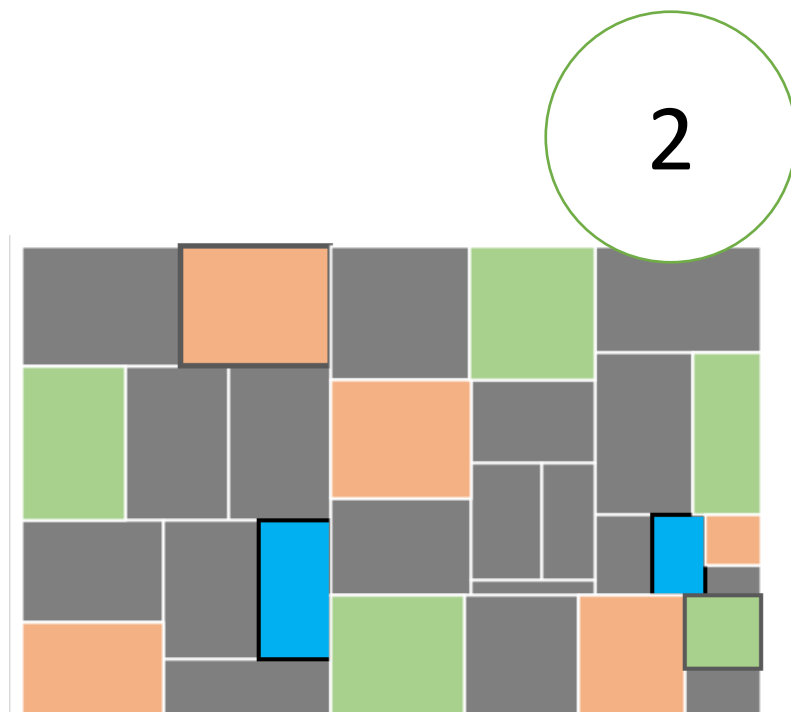
Amount



Scale of climate impacts



Scale of social impacts.



Insight #2 – 14 measures, EUR 60bn, 2/3 of total amount

| Budget lines | Amounts (€) |
|---|----------------|
| Financial support to households for energy-efficiency renovation work in housing | 2 227 500 000 |
| Railway investments | 2 564 200 000 |
| Balanced and sustainable management of territories | 451 700 000 |
| Financial support for electric renewable energy in mainland France | 4 738 400 000 |
| Subsidies to reduce energy prices in non-interconnected areas, as a solidarity mechanism | 1 493 300 000 |
| Reduced VAT rate (5.5%) for energy-efficiency work in housing completed more than two years ago, and inextricably linked work | 1 460 000 000 |
| Property tax rebate for energy saving works on built properties for social housing | 111 000 000 |
| Tax credit for energy transition | 150 000 000 |
| Reduced TICPE rate for diesel used as fuel by road freight vehicles of at least 7.5 tonnes | 1 408 000 000 |
| Reduced TICPE rate for gas oil used as fuel for public transport vehicles | 220 000 000 |
| Reduced TICPE rate for non-road diesel, heavy fuel oil and liquefied petroleum gas used for agricultural and forestry work | 1 420 000 000 |
| Domestic consumption tax on energy products (TICPE) | 33 352 414 000 |
| Domestic tax on the final consumption of electricity (TICFE) | 7 953 000 000 |
| Domestic consumption tax on natural gas (TICGN) | 2 441 000 000 |

Insight #3 – 4 key sectors of impact

| |
|-------------------------|
| renovation of buildings |
| transport |
| agriculture – forest |
| energy |

| Budget lines | Amounts (€) |
|---|----------------|
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Perspective – Is reform necessary? Is it possible?

➤ Framework for **assessing the hotspots reformability**



Rationale for reform



Proposed reform



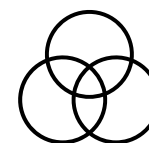
Climate-social trade-offs



Costs-benefits for
the government



Drivers and barriers
to public acceptability



Complementarity with
another proposed reform

An example: reduced diesel tax for freight trucks

| Reduced diesel rate for freight trucks (> 7.5 ton) | | | | | 1.4 bn€ |
|--|--|--|--------------------------------------|---|--|
| <i>Proposition</i> | <i>What is the goal?</i> | <i>Social side-effects?</i> | <i>Public costs and/or benefits?</i> | <i>Public acceptability?</i> | <i>Complementarity with another measure?</i> |
| Removing the reduced rate | <ul style="list-style-type: none"> - Reduce fossil fuel consumption - Encourage low-carbon alternatives - Foster modal shift - Limit air pollution | (--) Revenue impact (--) Competitiveness (short term) | (+++) Reduce tax expenditure | (---) Strong opposition from drivers | >> Increased subsidies for rail and waterway freight >> Development of rail and waterway infrastructure |

Not always necessary to choose between climate and social benefits !

Look for complementarity and interconnections between hotspots



Thank you for your
attention

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