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**I4CE**

INSTITUTE FOR  
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ECONOMICS

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# Developing a climate-aligned investment plan

A step-by-step methodology  
for local governments  
to integrate climate goals  
into multi-annual investment  
plans

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Our 40 experts engage with national and local governments, the European Union, international financial institutions, civil society organizations and the media. Our work covers three key transitions – energy, agriculture, forests – and addresses six economic challenges: investment, public financing, development finance, financial regulation, carbon pricing and carbon certification.

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The views expressed herein are solely those of the authors and can in no way be taken to represent the official opinion of the European Union or the financial partners.

## LOCAL AUTHORITIES COPRODUCERS

### CITY LEVEL



### COUNTY LEVEL



### REGIONAL LEVEL



## ► A SUSTAINABILITY OF LOCAL PUBLIC FINANCES PROJECT

The methodology presented in this report focusing on climate objectives is part of the Sustainability of Local Public Finances (SLPF) project, in partnership with KDZ-Austrian Centre for Public Administration Research, to more effectively embed sustainable development goals (SDGs) within budgetary governance systems<sup>1</sup>. The SLPF project supports four European cities (Bordeaux Métropole, and the Cities of Amsterdam, Barcelona and Hamburg) to integrate the SDGs as steering indicators to prioritize investments and influence budget reviews, helping cities across Europe to take concrete steps towards sustainability and climate action.

1. For details on the SLPF project, see: <https://www.kdz.eu/en/slpf>

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# A METHOD DEVELOPED FOR AND WITH LOCAL AUTHORITIES

The method detailed in this document for how to build a climate-aligned investment plan is an innovative tool to ensure consistency between local authorities' mul-

ti-annual investment plans and climate strategies. This robust method is the result of over a year's work with local authorities and experts in public finance and climate policy.

▶ THE METHODOLOGY IS AVAILABLE FREE OF CHARGE ON THE [I4CE WEBSITE](#)

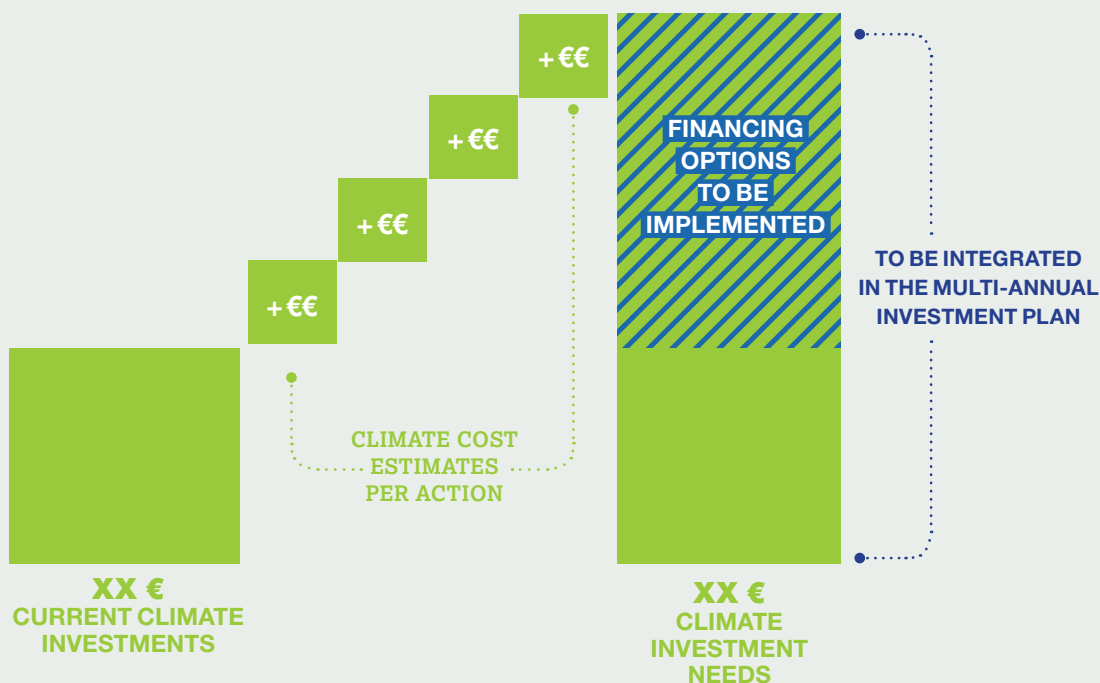
This document is intended for European local authorities. It supports you in ensuring that your climate strategy is adequately financed, while maintaining your long-term financial sustainability.

The first step is to identify your climate actions based on your objectives to determine the climate investment

needs. The second step in implementing a climate-aligned investment plan is to determine the estimated climate costs for each measure. The third step is to integrate these cost estimates into your multi-annual investment plan, thus ensuring both financial viability and availability (see figure 1). This will result in a financing plan that is consistent with the objectives of the climate transition.

FIGURE 1: BUILDING A CLIMATE-ALIGNED INVESTMENT PLAN TO UNLOCK FINANCING

CLIMATE INVESTMENT ESTIMATES MUST BE INTEGRATED IN THE MULTI-ANNUAL INVESTMENT PLAN TO ACHIEVE YOUR OBJECTIVES



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## ▶▶ DO NOT COMPARE YOUR RESULTS WITH THOSE OF OTHER LOCAL AUTHORITIES!

Climate investment needs necessarily vary from one local authority to another due to their differing socio-economic contexts, responsibilities, climate strategies, and/or financial strategies.

## ▶▶ LINKS BETWEEN CLIMATE STRATEGIES AND OBJECTIVES AT THE LOCAL, NATIONAL AND EUROPEAN LEVEL

Local climate strategies are part of national and European climate frameworks. At the European level, the Fit for 55 package aims to reduce greenhouse gas (GHG) emissions by 55% by 2030 compared to the 1990 level. The success of this goal depends on national and local actions that align with the Fit for 55 objectives. It depends on the willingness and ability (financial, technical and human capacities) of local authorities to implement ambitious climate actions. At the national level, each Member State develops a national energy and climate plan (NECP). This plan is a strategic climate document for achieving the 2030 targets in renewable energy deployment, energy efficiency improvements, and GHG emission reductions.

In France, local authorities play a crucial role in implementing the French NECP as they hold key responsibilities for decarbonising and adapting their territories. Specifically, they are responsible for: making public buildings more energy-efficient, greening their vehicle fleets and charging infrastructure, developing green public transport, modernizing urban public lighting, and promoting renewable energy projects.

## WHAT THIS METHOD DOES NOT DO

This method does not:

- **'Territorialise' national climate targets**, i.e. it does not distribute the national effort among local authorities to achieve carbon neutrality by 2050. Territorial roadmaps detailing the levers for action to decarbonise sectors region by region are needed to plan the transition.
- **Close the climate loop**, i.e. it does not ensure that the objectives you set are achievable or that you have the necessary climate actions and related investments in place to achieve them.
- **Consider investments to be made within your territory that include not only the local government but also businesses and households**. Other methods exist<sup>2</sup> to align financial resources from different territorial actors with climate objectives, ensuring that all stakeholders contribute to and benefit from sustainable development.
- **Establish an investment plan that is focused exclusively on climate or green issues**. Integrating climate objectives into your overall investment plan is a key aspect of climate-aligned investment planning but does not exclude other investments.
- **Green existing projects**: the climate-aligned investment plan does not detail how to improve the environmental impacts of your projects.
- **Prioritise climate investments**: other tools are available to help you review your climate strategy and consider other decision criteria, like the contribution to the SDGs.

## CLIMATE AND FINANCIAL STRATEGIES ARE GENERALLY POORLY INTEGRATED, DESPITE THE INCREASING NECESSITY FOR CLIMATE INVESTMENT

Existing climate strategies in local authorities set targets and actions to be taken to reduce GHG emissions and prepare and protect their territory against climate change. However, these strategies are generally not supported by a financing plan that would enable their implementation on a

multi-year basis (see figure 2). This is particularly pressing given the significant investment required to combat climate change, a key area of responsibility for local authorities in decarbonising the economy and adapting to climate change.

▶ **Integrating climate investment needs into the capital investment plan requires climate and financial strategies to be aligned. This means financing your climate actions while safeguarding your longer-term financial stability.**



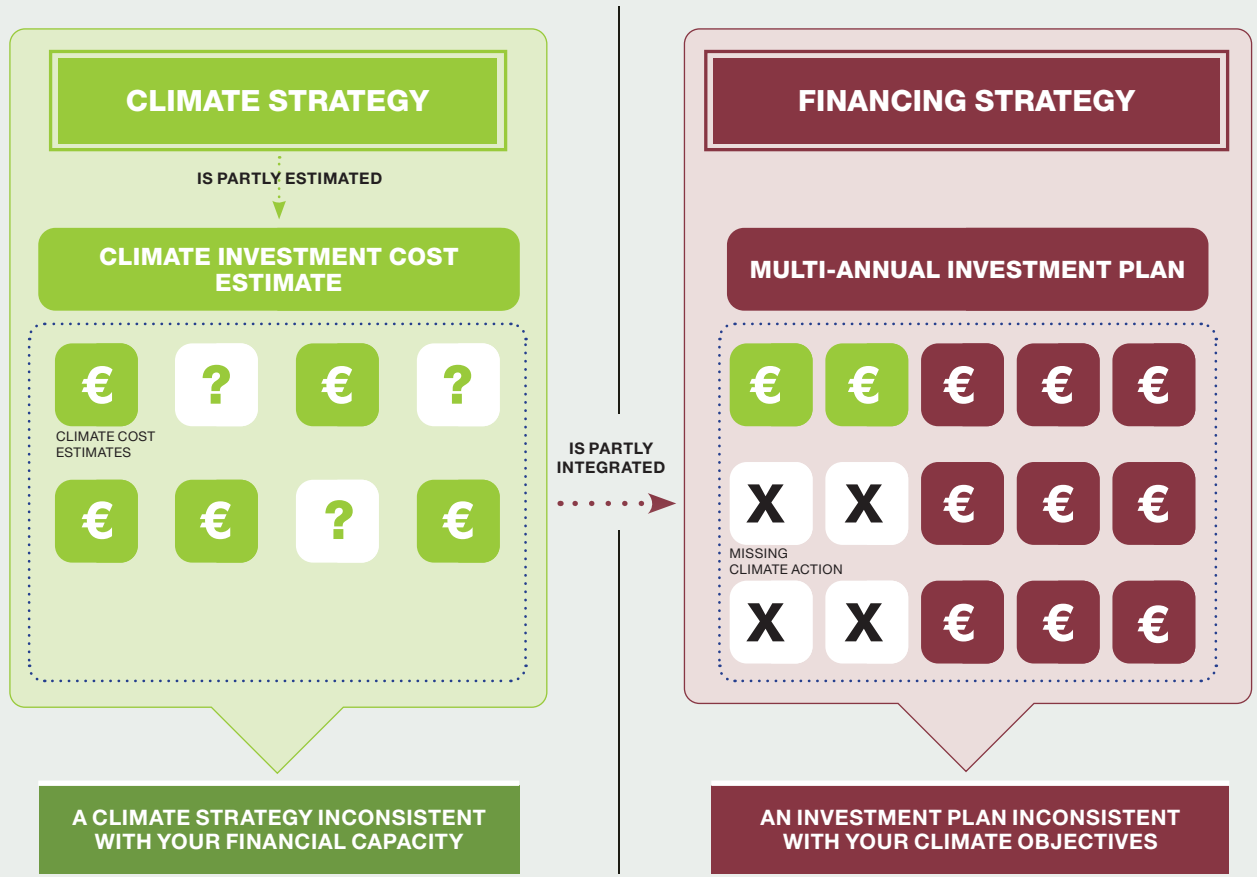
**CLIMATE INVESTMENTS** refer to capital investments required to implement actions from the climate plan or climate strategy, with the aim of mitigating climate change and adapting the local infrastructure and public services to climate change.



**A MULTI-ANNUAL INVESTMENT PLAN, CAPITAL INVESTMENT PROGRAMME (CIP) OR FINANCIAL STRATEGY** is a trajectory of expenditure and revenue over several years (generally one term of office + two years), based on a financial analysis (financial ratios).

2. For details on how to build an investment plan with other stakeholders, see: <https://netzerocities.app/resource-2912>.

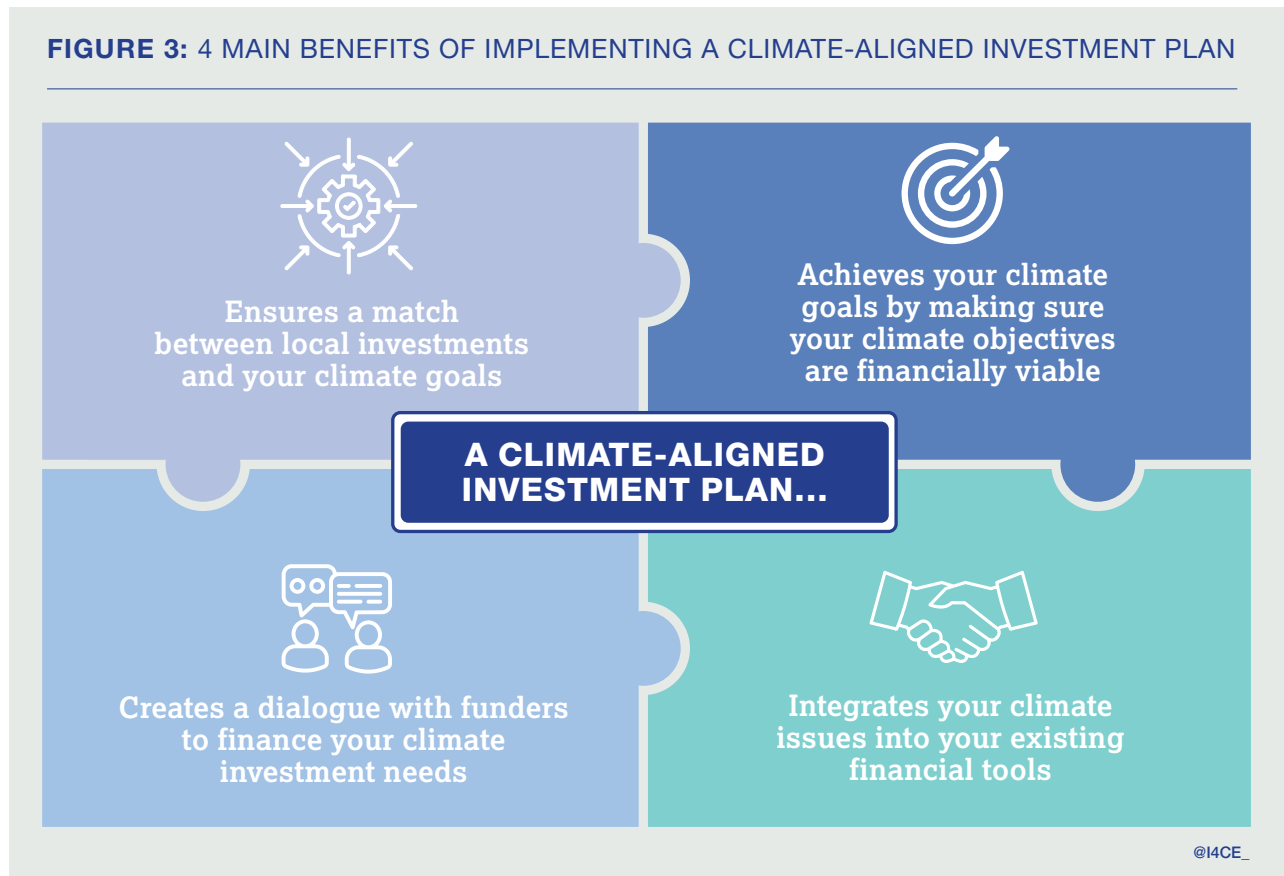
**FIGURE 2: INSUFFICIENT COORDINATION BETWEEN CLIMATE AND FINANCIAL STRATEGIES**



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# THE BENEFITS OF ALIGNING CLIMATE AND FINANCIAL STRATEGIES

**FIGURE 3: 4 MAIN BENEFITS OF IMPLEMENTING A CLIMATE-ALIGNED INVESTMENT PLAN**



Integrating your climate investment needs into the multi-annual investment plan makes your climate objectives achievable. It achieves this by incorporating a financial dimension into the climate strategy that reflects your financial capacity.

Drafting a climate-aligned investment plan makes it possible to objectively assess the investment effort required to achieve your climate objectives. Based on this, you can discuss the financing of climate investment with your public and private funders.

The plan is also an effective management tool for engaging elected representatives and civil servants on climate issues. The process involves all the departments within a

local authority, starting with the finance department and those responsible for climate issues. It also includes operational departments, particularly any that are responsible for real estate issues in the area (property and housing), transport and energy. Finally, when making budgetary decisions, the climate-aligned investment plan allows decision-makers to see how local investments contribute to achieving climate objectives. The box below is a case study showing how this process worked for Bordeaux Metropole.

## ► BORDEAUX MÉTROPOLE DEVELOPS FINANCIAL TOOLS TO HELP DECISION-MAKERS

Local governments across Europe support most of the investments required for the climate transition. This reality has led to initiatives such as the European Commission's '100 Climate-Neutral and Smart Cities' mission. Bordeaux Métropole was selected in 2022 and officially awarded this title in 2025.

Whether the focus is on mitigating carbon emissions to meet national and European targets and achieve carbon neutrality by 2050, or on adapting to climate change to ensure the resilience and habitability of territories, local governments face an 'investment wall'. By 2030, French local authorities will need to double their annual investments in mitigation efforts and fully integrate climate adaptation into their spatial planning strategies. For Bordeaux Métropole, this challenge was confirmed by the work carried out on the investment plan of its Climate City Contract, as part of the 100 Climate-Neutral and Smart Cities mission.

In this context, Bordeaux Métropole identified two key needs to address the challenge of climate action:

- 1 Planning and programming to ensure the sustainability of its climate transition investments.
- 2 Aligning these investments with the overall expenditure trajectory of the local authority.

The climate-aligned investment plan provides a method to estimate the costs of investments required for the climate transition, even before specific and concrete projects are identified for inclusion in the local authority's financing plan. This approach allows Bordeaux Métropole – and other local authorities – to anticipate climate transition investments and establish them as a foundation for their multi-annual investment plans. In doing so, they can ensure that funding will be available when specific projects are ready for implementation.

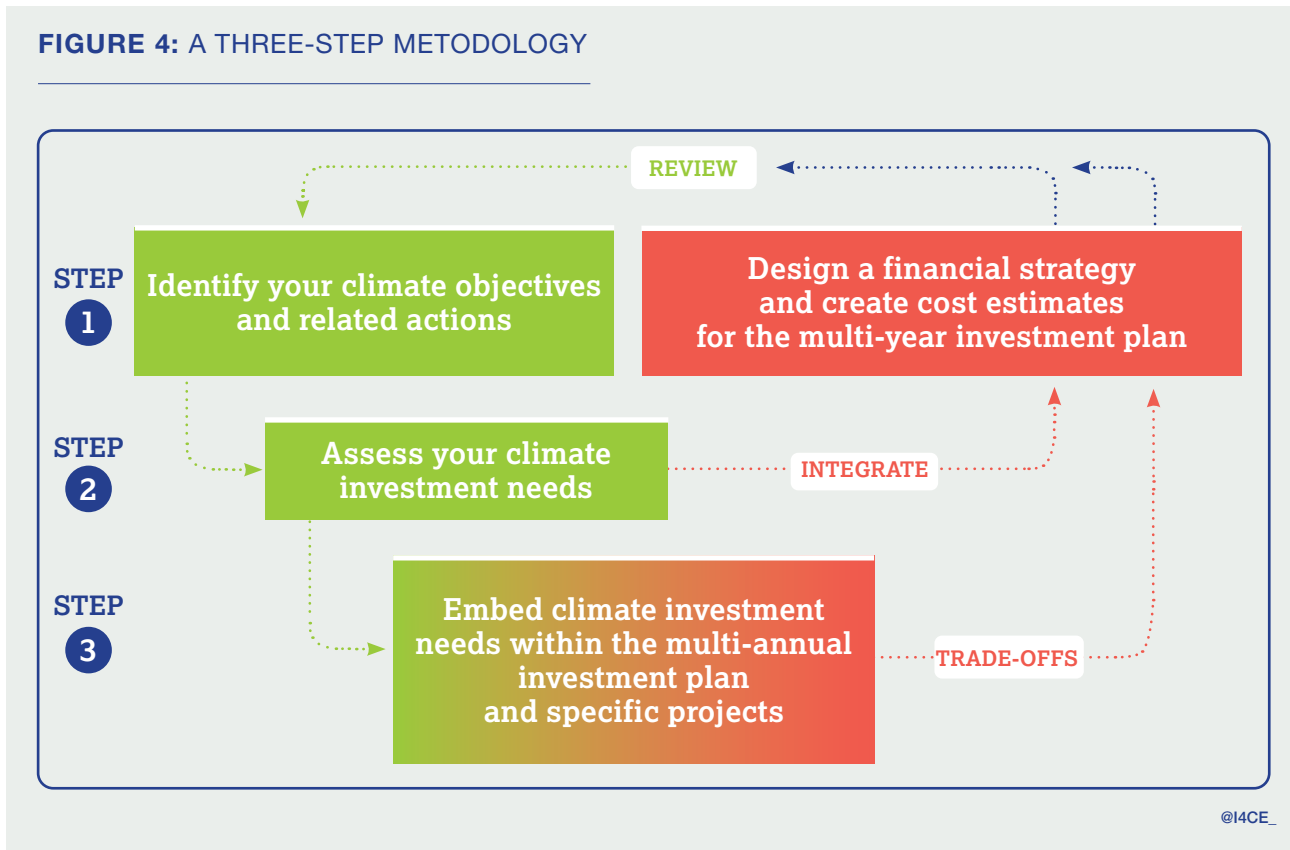
With constrained budgets and shrinking financial margins, setting aside dedicated funding for the ecological transition is challenging. It inevitably forces trade-offs with Bordeaux Métropole's other core responsibilities, such as urban planning, transport, and social housing. This highlights the need to enhance financial governance tools.

With [the SLPF project](#), Bordeaux Métropole is considering a tool that expands its financial analysis beyond purely financial or ecological transition criteria. By deploying a multi-criteria analysis framework at the project level, Bordeaux Métropole aims to assess the cross-cutting contributions of its investments to various policy objectives. This ensures that financial decisions are no longer perceived as a choice between competing public policies, but rather as an incentive for optimization and cross-sectoral collaboration.

# HOW TO? THREE STEPS TO IMPLEMENT A CLIMATE-ALIGNED INVESTMENT PLAN

The three-step method is illustrated in the figure 4 and further explained in the text.

**FIGURE 4: A THREE-STEP METODOLOGY**



## STEP 1 – START WITH YOUR CLIMATE OBJECTIVES ALONGSIDE YOUR FINANCIAL RESOURCES

Establish the climate actions you need to take to achieve your climate objectives. At the same time, set the total budget for your multi-annual investment plan taking into account

your finances and any political choices made regarding your financing levers.



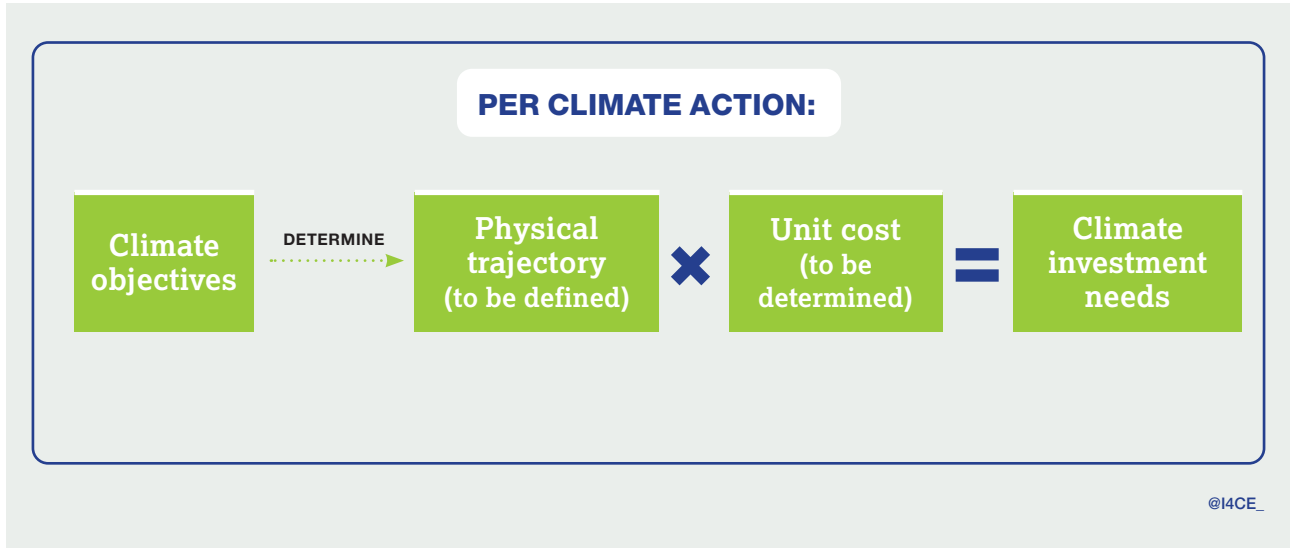
**A CLIMATE STRATEGY** sets out the targets to be achieved within a given timeframe (usually 2030 and 2050) and the actions to be implemented to achieve them (detailed in a climate action plan).



**A CLIMATE ACTION**, even if not primarily intended to do so, contributes to achieving your climate strategy. It helps to reduce GHG emissions and/or to adapt the territory to the expected warming by 2100. Emissions can be reduced, for example, by making buildings more energy-efficient, greening your bus fleets, and improving your cycling infrastructure.)

## STEP 2 – ESTIMATE YOUR CLIMATE INVESTMENT NEEDS TO ACHIEVE YOUR CLIMATE GOALS

Your climate investment needs can be estimated for each climate action using the following calculation:



The 'physical trajectory' is determined by the climate target in your climate strategy. For example, in the building sector, the physical trajectory may be expressed as a target for square meters to be renovated, taken from the climate strategy. Multiplying this physical trajectory by your 'unit cost' (e.g. in €/m<sup>2</sup>) gives an estimate to include in your multi-annual investment plan. The main purpose of these estimations is to guarantee that sufficient investment funds are available throughout the timeframe to implement the various climate actions. They can then be refined to be realized as specific projects.

If the climate investment needs exceed your financial resources, you will need to review your financial and/or climate strategy in line with your political choices.

Investment needs should be added up with a **'full cost' approach**. This needs to take into account not only the investment itself but also the associated expenditure and any savings. For example, there may be additional human resources expenditure, maintenance and operating costs, and budgetary savings.

## STEP 3 – TRANSFORM THE BUDGETARY ENVELOPES INTO SPECIFIC PROJECTS TO CREATE A MULTI-ANNUAL INVESTMENT PLAN THAT IS ALIGNED WITH YOUR CLIMATE OBJECTIVES

Once your climate investment needs have been incorporated into your multi-annual investment plan – i.e. once the budgetary resources have been allocated to specific climate actions – your departments or divisions can then translate these into projects (or operations).

Taking the Bordeaux Metropole example again, the box below illustrates how the three-step method can be implemented in practice.

## ► DETERMINING THE CLIMATE COST ESTIMATES OF BUILDING RENOVATION IN BORDEAUX MÉTROPOLE

### → STEP ① – Identify climate objectives and related actions

In its climate plan, Bordeaux Métropole sets its climate targets for 2030 (against a 2019 baseline):

- A 45% reduction in GHG emissions.
- A 20% reduction in energy consumption.

These overall targets are then broken down into targets for each sector: building, transport, industry, agriculture, waste, and energy. For instance, in the building sector, Bordeaux Métropole aims to reduce GHG emissions by 37% and energy consumption in the tertiary sector by 24% by 2030 compared to 2019.

The sectoral targets are then translated into specific actions. For instance, based on the building sector's targets, the City of Bordeaux plans to renovate 120,000m<sup>2</sup> by 2032 (17% of its building stock) and to achieve a 60% reduction in energy consumption for each renovation. Exemple : la SNBC 3 (en consultation) vise une réduction de 57% d'émissions de GES en 2030 par rapport à 2021 concernant le secteur du bâtiment.

### → STEP ② – Assess climate investment needs

To assess climate investments needs, the physical trajectory is to renovate 120,000m<sup>2</sup> by 2032. The unit cost is €1,500 per square metre, giving a total budget of €180million for the period 2026–32. This estimate is an approximation and does not correspond to the specific projects or their feasibility.

### → STEP ③ – Embed climate investment needs within the multi-annual investment plan

The budget figure has been voted on by the city council and will be refined as feasibility studies come in.

#### Digital tools and IT systems used in Bordeaux Métropole (status quo)

The implementation of a climate aligned investment plan in Bordeaux Métropole is supported by an integrated set of financial management systems, green budgeting workflows and climate policy monitoring tools. Together, these enable the articulation between climate objectives, budgetary data and multi year investment planning, in line with the approach described in this report.

This set up reflects existing practices used to support climate aligned investment planning, including green

budgeting frameworks (such as the I4CE methodology and OECD approaches to green budgeting), as well as tools linking expenditure tracking, performance indicators and policy objectives. Similar approaches have been implemented by other European local authorities, such as Paris , which publishes a climate budget annex, and Barcelona and Amsterdam, which integrate climate and sustainability objectives into their budgetary and investment planning frameworks.

Bordeaux Métropole relies on several complementary tools to prepare, execute and monitor its budget and to operationalise climate-related reporting:

- Grand Angle (CGI) is used to manage the full budget cycle, from the consolidation of departmental proposals to the recording of the voted budget and the monitoring of execution.
- SAP BusinessObjects provides management dashboards and facilitates the sharing of budgetary and analytical information across departments.
- TOTEM supports accounting and regulatory budget monitoring by consolidating financial data and generating compliant budgetary documents.

Green budgeting is implemented through an extra-accounting workflow:

- Power BI is used as a support tool to apply the I4CE budget colouration methodology, based on a correspondence table enriched with internal codes and aligned with the M57 accounting framework.

Climate policy monitoring and expenditure traceability are progressively being strengthened:

The climate plan (PCAET) monitoring framework tracks the implementation of climate actions through a structured indicator system.

- A climate plan expenditure tagging system is being developed within SAP BusinessObjects, with planned integration into Grand Angle, in order to improve the linkage between climate actions and budgetary data.

Overall, this combination of tools supports the identification, classification and monitoring of climate-related expenditure, and provides the operational basis for the progressive integration of climate objectives into Bordeaux Métropole's multi year investment planning.

# IMPLEMENTING A CLIMATE-ALIGNED INVESTMENT PLAN: EIGHT SUCCESS FACTORS

The eight success factors detailed below are cumulative and not ranked in order of importance. They should be used in accordance with your existing processes and strategies.

To give you the best chance of achieving a climate-aligned investment plan, it is in your interest to implement as many of them as possible.

## EIGHT KEY SUCCESS FACTORS FOR ACHIEVING A CLIMATE-ALIGNED INVESTMENT PLAN

- #1 Define an investment plan as a strategic tool**
- #2 Develop a climate strategy and identify related investment needs**
- #3 Make the climate strategy cornerstone of the investment plan**
- #4 Set up a governance structure**
- #5 Ensure projects and operations are aligned with the climate strategy**
- #6 Align financial ratios with investment needs**
- #7 Assess how trade-offs affect climate objectives**
- #8 Monitor the implementation of climate investments**

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## SUCCESS FACTOR #1

### Define an investment plan as a strategic tool

The multi-annual investment plan should serve as a strategic tool to collect, plan and prioritize all investments, even in the absence of a vote on the investment plan itself. The annual or multi-annual budget is funded at the local authority level, not at the project level, enhancing its strategic direction.

If the investment plan is not considered a strategic management tool, there is a risk that investments will be made that do not match your strategic objectives and do not show the financial impact on the overall budgetary balance.



Today, our investment plan is the result of a series of roadmaps [...], a succession of layers that have not been subject to arbitration or prioritisation, leading to a sharp increase in investment expenditure at the end of this term of office. ☞☞

Matthieu Guerlain,  
Chief financial officer at the City and Metropolis of Bordeaux

## SUCCESS FACTOR #2

### Develop a climate strategy and identify related investment needs

The climate strategy can be set out in a single document (e.g. a climate, air and energy plan), or in several interconnected and consistent documents (e.g. sectoral strategies or thematic roadmaps). Where applicable,

base your climate strategy and sectoral strategies on the same overall climate objectives so that the physical trajectory is aligned with the budgetary figures.

▶ See the above example ‘Determining the climate cost estimates of building renovation in Bordeaux Métropole’.

## SUCCESS FACTOR #3

### Make the climate strategy a cornerstone of the investment plan

Climate issues must be integrated into the political priorities as strategic elements.

Aligning the multi-annual investment plan with the climate strategy could involve, for example, including climate targets in sectoral roadmaps prepared at the start of a term of office (e.g. the regional development plan). These reference documents can structure and guide your actions.



In my most ambitious projections, we establish a connection between the SDGs and climate-aligned investment plan. By the start of the next term of office, we have initiated a technical-political reflection process to estimate climate investment needs, that are colour-coded according to different public policies. This demonstrates that taking action on climate change does not necessarily entail compromising social policies. ☞☞

Matthieu Guerlain,  
Chief financial officer at the City and Metropolis of Bordeaux

**Focus on sustainable development goals:** if you have incorporated your climate strategy into a transition or sustainable development strategy, you may wish to supplement the multi-annual investment framework by pursuing objectives other than climate objectives alone, particularly other SDGs<sup>3</sup>.

3. The SLPF project outlines conditions that could facilitate integration of the SDGs with the local authority's financial strategy: such as a more holistic assessment of planned investments, and ensuring a balanced consideration of financial, ecological, social and governance impacts. For details, see: <https://www.yumpu.com/fr/document/read/70876624/local-public-finances-and-the-governance-of-sdgs-insights-from-amsterdam-barcelona-bordeaux-and-hamburg>.

## SUCCESS FACTOR #4

### Set up a governance structure

**Governance is an essential component** of developing an investment plan that aligns with climate objectives. It ensures that climate considerations are integrated into every stage of the investment process. The elaboration of a climate-aligned investment plan needs to be integrated into existing governance structures, like those existing to elaborate the multi-annual investment plan. Get your finance department involved alongside your climate department (where applicable), together with their elected representatives.

**The approach to investment planning must be as cross-functional as possible**, ensuring that all elected representatives and local authority departments are familiar with the integration of climate considerations into the investment plan process. The box below gives an example of the governance structure set up by Bordeaux Métropole to deliver its green budgeting report.

#### ►► BORDEAUX MÉTROPOLE'S GOVERNANCE STRUCTURE

An example of success factor #4 in practice is the governance set up for Bordeaux Métropole's 'transition' or 'green' budget. This model of governance structure could be replicated to launch a climate-aligned investment plan project.

Bordeaux Métropole:

- Established a steering committee with representatives from each delegation: covering the environmental transition and finance issues.
- Established a technical team with staff from the finance department, the environmental transition department, and every general department of Bordeaux Métropole in order to review every expenditure of the Métropole.
- Has an associated transport partner (Keolis) to integrate the green budget analysis into its (Keolis's) contracts.

## SUCCESS FACTOR #5

### Ensure projects are aligned with the climate strategy

**The investment plan details the specific projects to be carried out in the coming financial years.** Projects may contribute to the implementation of one or more climate actions (for example, a project dedicated to building a new road may improve public transport links and cycling facilities or modernise public lighting). Moreover, they generally meet other public policy objectives (for example, a school renovation project, which, in addition to contributing to the climate action of making local authority buildings more energy-efficient, includes work on accessibility, functionality, security, etc.).

Make sure that any projects included in the investment plan are consistent with your climate strategy. To identify your climate investment needs, the physical trajectories – established from your climate objectives – need to be com-

municated to the relevant operational departments before they are implemented.

Consider the full costs of each operation, including:

- **All investment costs** (VAT, other taxes, plus inflation).
- **The impact on operating expenses** (such as the human resources required to implement the investment, related budgetary expenditures, and any potential savings).

Taking these elements into account will enable you to reach a more accurate determination of your multi-annual investment plan and the associated financing requirements.

## SUCCESS FACTOR #6

### Align financial capacity with investment needs

**Your financial strategy needs to be based on realistic forecasts that are consistent with the political project**, taking into account all future investments (including climate investment needs). Indeed, your ability to finance your climate investments is linked to your ability to finance all your planned investments. A collaborative effort to align your climate strategy with your financial strategy is therefore essential prior to initiating projects.

First, when defining the overall budget of the multi-annual investment plan, it is recommended that you estimate your climate investment needs based on your overall climate objectives rather than specific projects. This step involves setting a minimum investment threshold that aligns with your climate goals. The climate and financial strategies should be aligned early in the process, with appropriately scaled dimensions, before individual projects are assessed. It is essential that you review your financial capacity taking into account all investment needs. The financial effort that climate invest-

ment needs may represent for certain local authorities requires that all financing options are explored, without exception.

The financing levers available to you as local authorities include your own resources (taxation, fees, asset sales, etc.), loans, public grants and subsidies, and 'redirection' of expenditures to climate actions. Having a clear view of the investment effort required for your climate transition also strengthens dialogue with your financial partners. A well-structured investment plan gives credibility to access grants and loans, or to co-financing by improving financial visibility and reinforcing long-term commitment. The box below gives an example of the mobilization of a financial lever (green bonds) by Bordeaux Métropole.

Second, your financial resources should be reviewed in light of the total volume of planned projects, ensuring that these remain consistent with your overall climate objectives.

**Since 2023, Bordeaux Métropole has been using financial markets and bond issuances**, in addition to traditional bank financing. It has developed a green bonds framework<sup>4</sup> aligned with the SDGs. The green bond issuance focuses on renovating public buildings to make them more energy-efficient and greening public transport. The projects and their climate impacts are monitored through annual reporting of GHG emissions and energy savings. This new financing tool comes on top of European Investment Bank bonified loans or more ordinary bank loans.

## SUCCESS FACTOR #7

### Assess how trade-offs affect climate objectives

When the investment plan is no longer financially secure and all financing levers have been exhausted, trade-offs are inevitable. In making trade-offs, the contribution of each project to the overall climate objectives must be documented and taken into account, in addition to the financial indicators used to make budgetary choices. Monitoring the impact of budgetary choices on the achievement of the physical trajectories from the climate strategy is key to track progress and identify any room for improvement. For instance, if you have established an energy renovation trajectory in terms of square metres, you can document the contribution of each operation to this trajectory. Clearly, if a renovation operation is cancelled or postponed, the energy renovation trajectory may not be achieved.

Considering the climate impact or contribution of operations may lead to a review of your financial strategy and/or climate strategy. A review of the former may necessitate a re-evaluation of each financing lever already activated. You may need to explore alternatives, and/or re-assess the financial ratios (debt capacity, tax rates, etc.) to realize your climate investment needs. Your climate strategy should be revised only where strictly necessary, i.e. if it is not possible to finance it fully. This may result in a re-prioritisation of your climate actions, discussion of the financing options, and a re-evaluation of your climate objectives. **Choosing a more modest climate, fundable plan is a political decision, rather than pursuing an unachievable level of ambition.**

4. The framework is available here: [https://www.bordeaux-metropole.fr/sites/MET-BXMETRO-DRUPAL/files/2023-11/Bordeaux\\_Metropole\\_Sustainability\\_Bond\\_Framework-November\\_2023\\_EN.pdf](https://www.bordeaux-metropole.fr/sites/MET-BXMETRO-DRUPAL/files/2023-11/Bordeaux_Metropole_Sustainability_Bond_Framework-November_2023_EN.pdf).

## SUCCESS FACTOR #8

### Monitor the implementation of climate investments

It is recommended that you incorporate climate alignment monitoring indicators into your standard financial monitoring of your investment plan (in euros). This would enable you to monitor the fulfilment of climate investment needs over the term of the mandate in relation to the investments made. In turn, this

would enable you to verify the extent to which investments are contributing to your climate strategy, as planned, and give you the opportunity to adjust investments in subsequent years if necessary.

## SETTING UP A FINANCING PLAN FOR THE CLIMATE TRANSITION: THREE KEY ELEMENTS

To set up a financing plan for your climate transition, you need a climate strategy to set measurable goals; a green budget to monitor the progress of your existing efforts; and a cli-

mate-aligned investment plan to finance the gap between where you are now and where you aim to be (see figure 5).

**FIGURE 5: THREE KEY ELEMENTS TO SET A CLIMATE TRANSITION FINANCING PLAN**



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To facilitate your climate transition, it is recommended that your climate strategy and multi-year investment plans are aligned with your overall climate objectives, with green budgets included in your management dashboard. Just as a car's dashboard displays critical indicators such as speed and navigation (GPS), a transition dashboard needs to provide key performance indicators (KPIs). These should include your objectives, the budget required to achieve them, and your current efforts. Together, these enable a safe journey to your destination.

Your **climate strategy** provides information on your destination: it sets out the objectives to be achieved, the deadlines for achieving them, and the actions to be taken to get there.

The **green budget** provides a comprehensive overview of your current position with regard to environmental expenditure. It is also a key tool to promote consideration of the environmental impact of your actions, thanks to the budget construction and its management. It facilitates a discussion of how to reduce 'unfavourable' expenditure or of the conditions for maintaining it.



**ACCORDING TO THE EUROPEAN Commission, green budgeting,<sup>5</sup> is defined as “a process whereby the environmental contributions of budgetary items are identified and assessed with respect to specific performance indicators, with the objective of better aligning budgetary policies with environmental goals”.**

While the green budget can facilitate assessment and discussion of the environmental impact of planned expenditure, it does not indicate whether this expenditure is sufficient to achieve your climate objectives. Your **climate-aligned investment plan** provides a comprehensive response to this question by establishing the level of investment necessary to implement a comprehensive climate strategy. It provides you with a clear indication of the path that needs to be financed to achieve your climate goals. **These plans are essential for you to deliver an effective transition, aligning your climate and financial efforts, and integrating climate considerations into your broader strategies.**

5. For the European approach to green budgeting, see: [https://economy-finance.ec.europa.eu/economic-governance-framework/national-fiscal-frameworks-eu-member-states/green-budgeting-eu\\_en](https://economy-finance.ec.europa.eu/economic-governance-framework/national-fiscal-frameworks-eu-member-states/green-budgeting-eu_en).

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