

November 2020

# LOCAL BUDGETS CLIMATE ASSESSMENT:

## OBJECTIVES & APPROACH

# Co-constructing a method with partner local authorities

In September 2019, I4CE launched a project to assess the impact of local authority budgets on the climate, in partnership with five local authorities, Ademe, EIT Climate-KIC, France Urbaine, and the French Mayors' Association.

This project translates the climate assessment of the state budget, published by I4CE in October 2019, and the 'green budgeting' method, outlined in September 2019 by the General Inspectorate of Finance (IGF) and the General Council for Ecology and Sustainable Development (CGEDD), which was first applied to the 2021 Finance Bill, to local authority budgets. The project was launched when our partner local authorities expressed interest in conducting a similar assessment of their own budgets, and wished to have a shared framework to do so.

The project has led to the co-construction, with our partner local authorities, of a method to assess the impact of budgets on the climate. This presentation brochure, along with the methodological guides published in parallel, present the results of this work. I4CE would like to thank our partners for their continued engagement throughout the project.

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## Introduction

# THE BUDGET CLIMATE ASSESSMENT IN A FEW WORDS

The aim of a budget climate assessment is to identify the impacts of each expenditure included in a local authority budget on the climate. It involves analysing the budget line by line, based on a list - or taxonomy - of actions that are rated highly favourable, favourable, neutral, or unfavourable for the climate. The results provide a better understanding of the coherence of expenditure with reaching climate goals, so as to make enlightened budget decisions.

The current method co-constructed by I4CE and partners addresses climate issues. It could be extended to other environmental (or even social) concerns by experts in those fields.

**MITIGATION**  
Fighting against climate change by cutting greenhouse gas emissions and increasing carbon storage.

**ADAPTATION**  
Adjusting to the current or expected climate and its consequences.

## Part 1

### Why carry out an analysis of your budget's impact on the climate?

To provide quick ways of visualising climate issues during the important process of voting on the budget.

- Carrying out the actions set out in climate strategies (climate air and energy actions plan (PCAET), regional scheme on sustainable development (SRADDET), etc.) requires considerable expenditure for local authorities, both in investment and operations, at different points in the budget. However, some expenditure should be cut or transformed to be in line with climate objectives.

- Creating and then voting on the budget are key milestones that clearly demonstrate the climate policy of a local authority. Carrying out an analysis of a budget's impact on the climate helps supplement budget debates with elements that enable the issues to be quickly understood. It is when decisions are being made on future expenditure that it is possible to ask questions and direct expenditure towards the climate transition as much as possible.

### HAVING A BUDGET CLIMATE ASSESSMENT ENABLES ELECTED REPRESENTATIVES AND LOCAL AUTHORITY SERVICES 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



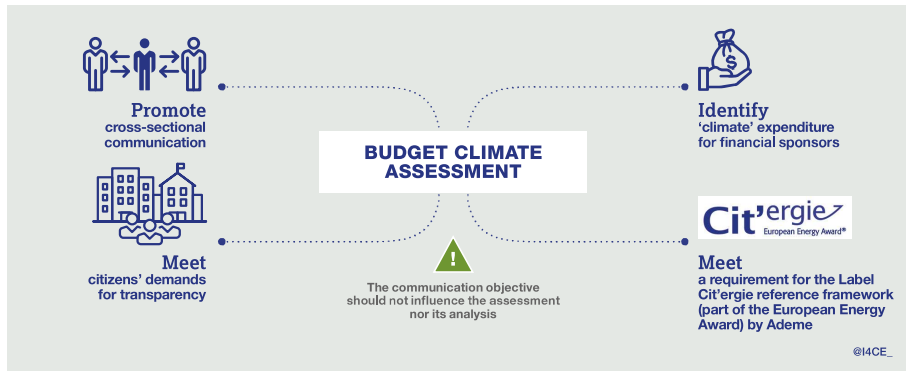
**Analyse opportunities**  
for redirecting expenditure in alignment with climate goals



**Monitor developments**  
year on year

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A tool that provides further co-benefits  
- A budget climate assessment can also help:



## Part 2 In practice, what is the recommended approach?

### Take the initiative to the top level of management

- As is the case for creating the budget, **conducting a budget climate analysis requires** certain information to be collected from different departments. It is therefore highly recommended that the approach be carried out at the top level of management. Where they exist, it is recommended that the approach be strongly articulated and co-owned by the finance or management control departments, and the environment department. This will enable the budget analysis to be both effective and pertinent.

### Factor in special budgets and delegation contracts to the scope of analysis

- To understand how the local authority impacts climate across all its activity, special attention should be paid to analysing the main budget, special budgets and public service delegation contracts, so as to cover all real expenditure. Scope includes both investment expenditure and operational expenditure. The assessment can be carried out on the administrative account, and/or on the upcoming budget.

Revenue could be included in the analysis but as yet has not been processed, since local authorities have little flexibility with regard to their income

### Analysing the challenges of climate change mitigation

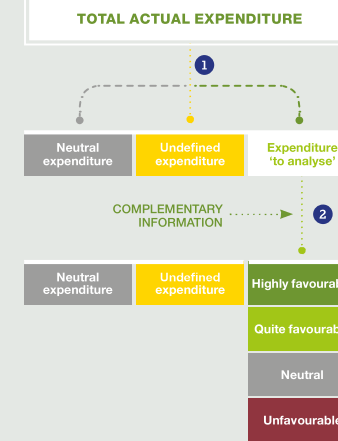
- This method aims to be pragmatic and minimise analysis times by using accounting nomenclature where possible in order to reduce the number of lines requiring complementary information to be gathered from different departments. To do this, it offers 1 identification of expenditure as 'neutral', 'undefined', or 'to analyse', across all accounting entries, and 2 a detailed, turnkey taxonomy of actions. Lines categorised as 'to analyse' can then be rated according to their climate impact - highly favourable, favourable, neutral or unfavourable. We encourage you to conduct this analysis internally to make the different departments as aware of climate issues as possible.

- Once completed, the resulting assessment qualifies each line of expenditure in terms of its compatibility with the goal to achieve carbon neutrality by 2050. Expenditure items are then separated into the 4 categories (see above), depending on compatibility with National Low-Carbon Strategy guidelines. Expenditure can also be 'undefined', when it likely has a significant impact on the climate but the information needed to rate it is unavailable. The impact of 'undefined' expenditure will be rated over time, driving continuous improvement of the analysis year on year.

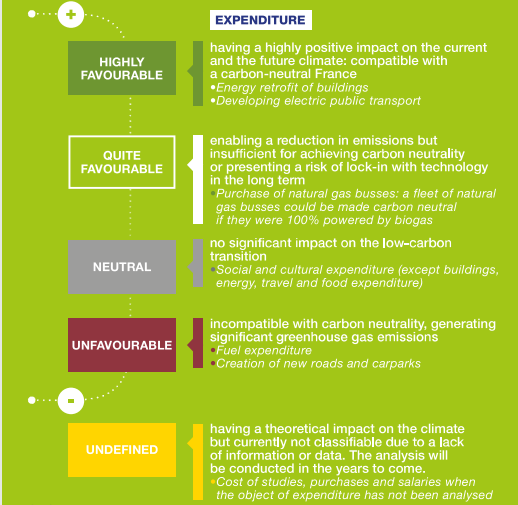


**The goal: achieving carbon neutrality**  
By 2050, net greenhouse gas emissions (emissions - absorption) must be brought to 0, a reduction in greenhouse gas emissions to at least a sixth of 1990 levels. The National Low-Carbon Strategy (SNBC) provides guidelines by sector to meet this goal.

## EVALUATING THE IMPACT OF EXPENDITURE ON THE GOAL OF CARBON NEUTRALITY IN FRANCE



## 5 CATEGORIES FOR MITIGATION



## A preliminary method to analyse a budget's response to the challenge of adapting to climate change

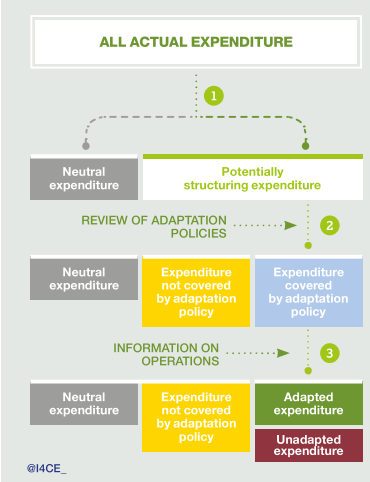
- The suggested method focuses on evaluating the extent to which the local authority is addressing adaptation.

1 Which local authority expenditure will help shape adaptation? 2 Which areas of the budget should be covered by adaptation policies or measures going forward? 3 Does planned expenditure take into account current and future risks linked to climate change?

It is a matter of sharing principles and using a common language to enable each local authority to investigate its own expenditure, in its own context in terms of vulnerability and strategic choices, in order to address its particular adaptation needs. In many cases, it is a matter of considering climate risks during the process of defining and structuring projects (regardless of their function or objective) rather than launching specific initiatives for adaptation.

Carrying out this analysis helps clarify where work still needs to be done and better manage action for adaptation.

## EVALUATING HOW ADAPTATION HAS BEEN INCLUDED IN LOCAL AUTHORITY EXPENDITURE



**A method and taxonomy of actions that are coherent with existing initiatives:**



**Method for environmental budgeting**  
- General Inspectorate of Finance and the General Council for Ecology and Sustainable Development (IGF-CGEDD, 2019)



**EU taxonomy for sustainable activities**  
by the European Union (European Parliament, June 2020) (Technical Expert Group on Sustainable Finance, March 2020)



**Label Cit'ergie**  
Offshoot of the 'European Energy Award' label, managed by Ademe in France

**TO FIND OUT MORE:**  
The methodological guides are available to all on the I4CE website

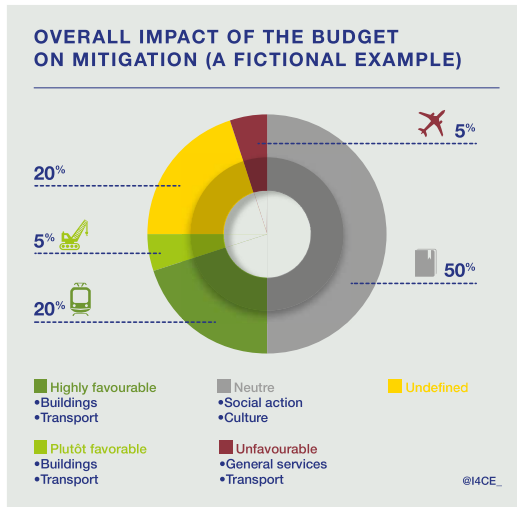
**Part 3**  
**Using the results in budget discussions**

- To ensure that the results of the evaluation inform budget decisions, it is advisable to present the results to committees, or even append the results to the preliminary budget. This will enable informed discussion before the vote on the budget takes place.

- An aggregated presentation means you can see which are the most important topics in terms of climate challenges to be discussed during budgetary decision-making.

- Presenting results by theme or by committee helps identify existing opportunities and thus helps inform budgetary decision-making. The results are detailed and can be supplemented with directions on how to use the opportunities that have been identified to improve the impact of the budget on the climate. The results can also be compared to climate actions plan (PCAET) objectives as a reminder of current or planned actions that will contribute to improving the impact of the budget.

- For the evaluation to fulfil its purpose as a source of information, results involving different environmental challenges must be presented separately. Checks must be made to ensure that expenditure that is favourable for one issue does not have a negative impact on other environmental issues.



**Caution!**  
**Do not compare the results from different local authorities!**

Results of the budget climate assessment from different local authorities cannot be compared, as each local authority does not have exactly the same set of competencies. Even within a single region, delegations have different scopes and unique socio-economic contexts.

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## MOBILITY

**45 000 000 €**  
**ANALYSED EXPENDITURE**

**IMPACT ON CARBON NEUTRALITY**

**IMPACT ON ADAPTATION**

**MITIGATION EXPENDITURE ANALYSIS**

• Cycle and bus lanes	30 M€
• Electric charging stations	100 000 €
• Fleet of electric bicycles	200 000 €
• Electric cars	100 000 €
• Gas-powered waste trucks	800 000 M€
• Highway construction	10 M€
• Combustion-powered cars	100 000 €
• Other	3 M€
• Transport study costs	700 000 €

**Expenditure items with co-benefits:**  
67% on air pollution  
5% on biodiversity

**Expenditure items that are favourable for climate but having a negative impact:**  
5% on air pollution  
18% on biodiversity

**ACTIONS**

**PCAET MEASURES**

- 2021 : Creation of new cycle and bus lanes
- 2021 : New fleet of electric bikes
- 2022 : Combustion-powered vehicles no longer purchased
- 2025 : Elimination of diesel-powered waste trucks
- 2030 : 100% low-carbon bus fleet

**IDENTIFIED OPPORTUNITIES**

- Question new highway construction projects
- 0 purchase of combustion-powered vehicles in the next budget
- Integrate adaptation issues into all mobility operations

**Part 4**  
**Answers to frequently asked questions**

**ZOOM 1**

**This budget climate assessment exercise must not be confused with other exercises that have different goals, namely:**

- Setting a 'carbon budget', or a limit on greenhouse gas emissions (in tonnes of CO<sub>2</sub>) in a region in a given timeframe;
- Setting a 'climate budget', or calculating the budget (in euros) that represents actions planned by a local authority solely as part of its climate policy.

**ZOOM 2**

**A method that can be extended to other environmental and social issues**

Currently, the method only assesses climate issues, which fall under I4CE's scope of expertise. Other sustainability challenges could be assessed in the same way, and I4CE encourages experts in those domains to propose variations of the method. As a minimum, local authorities can check that actions and expenditure that are favourable from a climate perspective do no harm in terms of other environmental and social concerns. This approach, called "do no harm", helps avoid policies with negative side-effects.

**ZOOM 3**

**The ultimate objective of the exercise is not to work towards a fully 'green' budget.**

Some expenditure that supports other public policies will be 'neutral' from a climate perspective, but is no less necessary. Some expenditure that is unfavourable for the climate can only be reduced progressively. The objective is to improve the impact of the budget on the climate year on year through ensuring that actions and investments progressively eliminate expenditure with a negative impact on the climate wherever possible, and increase expenditure that supports the ecological transition and its efficacy.

**ZOOM 4**

**A local authority's action is not just about its budget. Other tools are needed to guide public policy, such as:**

- Tracking indicators of the climate action plan (PCAET: Plan Climat Air Energie Territorial);
- Defining a 'carbon budget' for the local authority and its area and monitoring it;
- Calculating the GHG impact of structuring projects



**The Institute for Climate Economics (I4CE)**  
**is a Paris-based think tank**  
**with expertise in economics and finance**  
with the mission to support action  
against climate change.

Through its applied research, the Institute contributes to the debate on climate-related policies. It also publishes research to support financial institutions, businesses and territories in the fight against climate change and that assists with the incorporation of climate issues into their activities and operations.

**I4CE is a registered non-profit organisation,**  
founded by the French National Promotional  
Bank Caisse des Dépôts and the French  
Development Agency.

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