CSOs discussions on Green Budgeting
Icebreaker on your expectations

5 min
Link to the Klaxoon session

Please, enter your name, organization, country and your expectation for the session.

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

Holger, FOES / Green Budget Germany (DE). Networking, new int'l. experiences on GB

Matti, NABU (DE). Learning about green budgeting in other countries

Emeline (CAN), FRANCE). To share our experience and work on GB

Emilien, CAN (FRANCE). To share our experience and work on GB

Sebastien Postic, I4CE (FR). Understanding better where EU CSOs stand in Green Budgeting

Ioannis Christoupolou, The Green Tank (Greece). Understanding better the potential for collaboration on GB

Sotiris, 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

Olivier, RAC - France. Learn more about green budgeting and the involvement of CSOs

Marion, I4CE (FR). Going further with other CSOs on GB

Inês, Portugal. Learn more about current green budgeting best practices

Marina, CDE from Czechia. To learn about green budgeting

Baiba (Latvian Fund for Nature). Learn about other countries’ experience on 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

Elke, Germanwatch Germany (DE). Berlin. Learn more about current green budgeting best practices

Nicolas Jarraud, The Cyprus Institute. Learn about Green Budgeting

Katalin, Clean Air Action Group, Hungary. Learn about other CSO’s experiences

Joachim Roth, IISD. How likely is it 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

Marlija, Institute of Public Finance CRO. How likely is it to introduce GB in Croatia?
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker/Institution</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>14:10</td>
<td><strong>Green Budgeting in Europe: definition and current trends</strong></td>
<td>I4CE</td>
<td>20 min</td>
</tr>
<tr>
<td>14:30</td>
<td><strong>Concrete case study:</strong> Slovenian experience on green budgeting</td>
<td>Jonas Sonnenschein - Umanotera</td>
<td>10 min</td>
</tr>
<tr>
<td>14:40</td>
<td><strong>Concrete case study:</strong> what is the French green budget and how I4CE reacted</td>
<td>Sébastien Postic - I4CE</td>
<td>10 min</td>
</tr>
<tr>
<td>14:50</td>
<td><strong>Concrete case study:</strong> Tax expenditures and green budgeting analysis</td>
<td>Emeline Notari - Climate Action Network – France (Réseau Action Climat)</td>
<td>10 min</td>
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<td><strong>Coffee Break (5 min)</strong></td>
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<tr>
<td>15:05</td>
<td><strong>Concrete case study:</strong> For a more sustainable and readable budget policy in Luxembourg</td>
<td>Muriel Bouchet - Idea Foundation</td>
<td>10 min</td>
</tr>
<tr>
<td>15:15</td>
<td><strong>Cross fertilization session:</strong> How to act in your country?</td>
<td>Moderated by I4CE</td>
<td>20 min</td>
</tr>
<tr>
<td>15:35</td>
<td><strong>Group discussion #2 – Perspectives for future collaboration?</strong></td>
<td>Moderated by I4CE</td>
<td>15 min</td>
</tr>
<tr>
<td>15:50</td>
<td>Beyond climate budgeting - Presentation of a further social assessment</td>
<td>Sébastien Postic- I4CE</td>
<td>10 min</td>
</tr>
<tr>
<td>16:00</td>
<td>Thanks for participation and informal discussions</td>
<td></td>
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</tr>
</tbody>
</table>
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

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

Source: Rapport sur l’impact environnemental du budget de l’Etat, PLF2022
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

- Climate change Mitigation
- Climate change adaptation
- Water resources management
- Circular economy, waste
- Pollution abatement
- Biodiversity and sustainable land use

**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’Économies, 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**

- **Increase the consistency of public action**

- **Reporting** to get financial supports (green bonds, UNFCCC, …)

- **Support further analyses of climate effectiveness of public policies**

---

**GREEN BUDGETING**

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.

**Timing**
- Before the beginning of the relevant budget year:
  - Planning: Inform budget planning and allocation decisions.
  - Approval: Instil greater transparency and accountability.
- Start and end of the budget year:
  - Implementation: Inform in-year adjustments.
- After the end of the budget year:
  - Audit: Inform scrutiny of budget execution and follow-up decisions.

**Potential role for evidence from green budgeting tools**
- Dialogues between budget & actions on the environment.
- Transparency and citizens’ demand.
- Increase the consistency of public action.
- Reporting to get financial supports (green bonds, UNFCCC, …).
- Support further analyses of climate effectiveness of public policies.

**Source:** I4CE (2021) based on OECD (2021)
European context and development of green budgeting practices

2017
Launch of the Paris collaborative on Green Budgeting

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

2020
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.

2021
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
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:

- Contributes to – at least – one of the 6 environmental objectives
- Respects the « Do Not Significant Harm » (DNSH) principle
- Respects the technical screening criteria (cf. appendices of the EU taxonomy) depending on the contribution to the environmental objective
- Respects minimum guarantees in labour and human right

Source: EU Taxonomy
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
- Governance
- Deliverables
- GB report on budgetary plans?
- executed budgets?
- multi-annual plans?
- Recovery plan?

Source: Green budgeting reference framework
### EU Framework: Level 1

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Methodology</th>
<th>Deliverables</th>
<th>Governance</th>
<th>Transparency Accountability</th>
</tr>
</thead>
</table>
| Env. objectives   | • Light tagging | • Pres in annual budget  
• Pres in execution report | • Ad hoc Task force | • All deliverables public  
• Evaluation of methodology |
| Budget items      |             |              |            |                             |
| • Central govt only |            |              |            |                             |
| General govt      |             |              |            |                             |

### EU Framework: Level 2

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Methodology</th>
<th>Deliverables</th>
<th>Governance</th>
<th>Transparency Accountability</th>
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</thead>
<tbody>
<tr>
<td>Env. objectives</td>
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<td></td>
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<tr>
<td>• Climate</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Budget items</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Green exp. and revenue</td>
<td></td>
<td></td>
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<tr>
<td>General govt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Central govt only</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Methodology</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| • Comprehensive tagging  
• Impact assessment | |              |            |                             |
| Deliverables      |             |              |            |                             |
| • 6 env. objectives |            |              |            |                             |
| Budget items      |             |              |            |                             |
| • Green & brown  
• Exp., revenue, tax exp | |              |            |                             |
| General govt      |             |              |            |                             |
| • Central / subnational govt  
• State-owned enterprises | |              |            |                             |
| Governance        |             |              |            |                             |
| • Permanent central structure  
• Budget contacts in ministries | |              |            |                             |
| Transparency      |             |              |            |                             |
| Accountability    |             |              |            |                             |
| • 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

Yes, environmental impact assessment (5)

Yes, green budget tagging (6)

Have plans for green budgeting (6)

No plans for green budgeting (10)

*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

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

**Sources:** [https://climatecouncilsnetwork.org/](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/](https://www.financeministersforclimate.org/)

• **Taxonomy Regulation**
Useful material

(CEPAL, 2015)

(ID4D, 2020)

(IFCE, 2019)

(France, 2020)

(INDB, 2021)

(Pacific Islands Forum Secretariat, 2019)

(financeminstersforclimate.org)

(GFAC - Colombia, 2016)

(ID4D, 2020)
Concrete case study: Slovenian experience

Dr. Jonas Sonnenschein, Project manager
The Slovenian experience with green budgeting

dr. Jonas Sonnenschein – jonas@umanotera.org
25 years of green budgeting in SLO

Symposium and book – »Green budget reform«

National environmental protection program

GBR mention as possible measure

OP GHG 2004-2010

GBR mentioned as key instrument

Develop. strategy ...

Report of the WG on green tax reform (MF)

International event to escape from the tabulism

OP GHG-2020

Report »Green budget reform for Slovenia« (Umanotera)

Develop. strategy of Slovenia

Suggestion to »continue the green tax reform and introduce green public procurement «

2008 2009 2010 2011

…of Slovenia 2006 – 2013


ZeJFR ni omenjena

By phasing-in socially beneficial subsidies and regulating environmental damages, the budget deficit can be reduced by several hundred million Euro per year and tax rates can be reduced.
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

1. SPEND LESS abolish environmentally harmful subsidies
2. SPEND BETTER stimulate green investment
3. RAISE MORE environmental taxes and excise duties
4. RAISE BETTER “Tax bads, not goods!”
<table>
<thead>
<tr>
<th>Subsidies 2011 (in million EUR)</th>
<th>On budget</th>
<th>Off budget</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>176</td>
<td>20</td>
<td>196</td>
</tr>
<tr>
<td>Transport</td>
<td>281</td>
<td>0</td>
<td>281</td>
</tr>
<tr>
<td>Agriculture</td>
<td>74.5</td>
<td>0</td>
<td>74.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>503</td>
<td>20</td>
<td>&gt;523</td>
</tr>
</tbody>
</table>

Table 1: Environmentally Harmful Subsidies by sector
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.

Naši glasovi so naša moč.
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
Thank you for your attention!

dr. Jonas Sonnenschein
Mail: jonas@umanotera.org
Tel.: +386 (0)30 767 458
www.umanotera.org
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

Source: I4CE (2021)
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

Green Budgeting

I4CE – Institut de l’économie pour le climat
... and the post-Covid needs

Recovery plan:
- 0 brown spending
- 30% climate-friendly

September 2020:
- France’s 1st Green Budget (for 2021 bill)

September 2021:
- 2nd Green Budget (for 2022 bill)

Report on environmental impacts of the 2021 State budget
Report on environmental impacts of the 2022 State budget
France’s GBT seen from I4CE

Launch of the Paris collaborative on Green Budgeting

2017 2018 2019

360-degree climate assessment of France’s State budget

What’s a green budget?

- Tax expenditures: 40 to transform?
- Feedback on green budgeting experiments
- Environmental impact of the Stat’s budget
- Draft budget law: obligation to present a report on the environmental impact of the State budget
- September 2019: Report from taskforce on GB methodology
- November 2019: Energy Climate Law laid out commitment to reach net-zero by 2050
France’s GBT section:

- **2020**
  - September 2020: France’s 1st Green Budget (for 2021 bill)
  - Methodology for Climate assessment of local authority budgets

- **2021**
  - September 2021: 2nd Green Budget (for 2022 bill)
  - The Good, the Bad and the Unclear: Environmental Budget Tagging

I4CE – Institut de l’économie pour le climat
France’s Green Budget in a nutshell

Why?

So what?

What?

250 climate-related measures...

Totalling nearly EUR 100bn...

Mostly favourable...

And mostly unintended.
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

- **€20 bn** CLIMATE-FRIENDLY measures, including:
  - €5.4 bn Renewable energy sources
  - €5.8 bn Sustainable transportation
  - €2.2 bn Research
  - €4 bn Thermal renovation of buildings

- **€17 billion** CLIMATE-DAMAGING measures, among which:
  - €4.1 bn Aviation - Tax breaks and direct support
  - €3.5 bn Reduced rates for road diesel
  - €2.2 bn Tax exemption on off-road diesel
  - €1.5 bn Tax exemption for heavy freight vehicles

Budgetary spending (€ bn):
- 17.3
  - Aviation & diesel rates: 15.9

Tax exemptions (€ bn):
- 2.8
- 1.5
- 2.9
- 0.2

Operational expenses:
- €1 Bn
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

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?

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

I4CE – Institut de l’économie pour le climat
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 that 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
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 budtget, 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.
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).
• 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

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

Towards a Climate Neutral EU: Efficient Allocation of EU... The EU’s transition to climate neutrality committed to in the...

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:

- Exploring tax expenditures seems to be a useful place to start
- At least to be able to begin with tax expenditure... And to be active in the Paris Collaborative
- One preferred option could be to lobby at EU level
- FOS will hold a WS for civil society in GB in Germany soon + follow-up later in the year

I would like to explore the possibility of analysing part of the annual budget from a green budgeting perspective. I think trying to do the entire budget would be too challenging and complicated at first.

- Asking the Gov to publish green budget as annex to national budget every year.
- We could also advocate that Government publish a green budgeting annex with the budget
- Be able to involve high level Governmental people in the workshop to be developed
- Supporting discussions between different ministries and different gov levels

Ask Gov to introduce green check-list approach for new (major) budget items (a similar approach is already in place for impact on jobs & competitiveness here in Slovenia)

Has anyone experience of differentiating between capital and current expenditure? Or produced a green budget analysis of a capital budget?
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
Going further: social assessment

Dr. Sébastien Postic, Project manager
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
  o 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 ¼ and ½ 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...

CBT assessments worldwide

https://www.i4ce.org/download/environmental-budget-tagging-climate/
Screening green budgets for social hotspots – At a glance (1)
Screening green budgets for social hotspots – At a glance (2)

Objectives of the framework developed

Climate-related measures -> Green Budget
Objectives of the framework developed

Screening green budgets for social hotspots – At a glance (3)
Screening green budgets for social hotspots – At a glance (4)

Objectives of the framework developed
Screening green budgets for social hotspots – At a glance
Social impacts – What are we talking about?

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.
### Step 1 - Identify social impacts

#### Social indicators
- Income inequality
- Poverty & income
- Employment
- Health
- Access to basic needs & services

#### Intensification factors
- Income
- Urban / rural area
- Job sector
- Gender
- Age
- Other household characteristics (energy used for heating, family structure, employment status, dwelling type, car & home ownership)

#### Possible outcomes
- Only climate-related measures
- Both positive and negative social impacts

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)
Focus on budgetary measures with significant climate and social impacts

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

<table>
<thead>
<tr>
<th>Budget lines</th>
<th>Amounts (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support to households for energy-efficiency renovation work in housing</td>
<td>2 227 500 000</td>
</tr>
<tr>
<td>Railway investments</td>
<td>2 564 200 000</td>
</tr>
<tr>
<td>Balanced and sustainable management of territories</td>
<td>451 700 000</td>
</tr>
<tr>
<td>Financial support for electric renewable energy in mainland France</td>
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<td>Subsidies to reduce energy prices in non-interconnected areas, as a solidarity mechanism</td>
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</tr>
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<td>Reduced VAT rate (5.5%) for energy-efficiency work in housing completed more than two years ago, and inextricably linked work</td>
<td>1 460 000 000</td>
</tr>
<tr>
<td>Property tax rebate for energy saving works on built properties for social housing</td>
<td>111 000 000</td>
</tr>
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<td>Tax credit for energy transition</td>
<td>150 000 000</td>
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<td>Reduced TICPE rate for diesel used as fuel by road freight vehicles of at least 7.5 tonnes</td>
<td>1 408 000 000</td>
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<td>Reduced TICPE rate for gas oil used as fuel for public transport vehicles</td>
<td>220 000 000</td>
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<td>Reduced TICPE rate for non-road diesel, heavy fuel oil and liquefied petroleum gas used for agricultural and forestry work</td>
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<td>Domestic consumption tax on energy products (TICPE)</td>
<td>33 352 414 000</td>
</tr>
<tr>
<td>Domestic tax on the final consumption of electricity (TICFE)</td>
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<td>Domestic consumption tax on natural gas (TICGN)</td>
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### Insight #3 – 4 key sectors of impact

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Focus on budgetary measures with significant climate and social impacts

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

<table>
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<tr>
<th>Proposition</th>
<th>What is the goal?</th>
<th>Social side-effects?</th>
<th>Public costs and/or benefits?</th>
<th>Public acceptability?</th>
<th>Complementarity with another measure?</th>
</tr>
</thead>
</table>
| Removing the reduced rate | - Reduce fossil fuel consumption  
- Encourage low-carbon alternatives  
- Foster modal shift  
- Limit air pollution          | (--) Revenue impact   | (+++) Reduce tax expenditure | (---) Strong opposition from drivers | >> Increased subsidies for rail and waterway freight  
   >> Development of rail and waterway infrastructure |

**Reduced diesel rate for freight trucks (> 7.5 ton)**

1.4 bn€

Not always necessary to choose between climate and social benefits!

Look for complementarity and interconnections between hotspots

I4CE – Institut de l’économie pour le climat
Thank you for your attention

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