



# Green Budgeting in the EU

*Climate Change Revisited  
Path for the Public Finances Conference*

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# Outline

- Definition and context
- State of play in the EU
- Where does Ireland stand?
- Green budgeting & the budget cycle

# Definition and context

# A definition of green budgeting

*‘Green budgeting means using the tools of budgetary policy-making to help achieve environmental goals.’ (OECD)*

*‘A budgetary 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**.’ (Commission)*

*In other words: **Green budget tagging** + **(environmental) ex-ante impact assessments & ex-post evaluations***

# Why green budgeting?

- Budgets are one of the main expressions of how a government wants to implement its political ambition ...
  - ... aligning budgets with environmental objectives is a crucial tool for the green transition.
- Transparency on government 'green' action...
  - ...transition from awareness to 'green'- informed policy-making.
- Important step for tackling Article 2.1(c) of the Paris Agreement:  
*'making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.'*

# European Commission and green budgeting

## Mandate from the European Green Deal (2019)

National budgets play a key role in the transition. A greater use of green budgeting tools will help to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. The Commission will work with the Member States to screen and benchmark green budgeting practices. This will make it easier to assess to what extent annual budgets and medium-term fiscal plans take environmental considerations and risks into account, and learn from best practices. The review of the European economic governance framework will include a reference to green public investment in the context of the quality of public finance.

**Source:** Communication on The European Green Deal [EUR-Lex - 52019DC0640 - EN - EUR-Lex \(europa.eu\)](#)

# Commission work on Green Budgeting

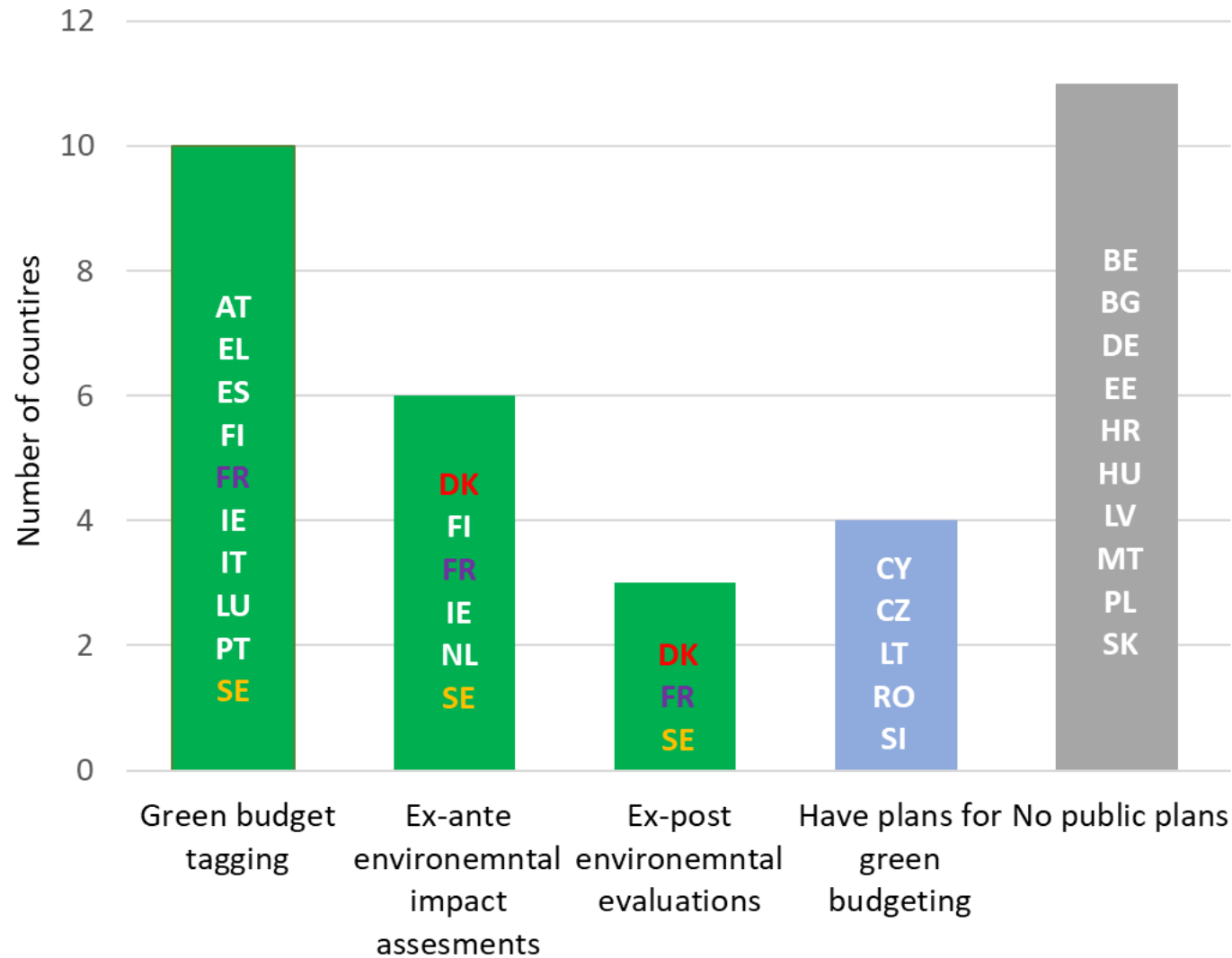


# State of play in the EU

- based on 2023 Commission survey -



# Green Budgeting practices



**Notes:**

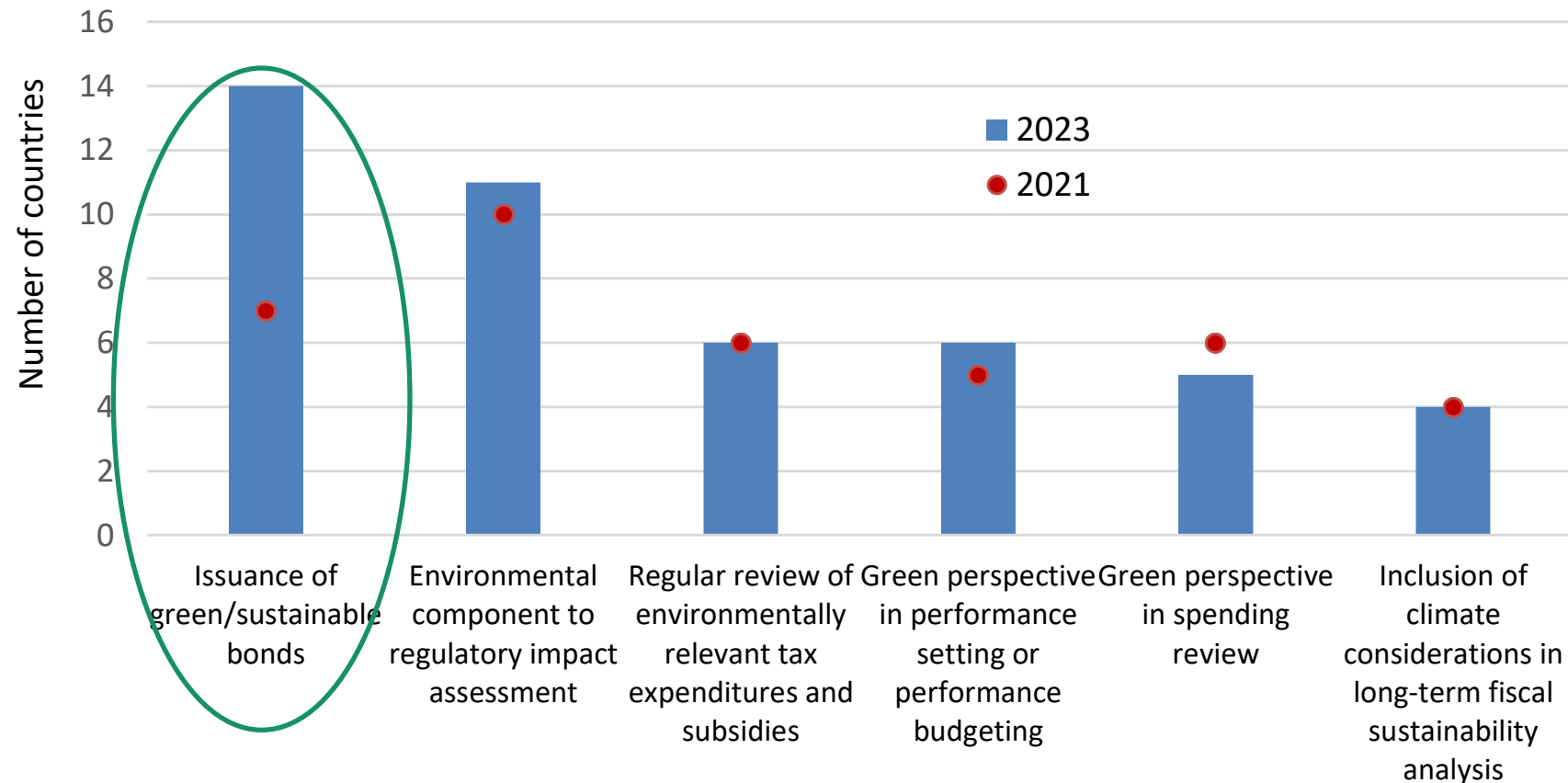
a. Coloured countries apply several green budgeting tools.

b. Slovenia already implementing green budgeting.

**Source:** [2023 European Commission survey on green budgeting](#)

# Other tools

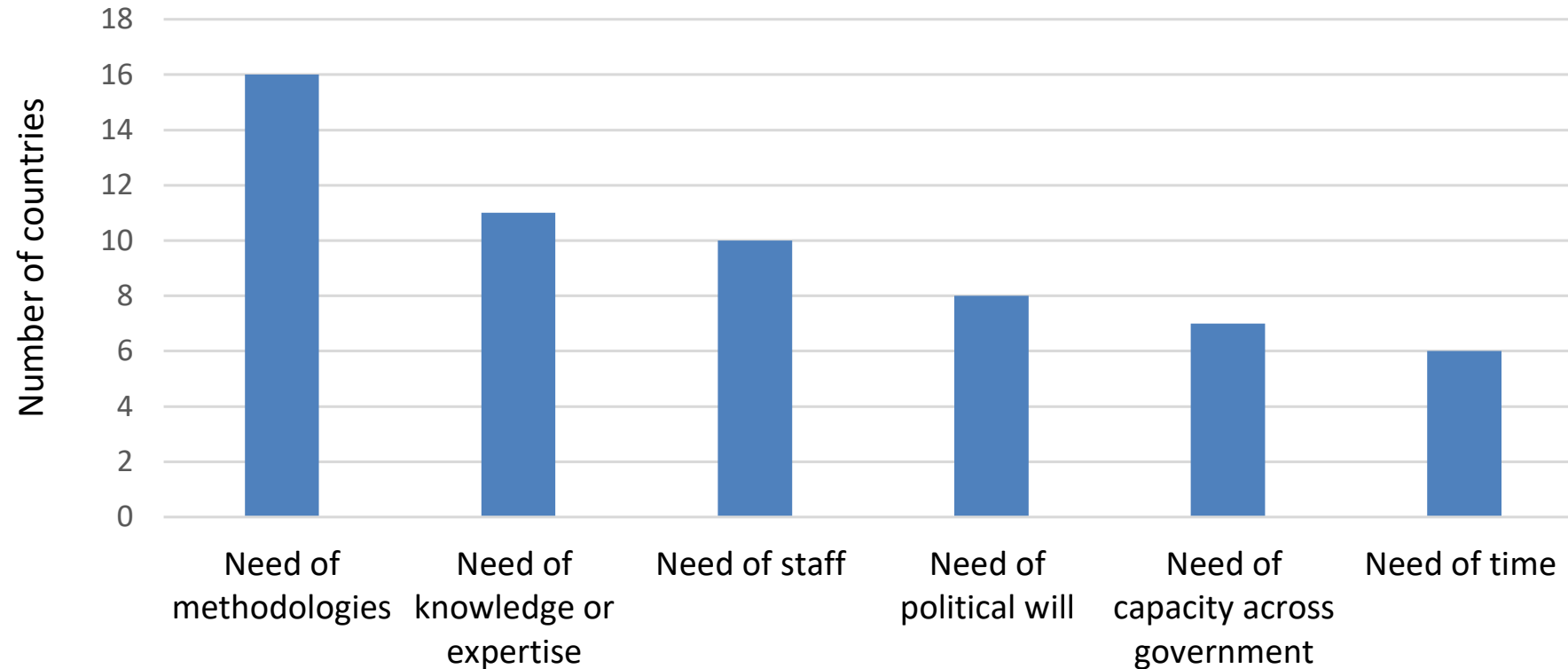
... relevant to the greening of public finances



Source: 2023 European Commission survey on green budgeting

# Key challenges

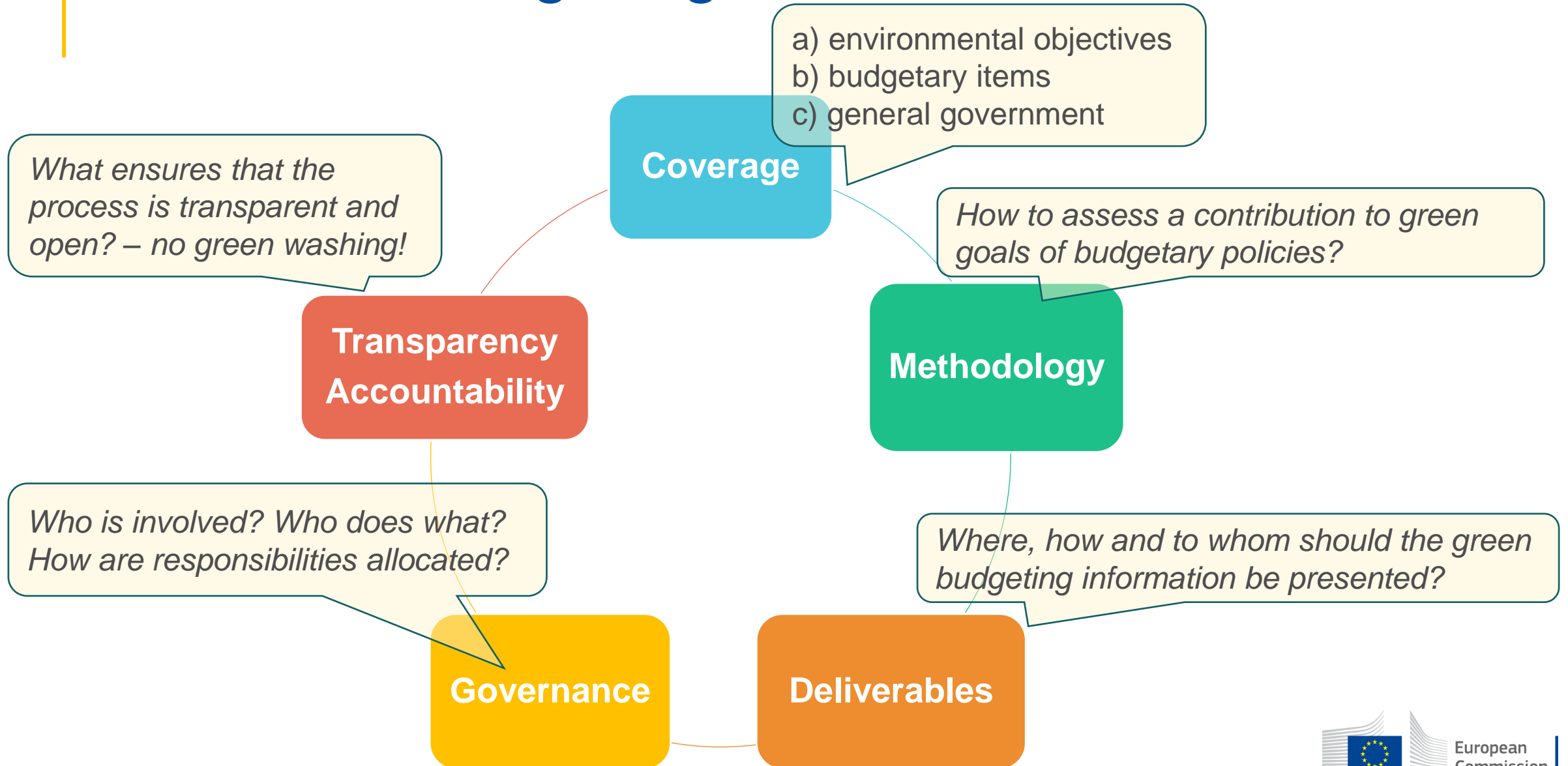
**... to introduce and/or implement green budgeting**



*Source:* 2023 European Commission survey on green budgeting

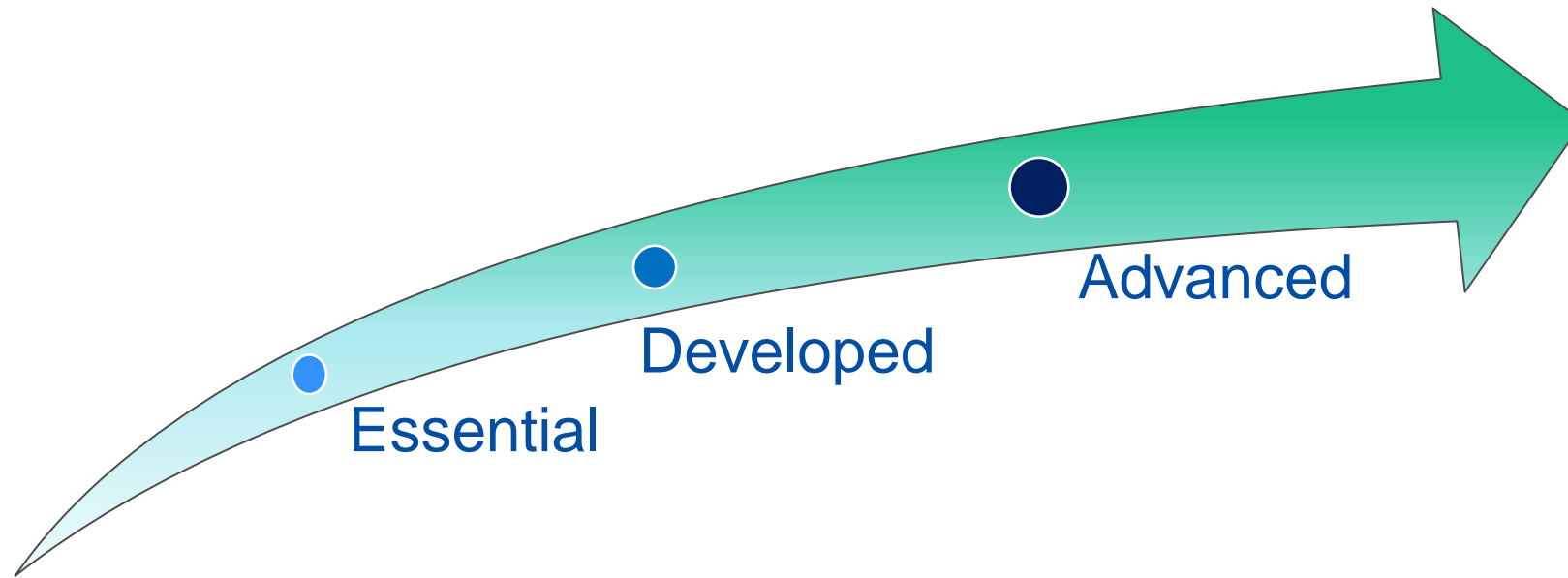
# Where does Ireland stand?

# EU Green Budgeting Reference Framework




# A phased approach

**3 levels of development** (applicable to each of the 5 key elements)



To allow **flexibility** in the development of national practices, given differences in budgetary approaches across Member States.

# Where does Ireland stand wrt. GBRF? (1/2)

	Essential	Developed	Advanced
<b>Coverage</b>			
<i>Env. Objectives</i>	<b>Climate</b> -related	+ <b>Other objectives</b>	<b>All objectives</b> (EU Taxonomy)
<i>Budgetary items</i>	<b>Favourable</b> items (revenue & expenditure)	+ <b>Unfavourable</b> items	+ <b>Tax expenditure</b>
<i>Government</i>	<b>Central-government</b>	+ <b>Sub-national governments</b>	+ <b>Other</b> (e.g., SOEs)
<b>Methodology</b>	<b>Tagging</b> methodology [simple]	<b>Tagging</b> methodology [more granular]	+ <i>Ex-ante</i> impact assessment
			+ <i>Ex-post</i> evaluation

# Where does Ireland stand wrt. GBRF? (2/2)

	Essential	Developed	Advanced
<b>Deliverables</b>	Presentation in <b>annual budget</b> Presentation in <b>execution report</b>	+ Presentation of estimates in <b>multi-annual plans</b>	+ <b>Extra-budgetary entities</b> reports
<b>Governance</b>	<b>Ad-hoc</b> central task-force	<b>Permanent</b> central structure	+ <b>Green budgeting correspondents</b> in line ministries
<b>Transparency &amp; Accountability</b>	<b>All deliverables public</b> <b>Independent evaluation of methodology</b>	+ Independent evaluation of deliverables + <b>Parliamentary discussion</b>	+ <i>Ex-post</i> review



# Green budgeting & the budget cycle

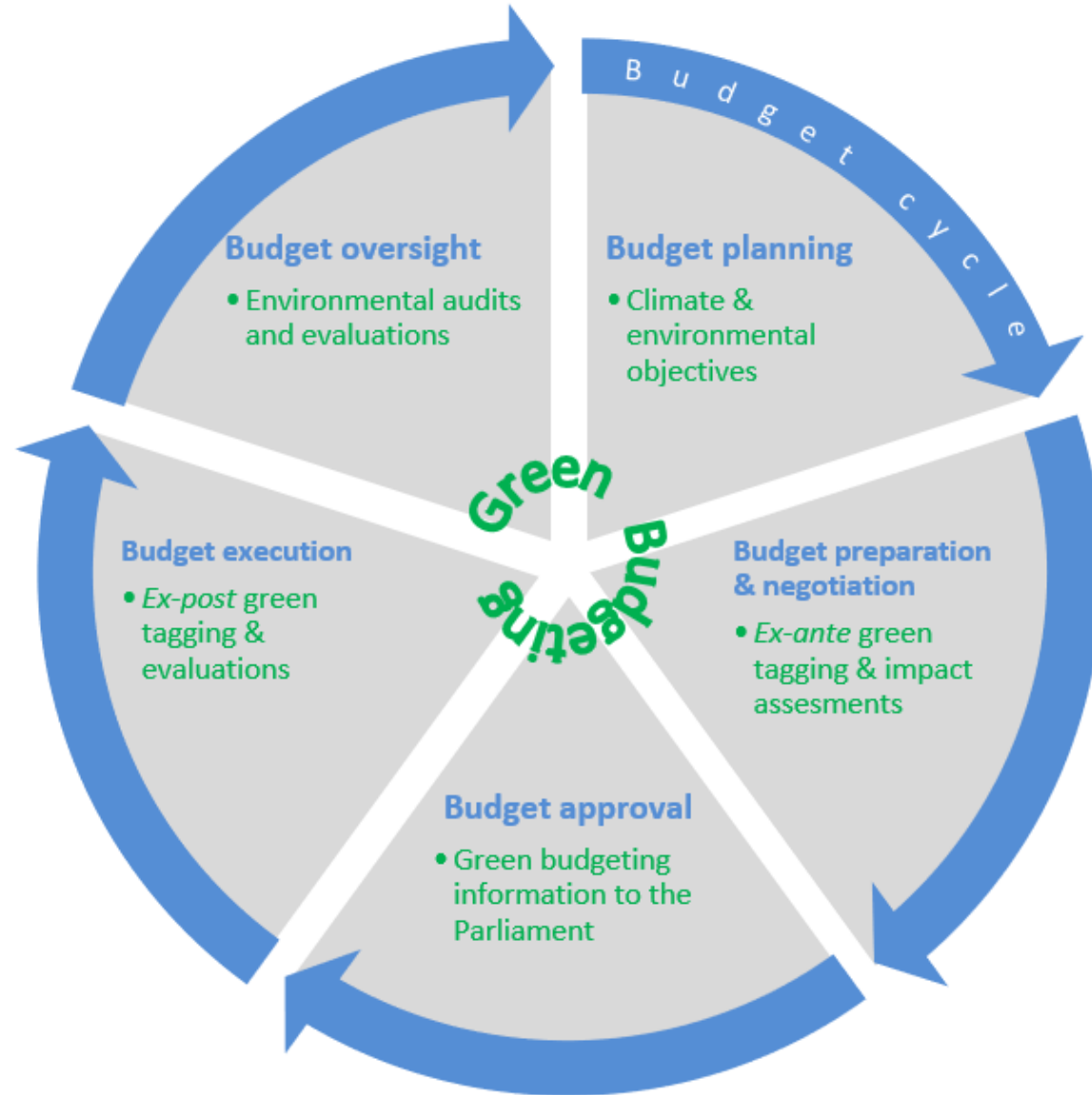
# Main findings

***Integrating green budgeting in the regular budget process is crucial to influence policy making.***

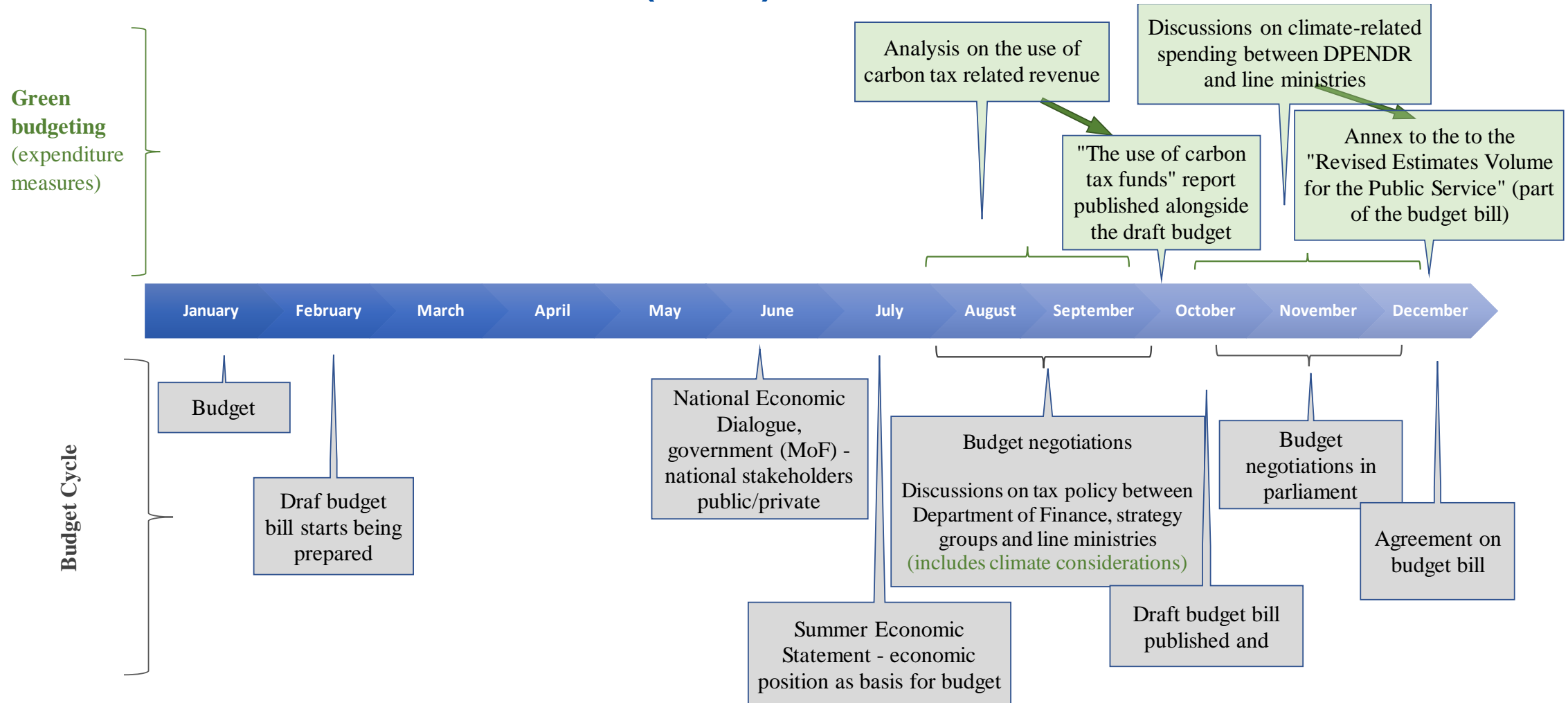
In-depth interviews with selected countries show:

- Often not integrated into the budget law.
- Green budgeting tools are commonly used during the budget preparation & negotiation phase.
- Green budgeting has so far been used to provide transparency and less so to decide on the budget (*facilitates transition from awareness to action*)
- Available at: [How Green Budgeting is Embedded in National Budget Processes \(europa.eu\)](#)

# Green budgeting & the budget cycle (example)

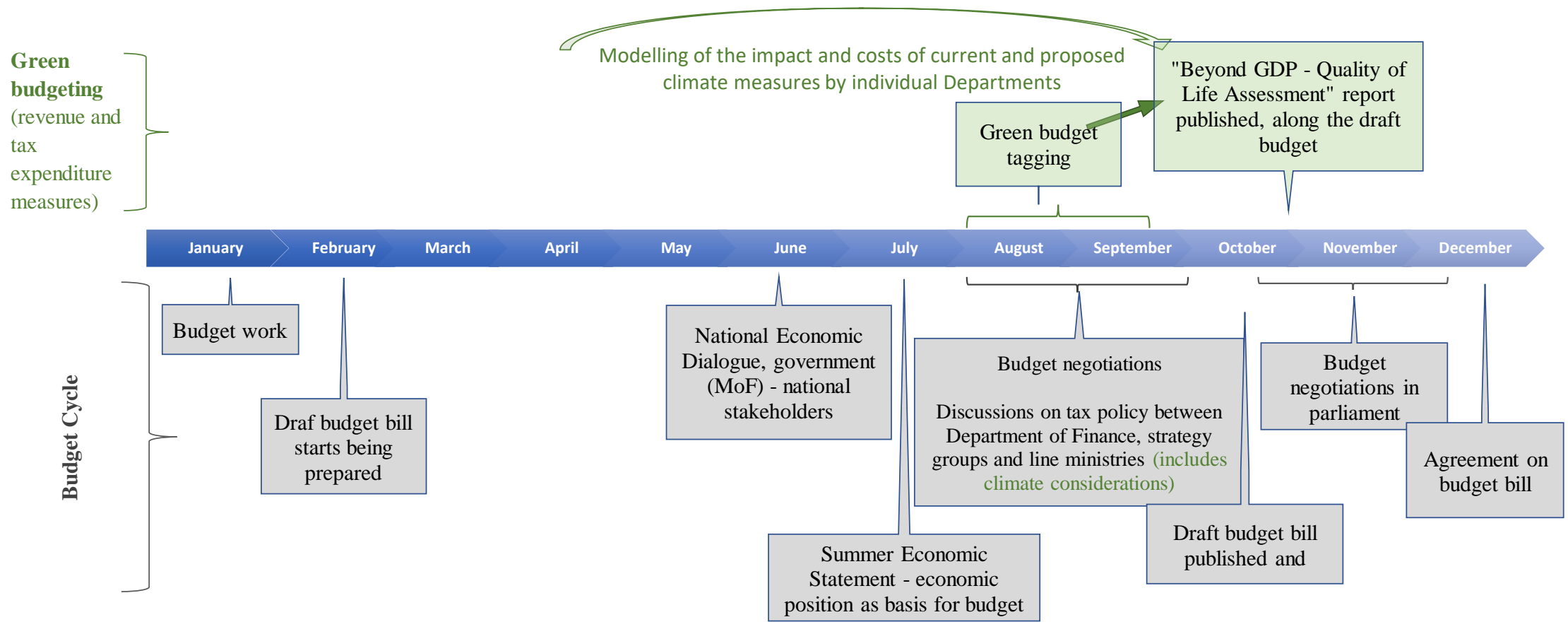


# Practice in Ireland (1/2)



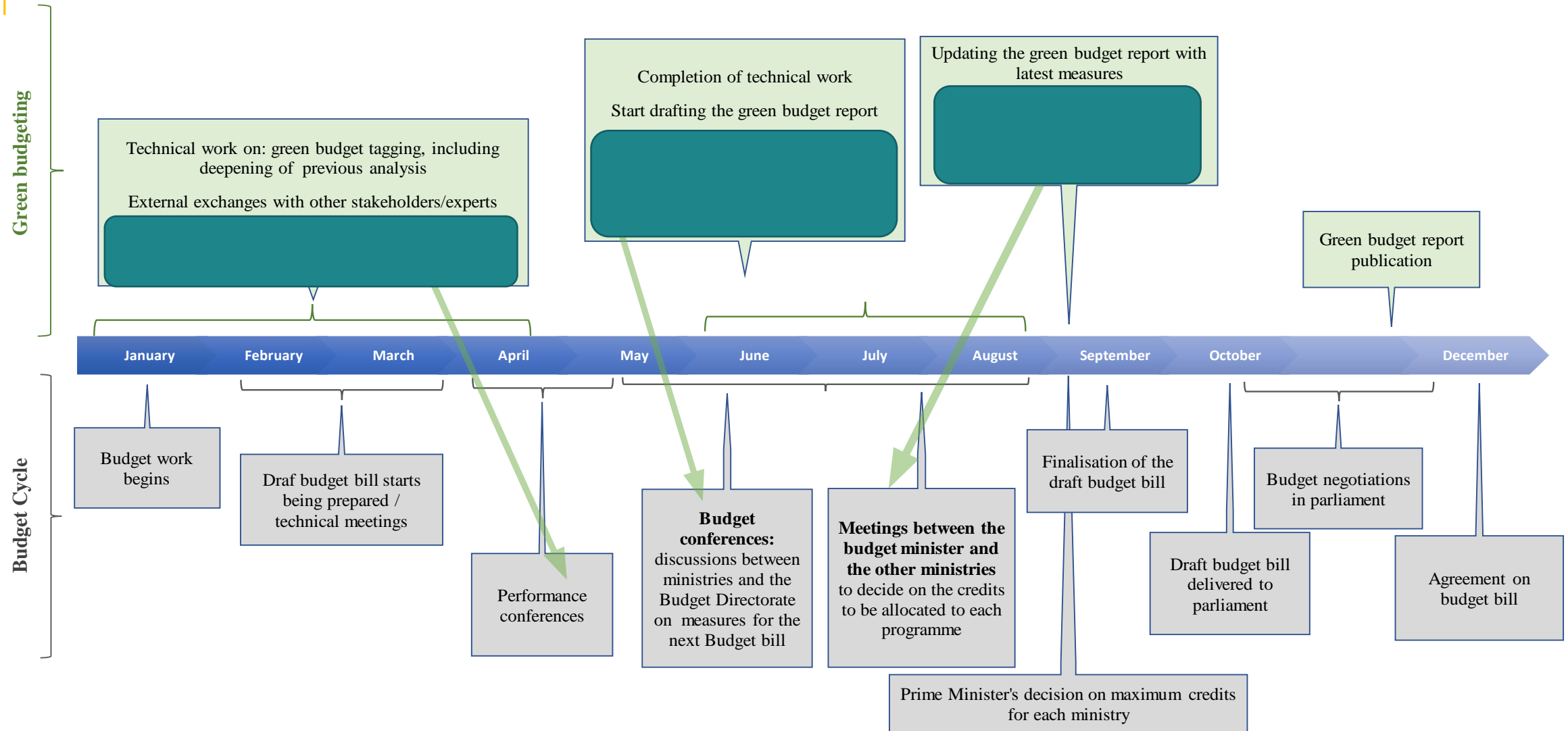
**Lead:** Department of Public Expenditure, National Development Plan Delivery and Reform (DPENDR)

# Practice in Ireland (2/2)



Lead: Department of Finance

# Practice in France: influencing policy-decision



# Thank you!



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# Annexes: Commission proposal for a reform of the Economic Governance

- green aspects in the Budgetary Framework Directive -



# 1. A greener budget: recital 19 of Directive

Green budgeting tools can help redirect public revenue and expenditure to green priorities. In that respect, reliable and regular reporting of comprehensive, useful, and accessible information improves budget deliberations. This means reporting data on how revenues reflect the need to ensure that the “polluter-pays” principle is reflected, and in turn on how expenditure reflects both favourably and unfavourably green priorities. Member States should publish the information on how the relevant elements of their budgets contribute to achieving climate and environmental national and international commitments and the methodology used. Member States should publish data and descriptive information separately for expenditure, tax expenditure and revenue items. Member States are invited to publish information on the distributional impact of budgetary policies and take into account employment, social and distributional aspects in the development of green budgeting<sup>29</sup>.

## 2. A more climate-resilient budget

### **Art 9(2)d of amended Directive requires MS to produce assessments:**

- specifying, to the extent possible, the macrofiscal risks from climate change as well as environmental and distributional impacts, and the implications on public finances of climate-related policies.

### **Art 14(3) of amended Directive requires MS to publish:**

- information on disaster and climate-related contingent liabilities to the extent possible;
- information on economic losses incurred due to disasters and climate-related shocks, including the fiscal costs borne by the public sector and the instruments used to mitigate or cover them.