



# Green Budgeting in the EU

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# The EU definition of green budgeting

‘**Green budgeting** means using the **tools** of budgetary policy-making to help achieve **environmental goals.**’ (OECD 2018)

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.** (European Commission)

# 1) European Union + 2) its Member States

## Mandate from the European Green Deal

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 \(europa.eu\)](#)

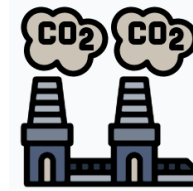
# 1) Green budgeting in the EU budget



Climate



Biodiversity



Clean Air

The Budget is a mean to ensure the **implementation of political priorities, not a “neutral” accounting exercise.**

The European Commission ensures that domestic and international commitments are actively pursued through the use of expenditures and policy coordination, to assess and promote the alignment that is essential to meet environmental goals.

# Green budgeting in the EU budget

## EU budget 2021-2027

### Single Market, Innovation and Digital

149.5 (+ 11.5 from NGEU)

### Cohesion, Resilience and Values

426.7 (+ 776.5 from NGEU)

### Natural Resources and Environment

401 (+ 18.9 from NGEU)

### Migration and Border Management

25.7

### Security and Defence

14.9

### Neighbourhood and the World

110.6

### European Public Administration

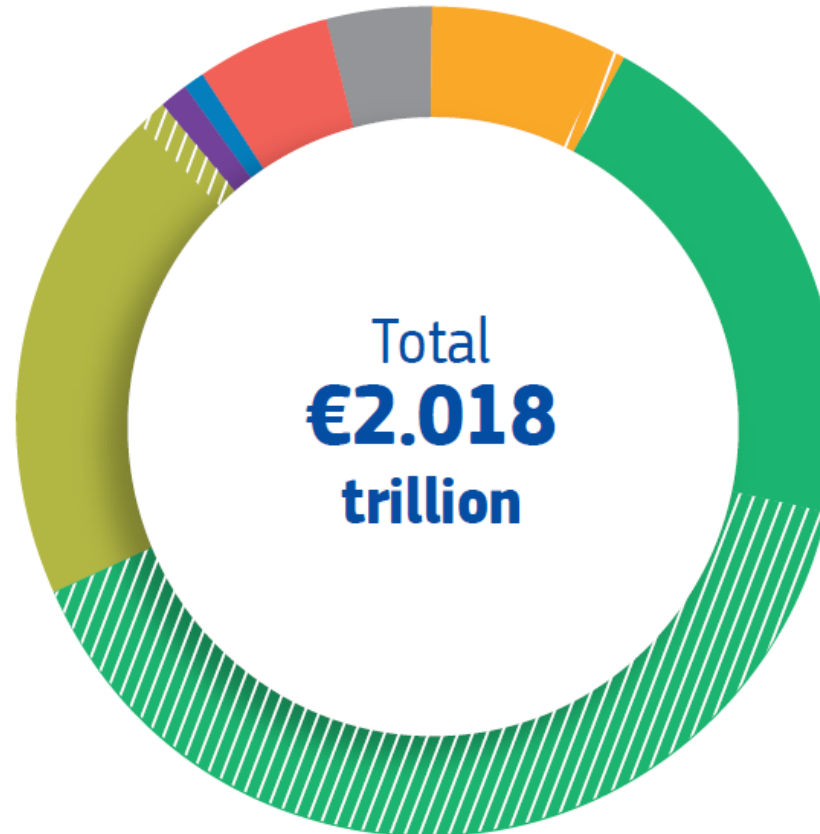
82.5

### Total: €2.018 trillion



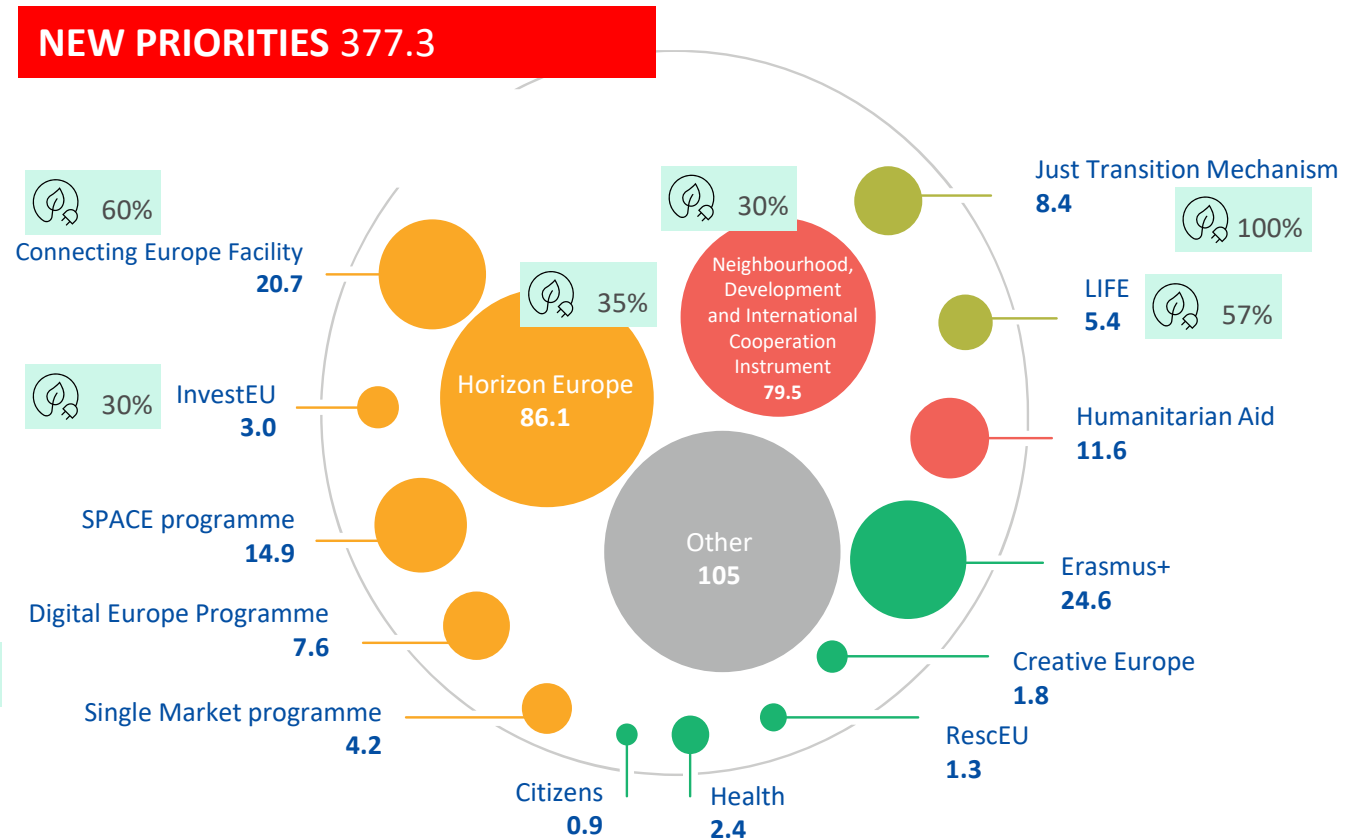
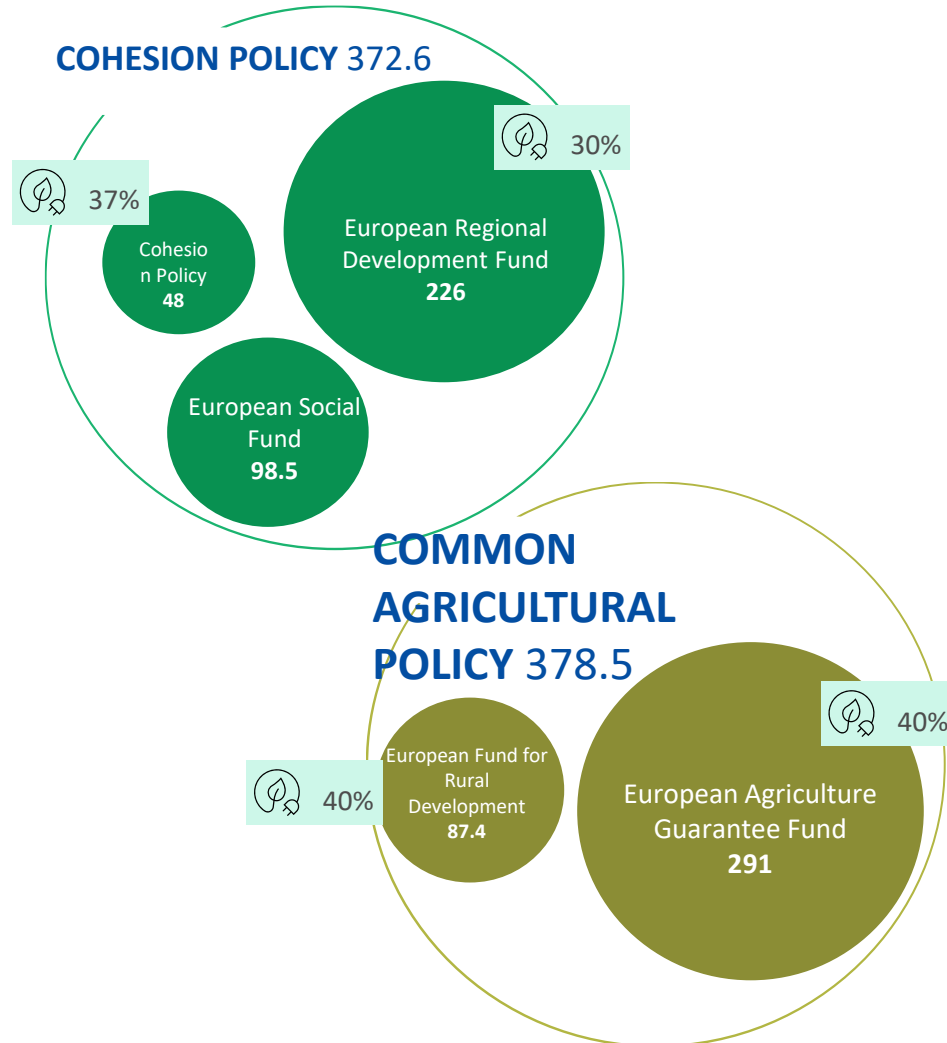
NextGenerationEU  
806.9

Long-term budget  
1 210.9



# Green budgeting in the EU budget

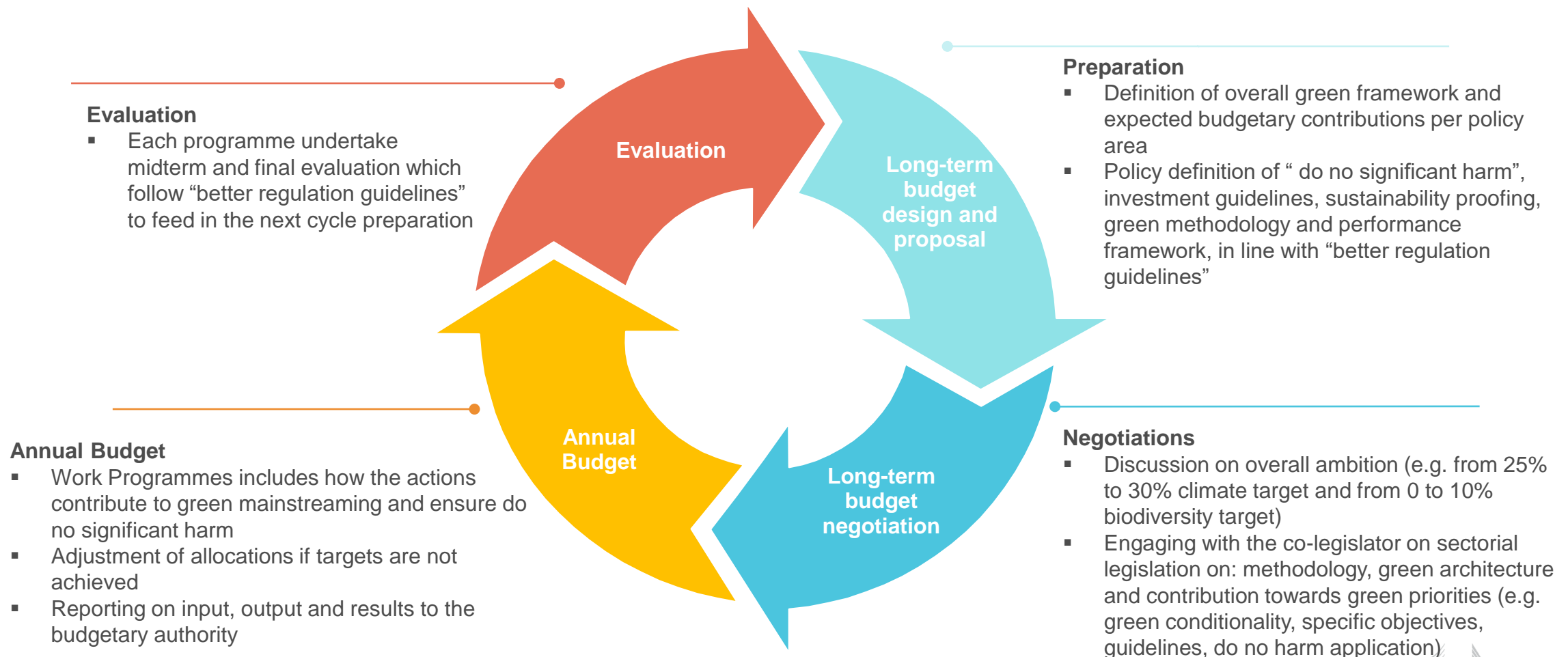
## Green Financing



All figures are in billion EUR

Explicit climate target in the regulation

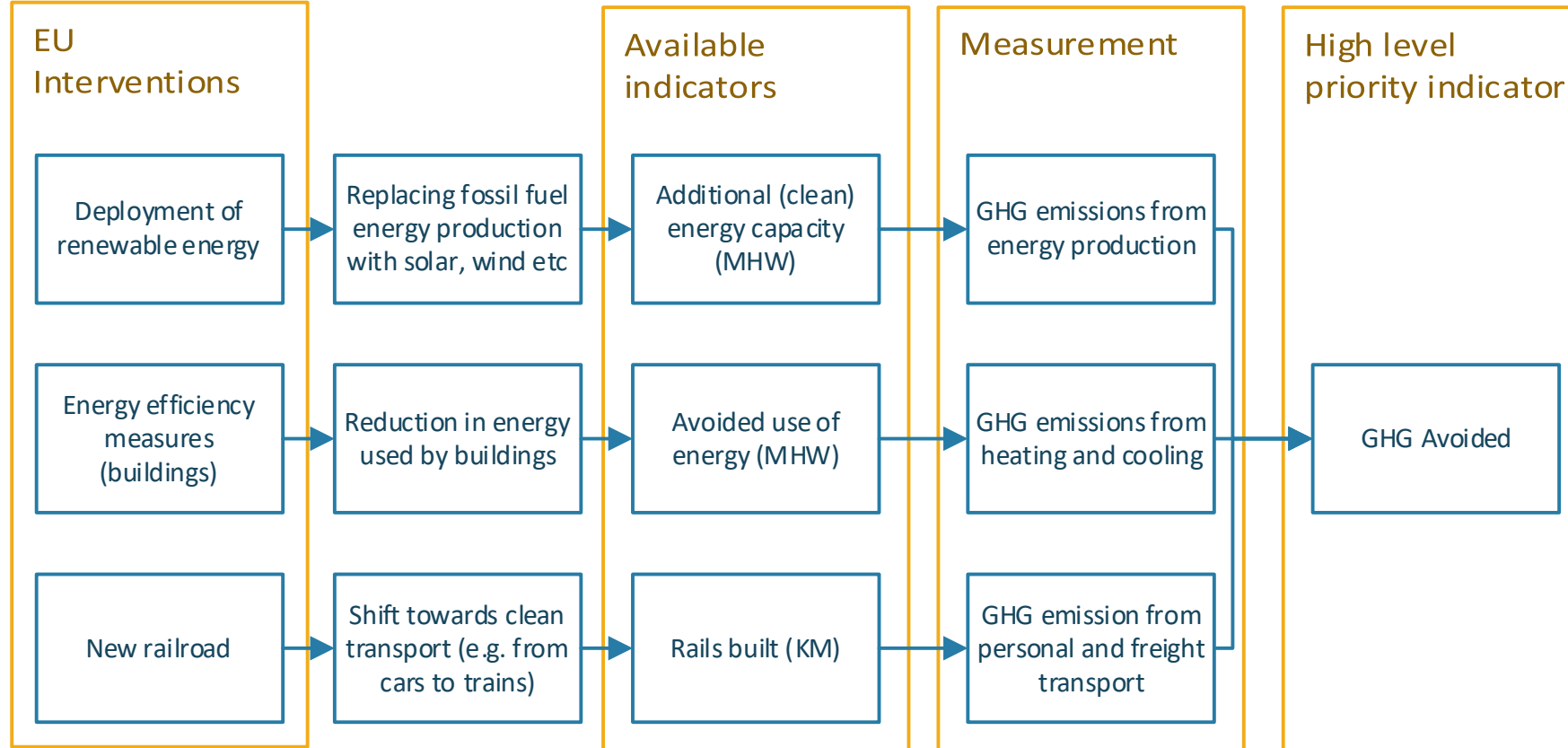
# Green priorities in EU budget policy cycle



# High level priority indicators

- Aiming to show the investments have made an **environmental impact**
- This is generally done by providing both **output** and **impact indicators**
- For output, the goal is are **indicators that are easy to aggregate** across investments
- **Greenhouse gas emissions avoided** is considered to be the “holy grail” of **impact indicators**, although not nearly always possible
- Output indicators will be **structured along intervention fields**, with **preferably one output indicator** per intervention field
- Translation into **high level priority indicator** (ideally GHG avoided)

# High level priority indicators



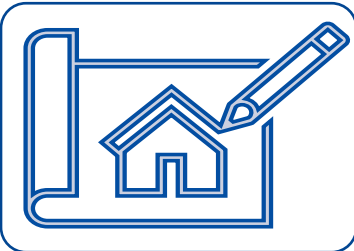
# Do No Harm (DNH)

According to the **general principle of “do no harm” (DNH)**, activities ought to be conducted in a way that **avoids inflicting damage on the environment**

The EU budget uses the framework provided by **Article 17 of the Taxonomy Regulation**, which defines the “do no significant harm” (DN(S)H)

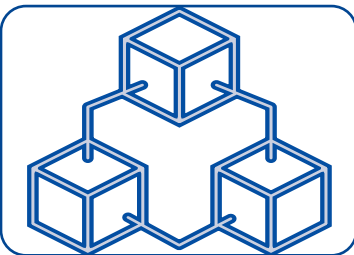
However, **no “one size fits all” approach** for all programmes but minimum safeguards to be implemented horizontally

# DNH operationalization (examples)



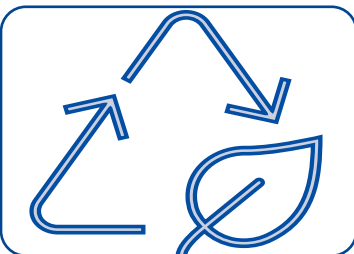
## Sustainability Proofing

- Application for infrastructure projects, to ensure both their contribution to mitigation and future proofing



## Ex-ante screening of projects

- e.g. in R&D, to ensure that projects financed respect the DN(S)H



## Environmental Impact Assessment

- It assess the significant effects of a project to make sure that its effects on environment are taken into consideration in the design of the project

# Tagging

- **Lowest level of granularity possible**
  - Action/grant
  - Call in the Work Programme
  - Intervention fields in Shared Management
- Embedded in the Accounting System since 2020
- Information retrievable through an ad-hoc dashboard

Posting  
Posting Type: Commitment Position Level 1  
Commitment Position Level 1: S2.822163.1.82020 GLOBAL COMMITMENT MOVE/SRD.2/2019-187/92.022163  
BLOC-82020-05.020103-C8-MOVE.SRD  
Balance AML: 69 625 12 €  
Allocation Type: Not Applicable

WBS  
WBS:  
Other  
DG: MOVE DG Mobility and Transport  
Policy Area: MOVE Mobility and Transport

Amounts  
Currency: EUR Date: 01/01/1997 Rate: 1.000000 Spec.   
Validated: 0.00 EUR ▶ 0.00 €  
Entry: 69 625 12 EUR ▶ 69 625 12 €  
Specific Increase   
Total: 69 625 12 EUR ▶ 69 625 12 €

Program  
Program: Connecting Europe Facility (CEF)

Remark:

Re-Evaluation  
Date: Rate: Open Amount in €  
Present: 0.00 EUR ▶ 0.00 € Future:

Posting Criteria

| Central                             | Type | Code  | Description         | Mandatory                           |
|-------------------------------------|------|-------|---------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | B20T | 43800 | IS MAINTENANCE      | <input checked="" type="checkbox"/> |
| <input checked="" type="checkbox"/> | CLM1 | 1     | 40% CLIMATE RELATED | <input checked="" type="checkbox"/> |

# From Rio Markers to EU Coefficients

## OECD Rio Markers

Based on the stated objective

Projects can be marked differently depending on the stated 'intention' of why it is financed

No link with the EU overarching policy framework

## EU coefficients

Based on the **expected effects**

**A given type of project will always have the same coefficient**, regardless of why it is financed

**Link with the relevant EU overarching policy framework** (e.g. European Green Deal)

# Taxonomy of Sustainable Finance

## RIO Marker methodology

- Marking expenditure 0%/40%/100% climate relevant ex-ante
- No technical criteria, only based on intervention field (e.g. “energy production through wind power”)



## EU Taxonomy technical criteria

- Technical screening criteria for projects
- Technical screening criteria based on actions (e.g. wind park construction”)
- Technical criteria work as cut-off points
- Complying with the criteria implies sustainability and an automatic 100% climate relevance



## EU climate tracking methodology

- Continues to use the 0%/40%/100% approach
- Mapping between interventions fields and suitable Taxonomy actions
- Integrates Taxonomy technical criteria where mapping was successful
- Complying with the technical criteria will allow for a higher climate contribution marker

# Activity-based approach



## Energy

• Regional Funds, RRF, InvestEU, CEF, Relex



## Transport

• Regional Funds, RRF, InvestEU, CEF, Relex



## Research

• Horizon Europe, ITER, Euratom, LIFE



## Environment

• CAP, EMFAF, Regional Funds, LIFE, Relex



## Climate Adaptation

• Regional funds, EMFAF



## Good governance and social dimension

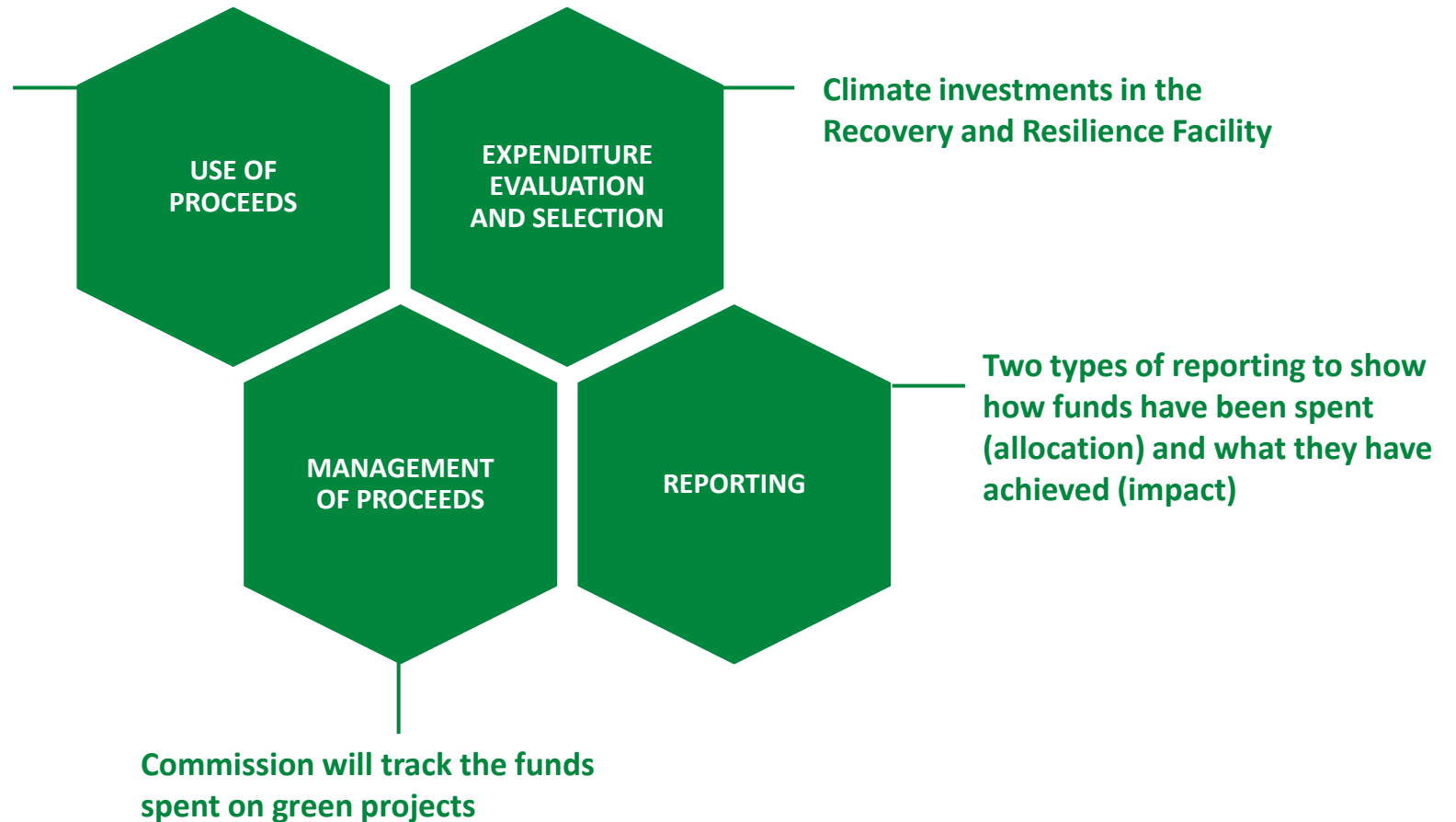
• Regional Funds, RRF, Digital, Space

1. Activity-based approach
2. Readability and convenience
3. Reference coefficient per type of activity for consistency and accountability

# How NextGenerationEU green bonds use green financing

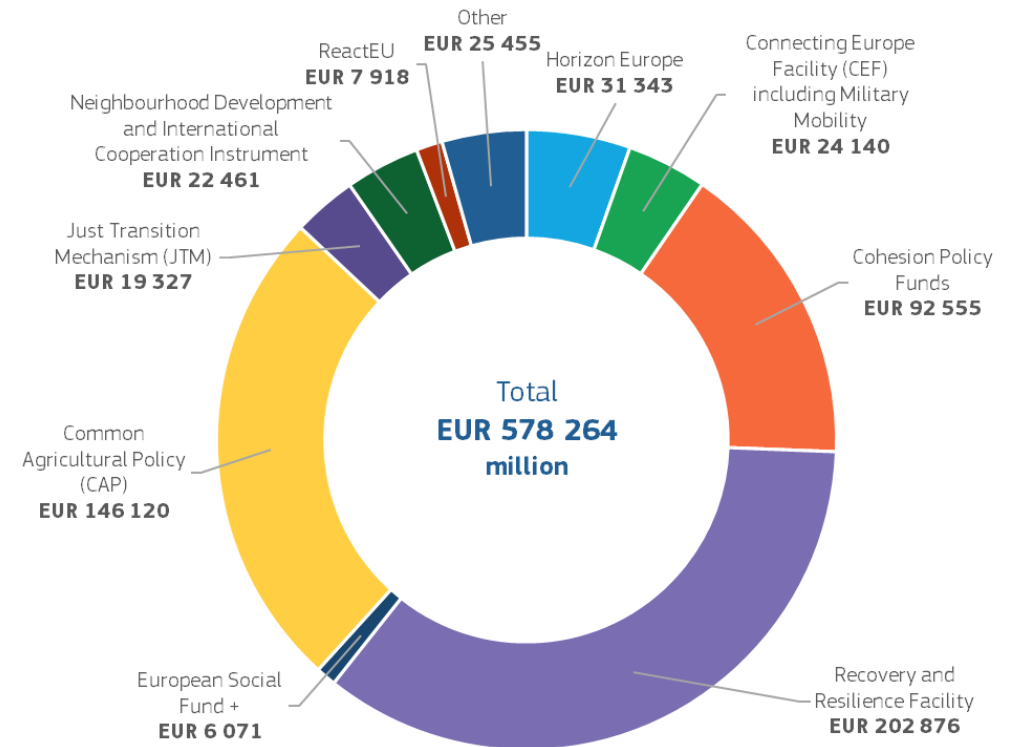
## Projects in nine categories:

-  Research and innovation activities supporting the green transition
-  Digital technologies supporting the green transition
-  Energy efficiency
-  Clean energy & network
-  Climate change adaptation
-  Water & Waste management
-  Clean transport & Infrastructure
-  Nature protection, rehabilitation and biodiversity
-  Other.

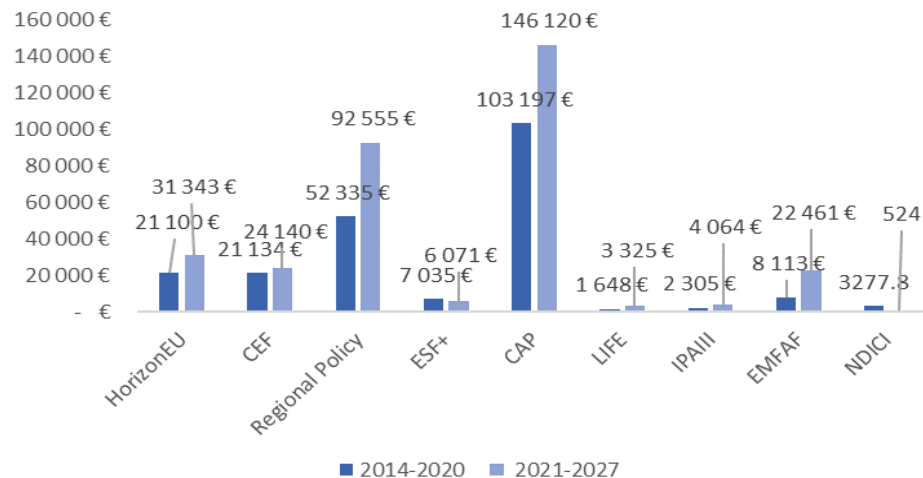
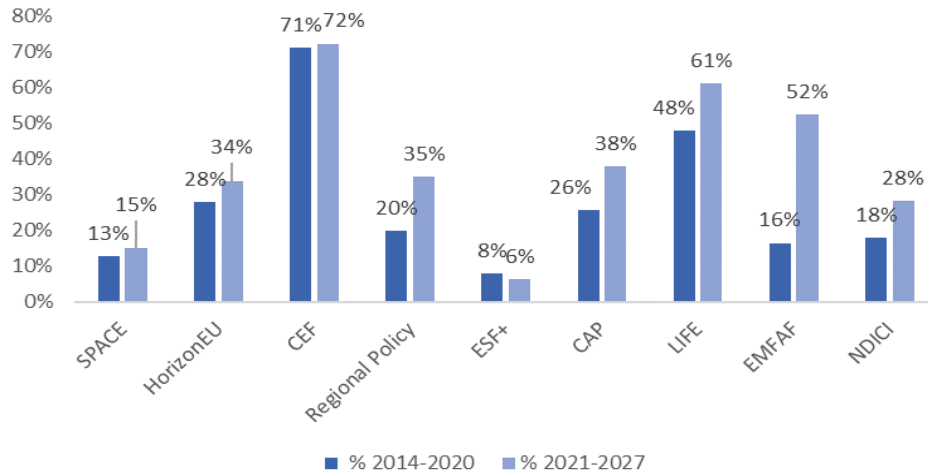


# Climate mainstreaming

- With **32.6%** we are comfortably achieving our 2021-2027 target
- Sectorial targets are largely in line with expectations set in the basic acts



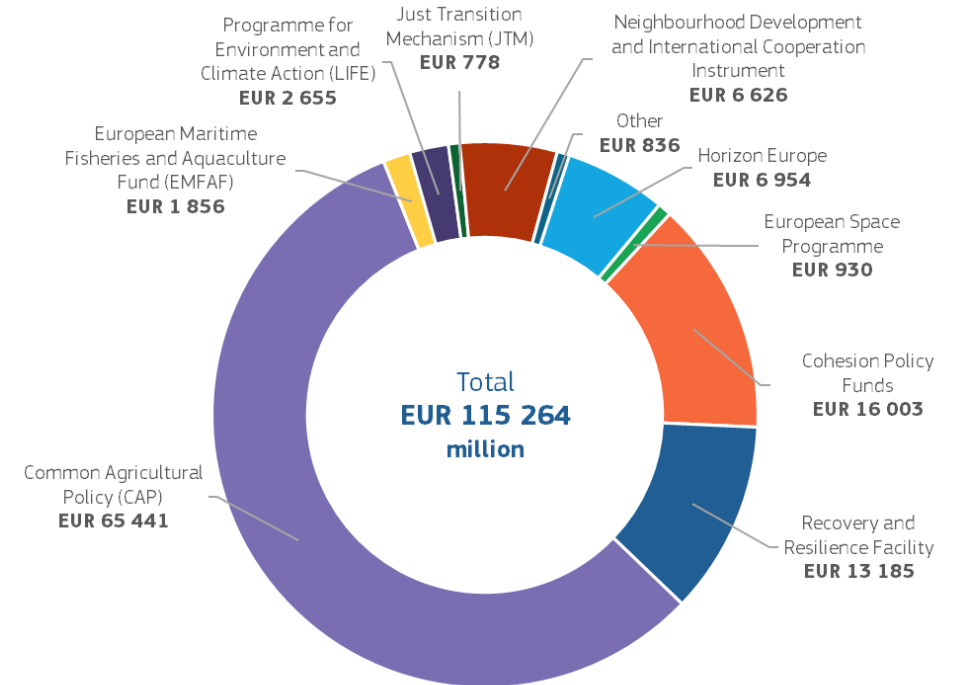
# Climate mainstreaming



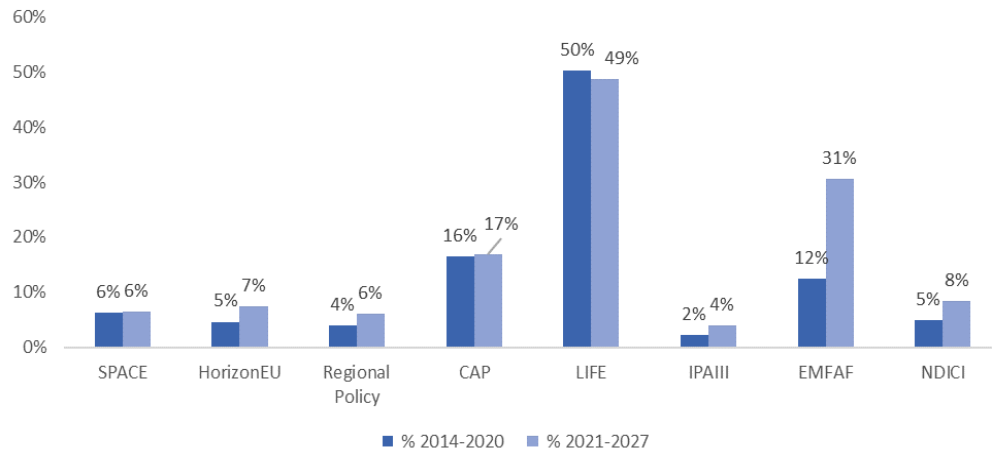
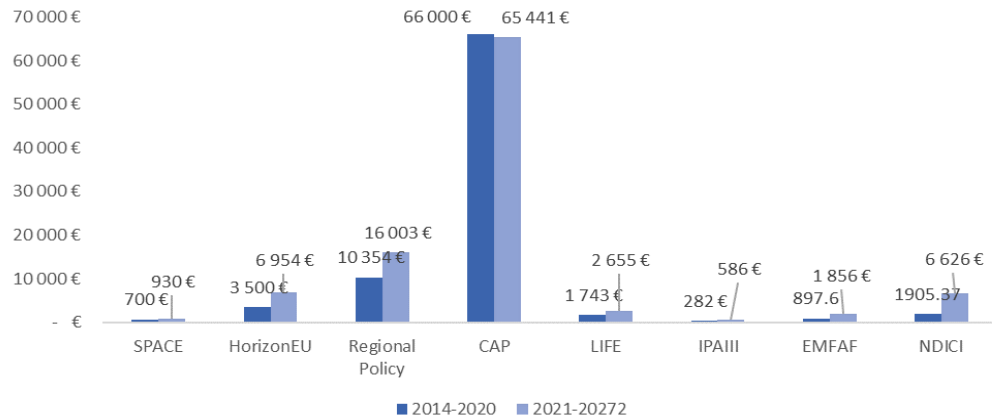
- All the major programmes are contributing to climate mainstreaming
- Compared to the past MFF we have a **significant** increase in both relative and absolute terms with almost no exception

# Biodiversity Mainstreaming

- With **7.9% in 2024**, we are comfortably achieving our ambition for next year
- However, with **8.6% in 2026** and **8.4% in 2027**, we are failing to reach our 10% ambition



# Biodiversity Mainstreaming



- All the major programmes are contributing to biodiversity mainstreaming
- Compared to the past MFF we have a **moderate** increase in both relative and absolute terms in many programmes
- More can be done in shared management to **increase the biodiversity focus of the national programmes** (i.e. CAP, Cohesion)

# Commission work on Green Budgeting



## 2) EU Member States: the Green Budgeting Reference Framework

### Purpose

- **Support Member States** embarking in green budgeting or willing to improve existing practices
- **Provide a reference for monitoring practices** by the Commission

### Main features

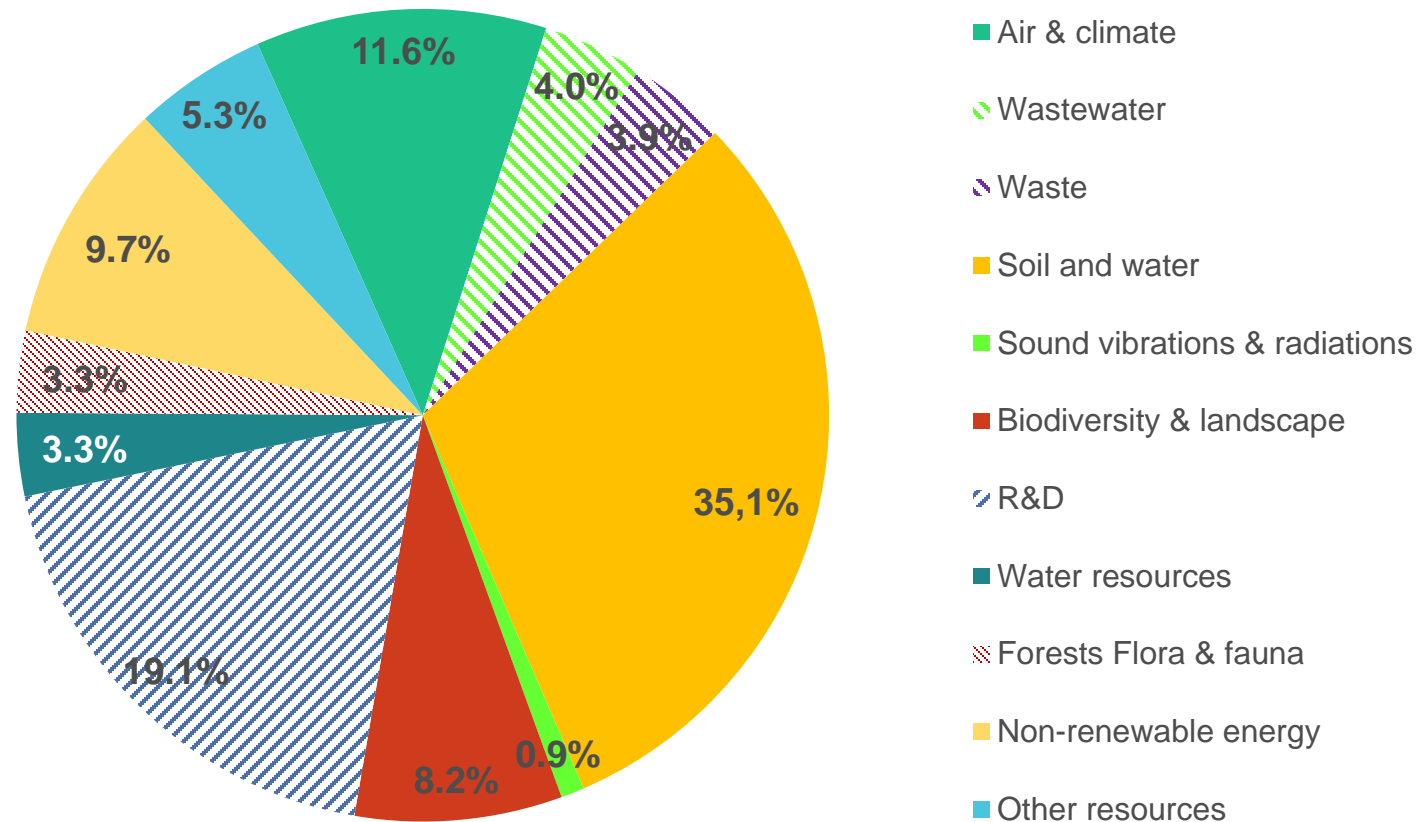
- Builds on existing good practices of
  - Public financial management
  - GB methods across the EU
- No 'one-size-fits-all' model
- Consistency of practices across the EU
- Flexible over time

# a. Coverage: Environmental objectives



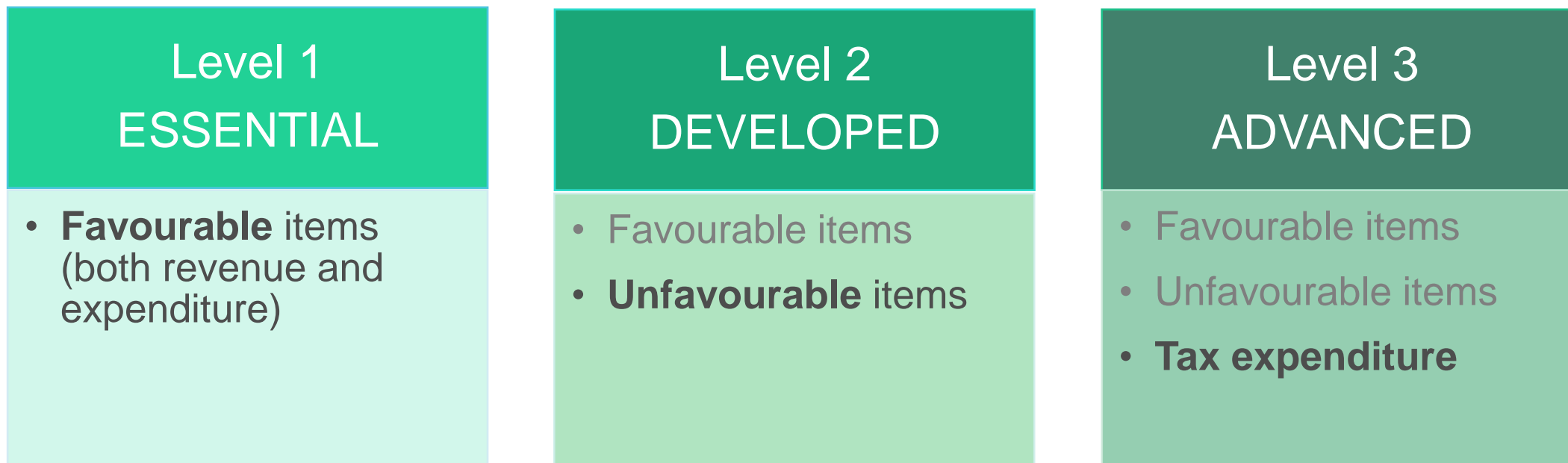
# Example: Italy

Composition of Italy's eco-budget 2021 by environmental objectives



Source: [Ecobudget, Ragioneria Generale dello Stato](#)

# a. Coverage: Budgetary items



- **Unfavourable items:** avoid doing good with one hand and undoing it with the other → more coherent 'policy package'.
- More and more countries capture also unfavourable items.
- Only few cases cover tax expenditure.

# a. Coverage: General government



- In practice, mostly limited to the central government.

## b. Methodology

### Level 1 ESSENTIAL

- simple tagging: e.g., lists of 'straightforward' green (and brown) items; either something is green or not

### Level 2 DEVELOPED

- Comprehensive tagging – capture the green content of all budget items / different shades of green

### Level 3 ADVANCED

- Tagging methodology
- Ex-ante impact assessment & ex-post evaluations – quantification / 'environmental' performance indicators.

# Example: France

Détail des classifications environnementales

| Crédits budgétaires   | Exec. 20   | LFI 21     | PLF 22     | Climat (atténuation) | Climat (adaptation) | Eau | Déchets | Pollutions | Biodiversité | Classificatio |
|---|------------|------------|------------|----------------------|---------------------|-----|---------|------------|--------------|---------------|
| P159 Etudes et expertise en matière de développement durable                            | 213,2 M€   | 192,4 M€   | 189,0 M€   | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |
| P612 Exploitation et innovation de la Navigation aérienne                               | 269,0 M€   | 331,9 M€   | 337,8 M€   | ●                    | ●                   | ●   | ●       | ●          | ●            | Défavorable   |
| P203 Ferroviaire  | 2 437,0 M€ | 2 466,0 M€ | 2 564,2 M€ | ●                    | ●                   | ●   | ●       | ●          | ●            | Mixte         |
| P181 Fonds de prévention des risques naturels majeurs                                   | 137,0 M€   | 205,0 M€   | 235,0 M€   | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |
| P345 Frais divers   | 50,7 M€    | 72,4 M€    | 117,5 M€   | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |
| P181 Gestion de l'après-mine et travaux de mise en sécurité,                            | 35,5 M€    | 39,8 M€    | 40,3 M€    | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |
| P113 Gestion des milieux et biodiversité  | 177,6 M€   | 218,9 M€   | 232,2 M€   | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |
| P159 Gouvernance, évaluation, études et prospective en matière de développement durable | 13,6 M€    | 15,2 M€    | 15,2 M€    | ●                    | ●                   | ●   | ●       | ●          | ●            | Favorable     |

1. Scrutiny of **entire budget**

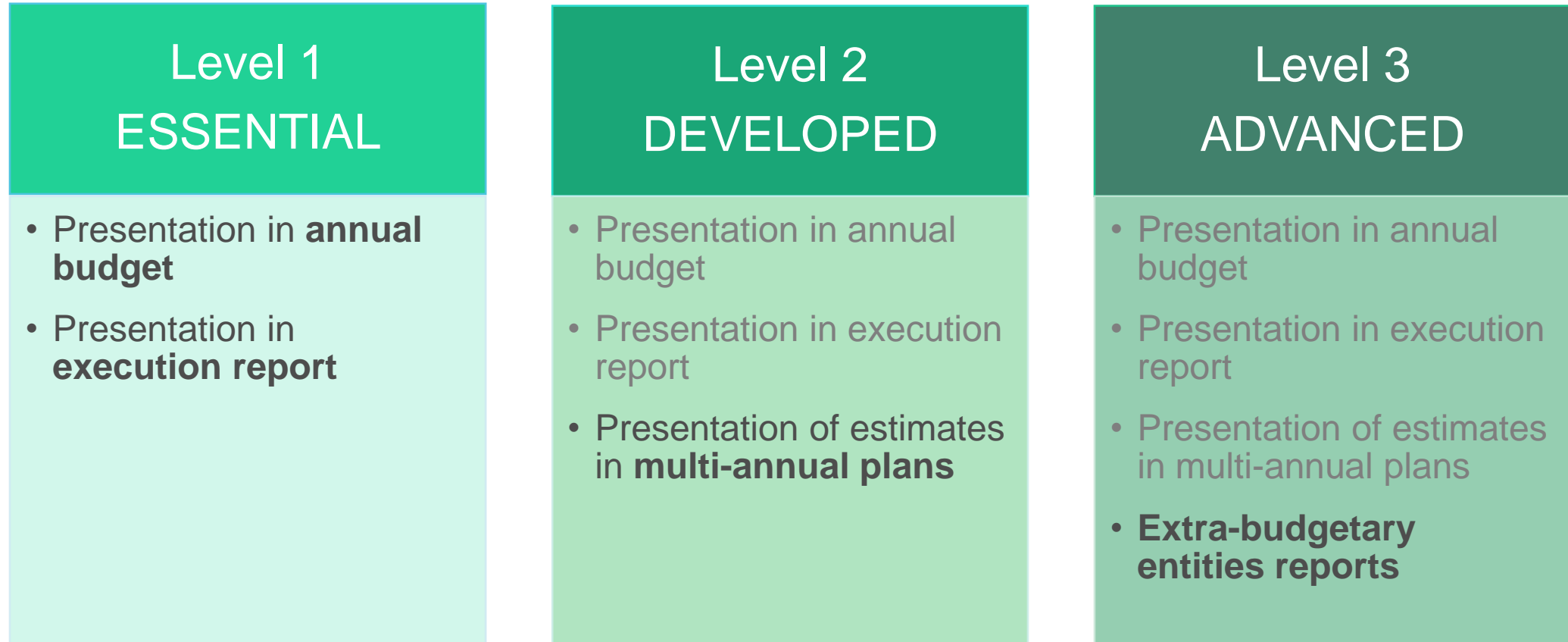
2. Classification by environmental objective (**3 shades of green**)

3. **Overall classification**

- Favourable
- Unfavourable
- Neutral

Source: [Rapport impact environnemental budget Etat 2022.pdf \(economie.gouv.fr\)](https://www.economie.gouv.fr/rapport-impact-environnemental-budget-etat-2022)

# c. Deliverables



- A legal/administrative document should detail the content and calendar for deliverables.

## d. Governance



- Roles and responsibilities, timeline, deliverables clearly specified
- Leadership assigned to the authority coordinating the budgetary process

# e. Transparency and accountability

## Level 1 ESSENTIAL

- **All deliverables public**
- **Independent evaluation of methodology**

## Level 2 DEVELOPED

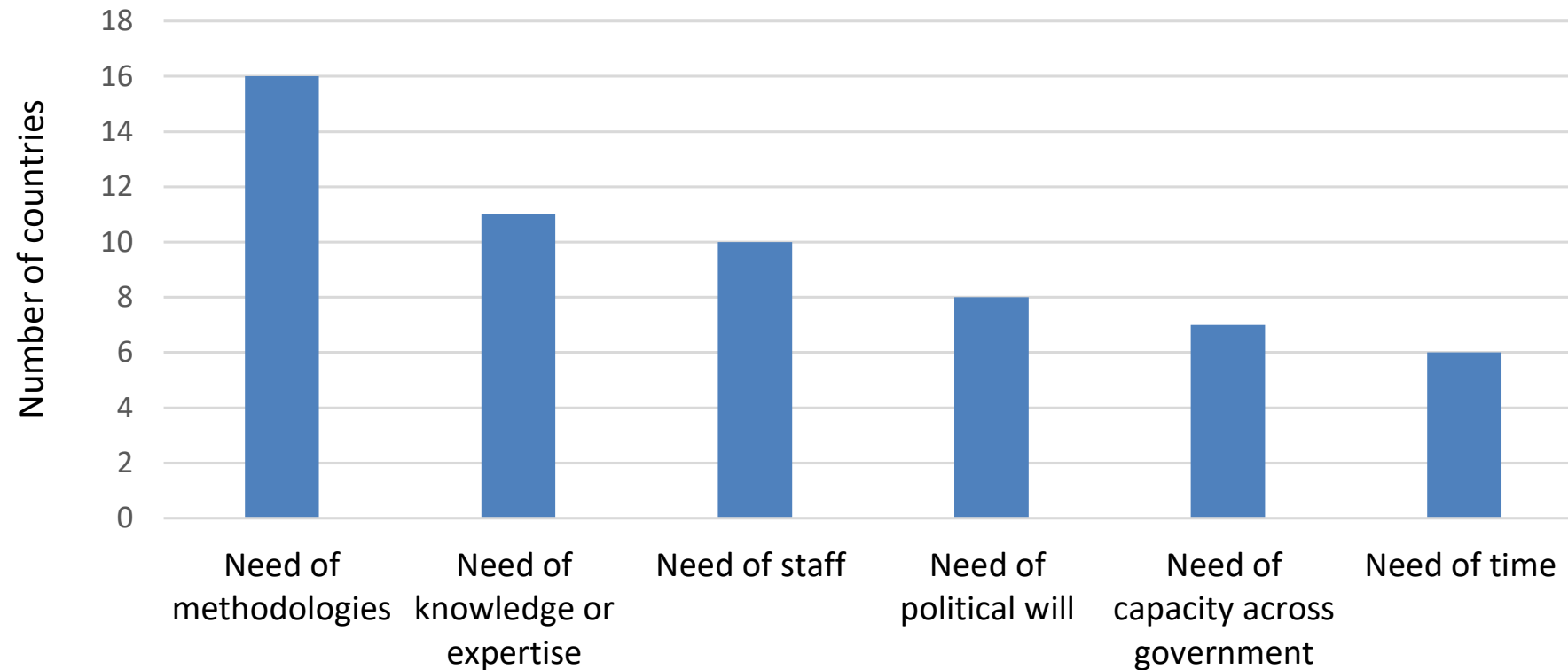
- All deliverables public
- Independent evaluation of methodology
- **Independent evaluation of deliverables**
- **Parliamentary discussion**

## Level 3 ADVANCED

- All deliverables public
- Independent evaluation of methodology
- Independent evaluation of deliverables
- Parliamentary discussion
- **Ex-post review**

# Finally: Key Challenges

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



*Source:* 2023 European Commission survey on green budgeting

# Thank you !

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