

Austria's Green Budgeting System

Green Budgeting in the context of Art. 2.1.c PA

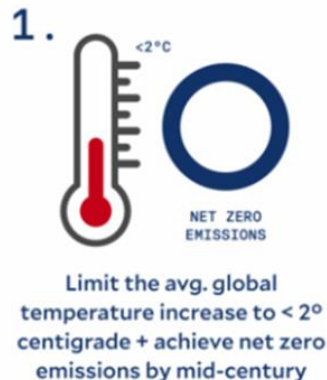
June 2024

Context of Green Budgeting in Austria (1)

- **Ambition to achieve climate goals of the Paris Agreement and Green Deal**
 - Obligation to comply with the provisions of the Paris Agreement (Art. 2.1. PA)
 - Legal obligations via European Climate Law and Effort Sharing Regulation
- **Achieving climate neutrality in Austria by 2040**
 - Ambition at national level (Government Programme 2020-2024)
- **Significant budgetary risk**
 - Mitigation: Risk of missing EU targets (EU Effort Sharing regulation 2030)
 - Adaptation: Increasing costs of adaptation, costs of inaction for Federal Budget

Context of Green Budgeting in Austria (2)

- **Fiscal challenge** for Austrian MoF
 - Need for cost-effective strategy (incl. methods, tools) to mitigate the budgetary risk
- Derives “**mandate**” from **Article 2.1. PA**



- **All financial flows** (Art. 2.1.c)
 - Not limited to international climate finance
 - Refers directly to **fiscal system at national level**
 - Primary responsibility of MoF

The Austrian Green Budgeting system - Much more than just climate tagging

- Effort led by the **Federal Ministry of Finance**
- Green Budgeting analyzes and entails all climate and environment related government activities
- GB tool kit includes i.a.
 - Climate Budget Tagging, impact assessments, Sovereign Green Bonds, Green Finance Agenda, Macro-economic modelling of GHG policy effects and much more

Austrian Green Budgeting definition

Green Budgeting records and analyzes

climate and
environment specific

positive, neutral
and negative

effects

of all budgetary, regulatory and tax policies and
processes in the public sector

financial aspects (input)

assessment of the impact
dimension

and delivers

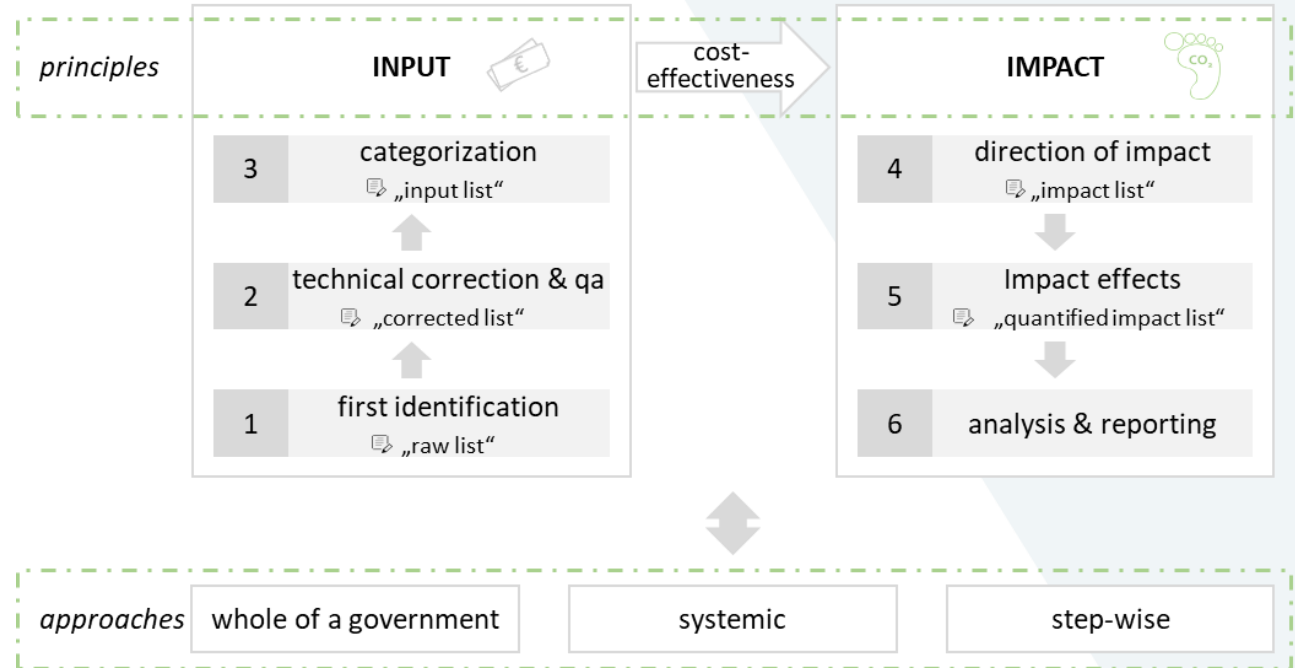
a basis for decision
making for
contributing to
compliance national,
international climate
and environmental
goals

Austrian Green Budgeting system - A set of clear principles

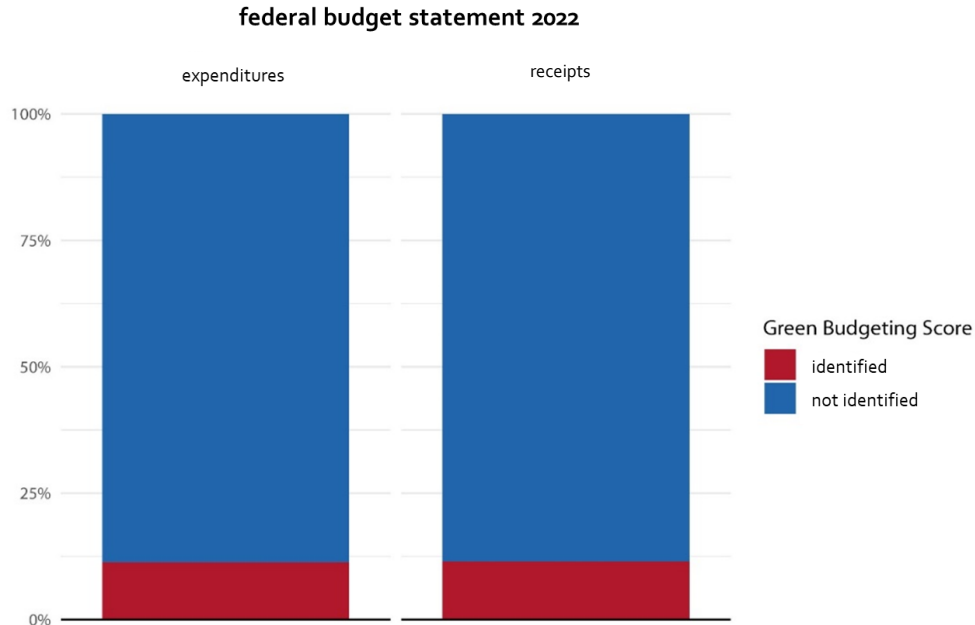
- **„Whole of government approach“**
 - All federal measures/financial flows; no matter how they are organised/structured
- **„Systemic approach“**
 - Expenditures, revenues (e.g. taxes), and legislation: crucial to identifying a cost-effective way towards climate neutrality
- **„Step-wise approach“**
 - GB methodology as a learning system, deep-dives with ministries, increasing level of complexity and sophistication

Austrian Green Budgeting methodology – from Input to Impact

- Based on OECD and EU Green Budgeting frameworks
- The Green Budgeting methodology consists of **6 steps** with an **input/impact approach**



Green Budgeting methodology – Nearly 10% of all budget items with climate/environmental link



Green Budgeting in Austria

methodology – step 4: direction of impact („impact list“)

Assessment of the
**direction of impact of
budget lines** using the
**Green Budgeting
scorecard**

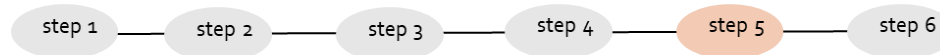
score	description
- 2	intended counter-productivity
- 1	counter-productivity as a side effect
0	no effect
1	productivity as a side effect
2	intended productivity
99	effect unclear



Green Budgeting in Austria

methodology – step 5: impact effects („quantified impact list“)

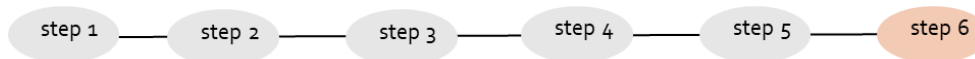
- Goal of step 5: Simple and comprehensible calculation of GHG effects of measures/budget lines
 - **National impact indicators** in the transparency database
 - MoF pilot project with an Austrian funding agency
 - **Quantitative measurement/assessment of impact effects**
 - MoF project with PACC, Science and economic research institute
 - **Impact Data of Green Bonds Impact Reports**
 - **TSI Green Reform**



Green Budgeting in Austria

methodology – step 6: analysis and reporting

- Use and processing of Green Budgeting data
 - Annual **climate and environmental report** (supplementary to budget)
 - Input for further processes/documents at national level, including
 - Negotiations on Austrian Climate Law
 - National Energy and Climate Plan
 - Green Spending Review Cycle
 - Issuance of Sovereign Green Bonds



Spending Reviews

SR in the course of the Austrian Recovery & Resilience Plan

Green Transition

Analysis of the climate and energy policy support and incentive landscape

Digital Transition

SR 1:
Analysis of the current climate finance landscape including climate-related grants and incentives

SR 2:
Identifying synergies with the funding landscape of the Länder

SR 3:
Implementation of the EU taxonomy at national level

SR 4:
Public-sector shareholding

SR 5:
Sustainability of Public Procurement

SR 6:
Further advancement of digitalisation in public administration

Finalization
SR-Report until

Q3/2022

Q2/2023

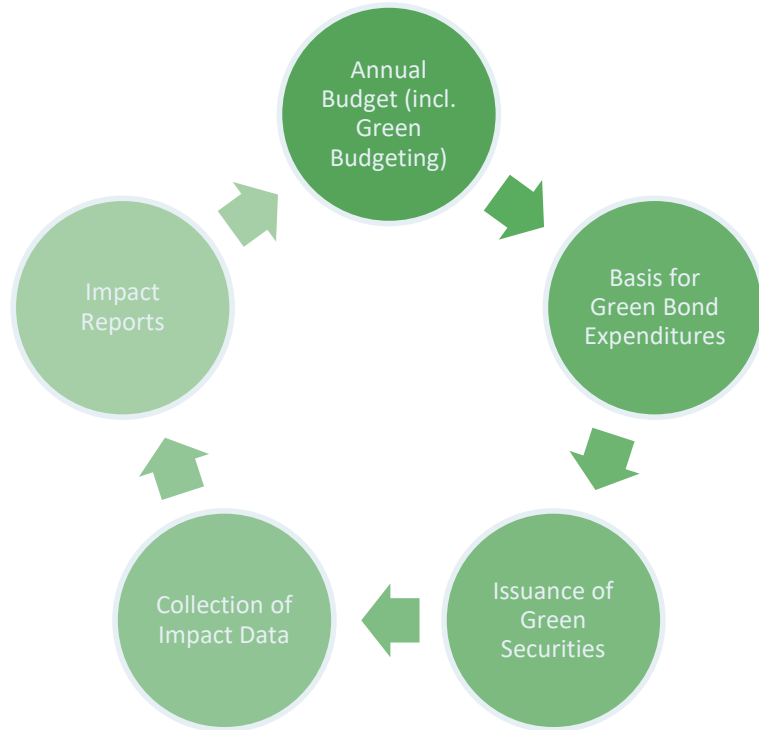
Q4/2024

Q2/2025

Q4/2025

Q3/2023

Alignment of the Processes: Green Budgeting & Green Bonds



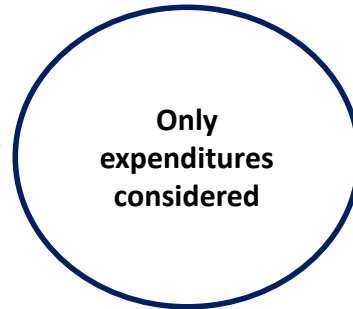
- Annual Budget and Green Bond processes being interlinked
- Annual **climate and environmental report**, a supplementary document to the Federal budget, as starting point
- Both processes (Green Budgeting and Green Bonds) mutually reinforce e.o.
- Continuous reporting and collaboration is key
- “learning system”

Alignment of the processes: Input (Expenditures)

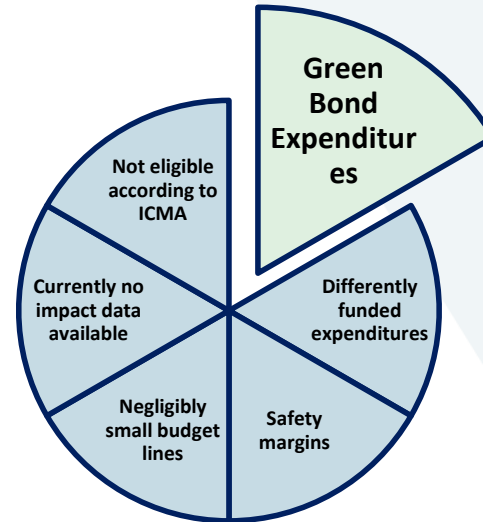
1. Green Budgeting Scorecard

score	description
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2. Revenues vs. Expenditures



3. Deductions & Adaptations



4. Eligible Green Bond Expenditures

The Green Budgeting Alliance

- Announced at COP 28 by Austrian MoF
- **A forum for exchange and development of Green Budgeting approaches at all levels of government**
- Goal is to gain a common understanding of:
 - Green Budgeting opportunities/ challenges
 - “learning system“: improving GB instruments and methods in a step-wise manner (including related to impact)

Thank you for your attention!

**Austrian Ministry of Finance
Climate Team DG Budget**

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<https://www.bmf.gv.at/themen/klimapolitik.html>