

Beyond Green Tagging: Linking budgets better with climate goals

CFMCA HP4 Workshop
Using Green Budgeting to Strengthen the Alignment of Public Financial
Flows with Climate and Environmental Objectives

3 June 2024

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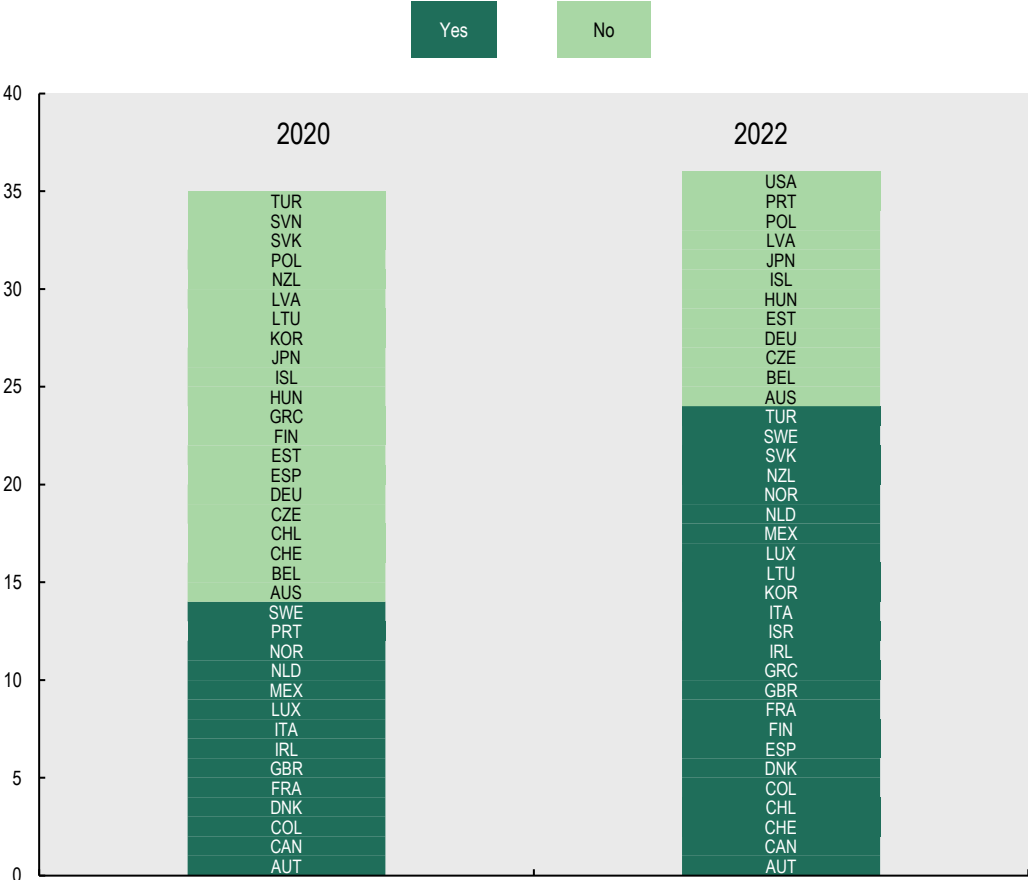




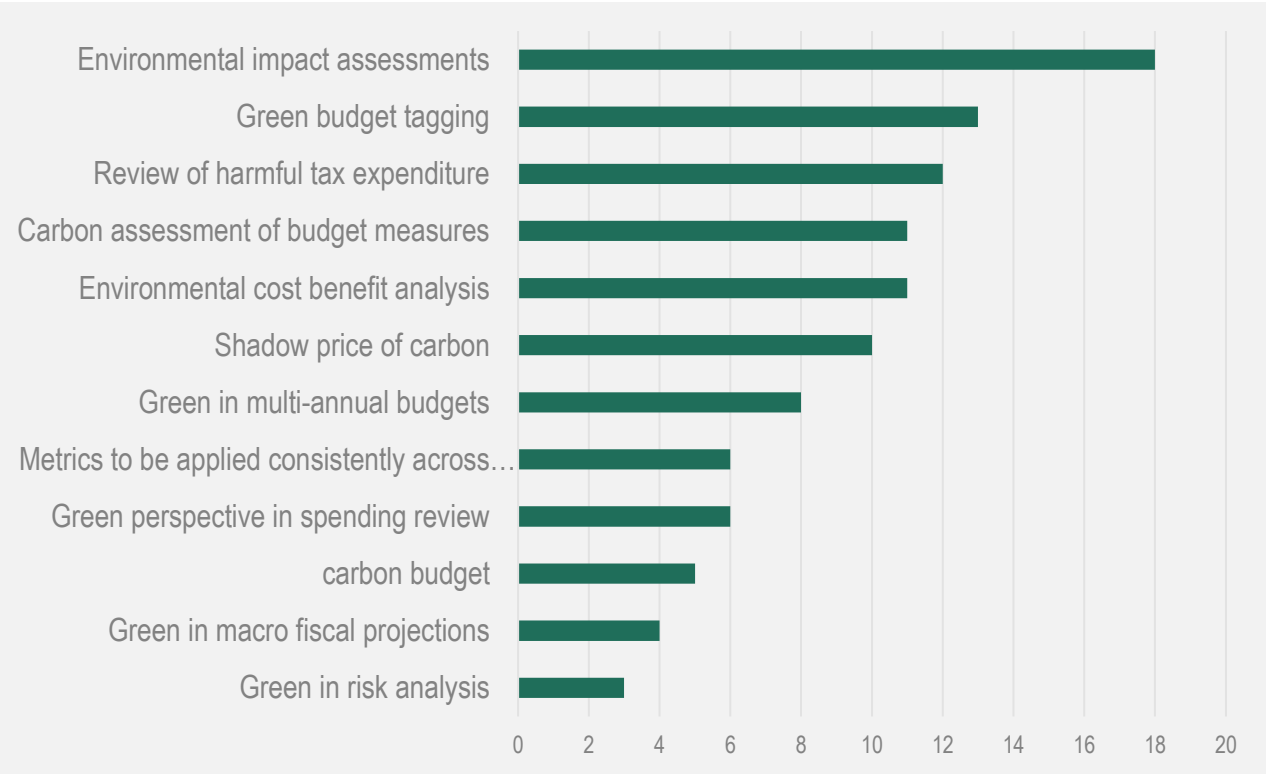
Green budgeting practices in OECD countries

> Green budgeting practices have been widely adopted in OECD countries

Green budgeting in OECD countries, 2020 vs. 2022

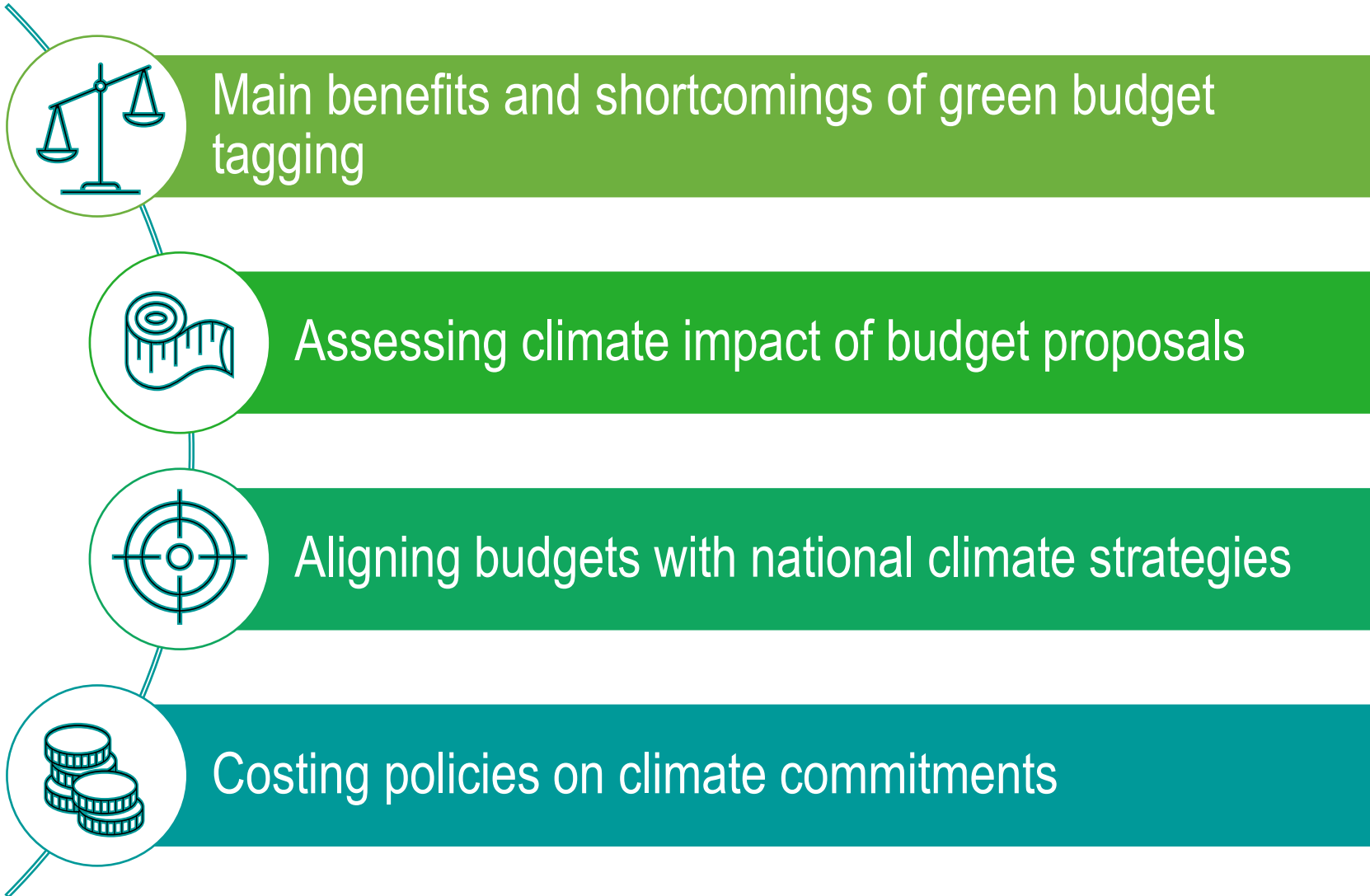


Green budgeting methods and tools in OECD countries, 2022





Outline of this presentation

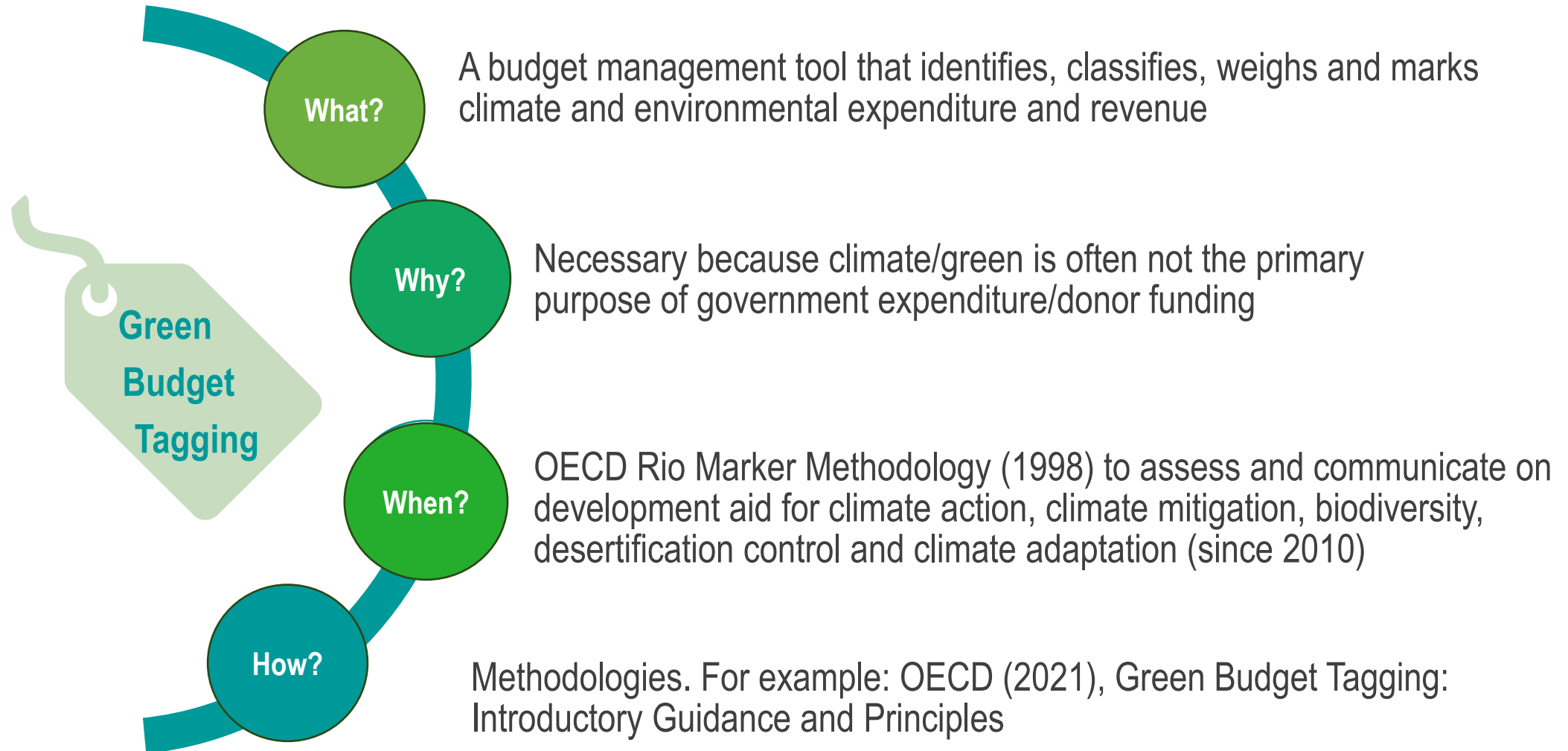




Lessons from green budget tagging

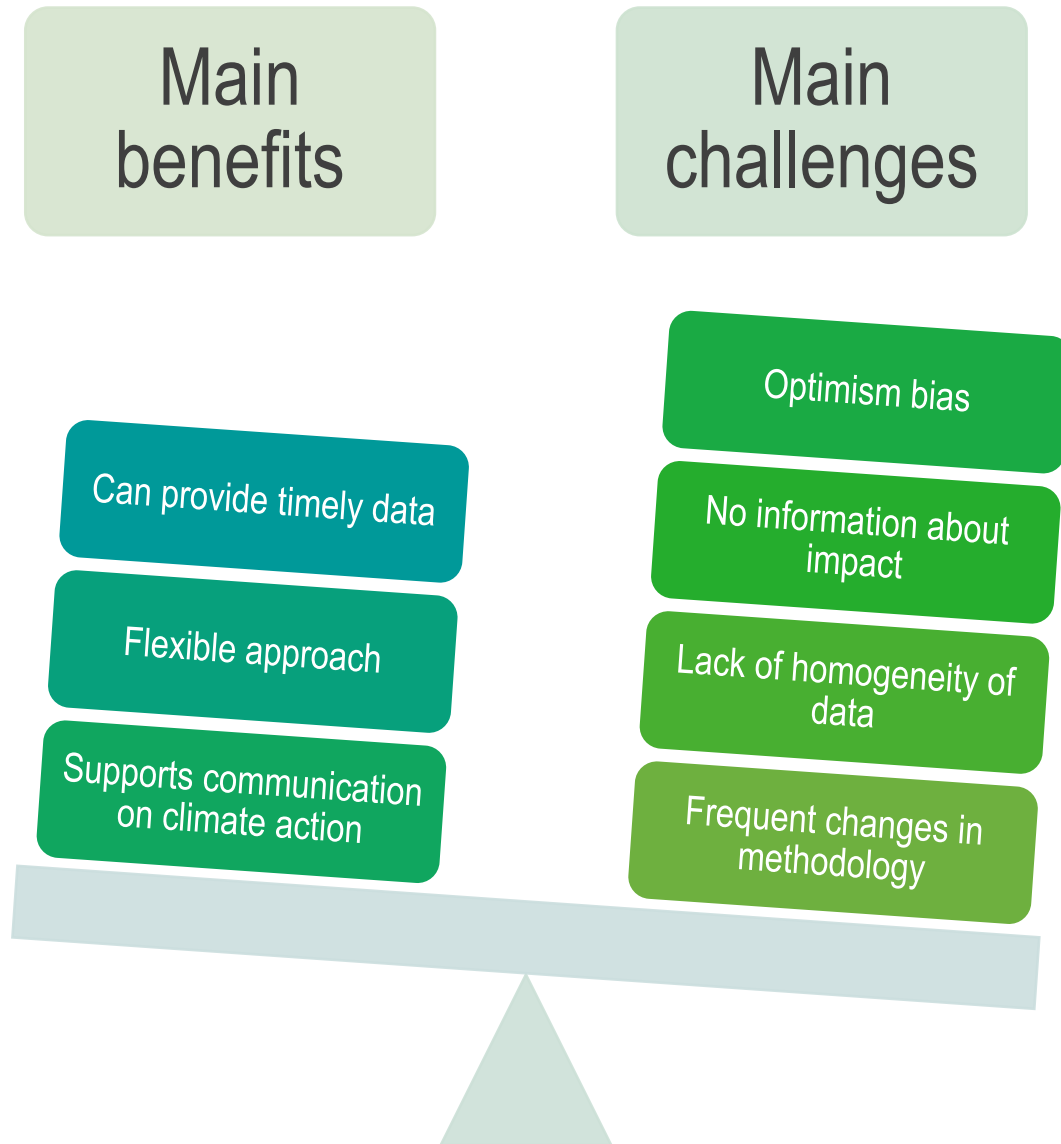


What is green budget tagging?





Main benefits and challenges of budget tagging



Not sufficient for

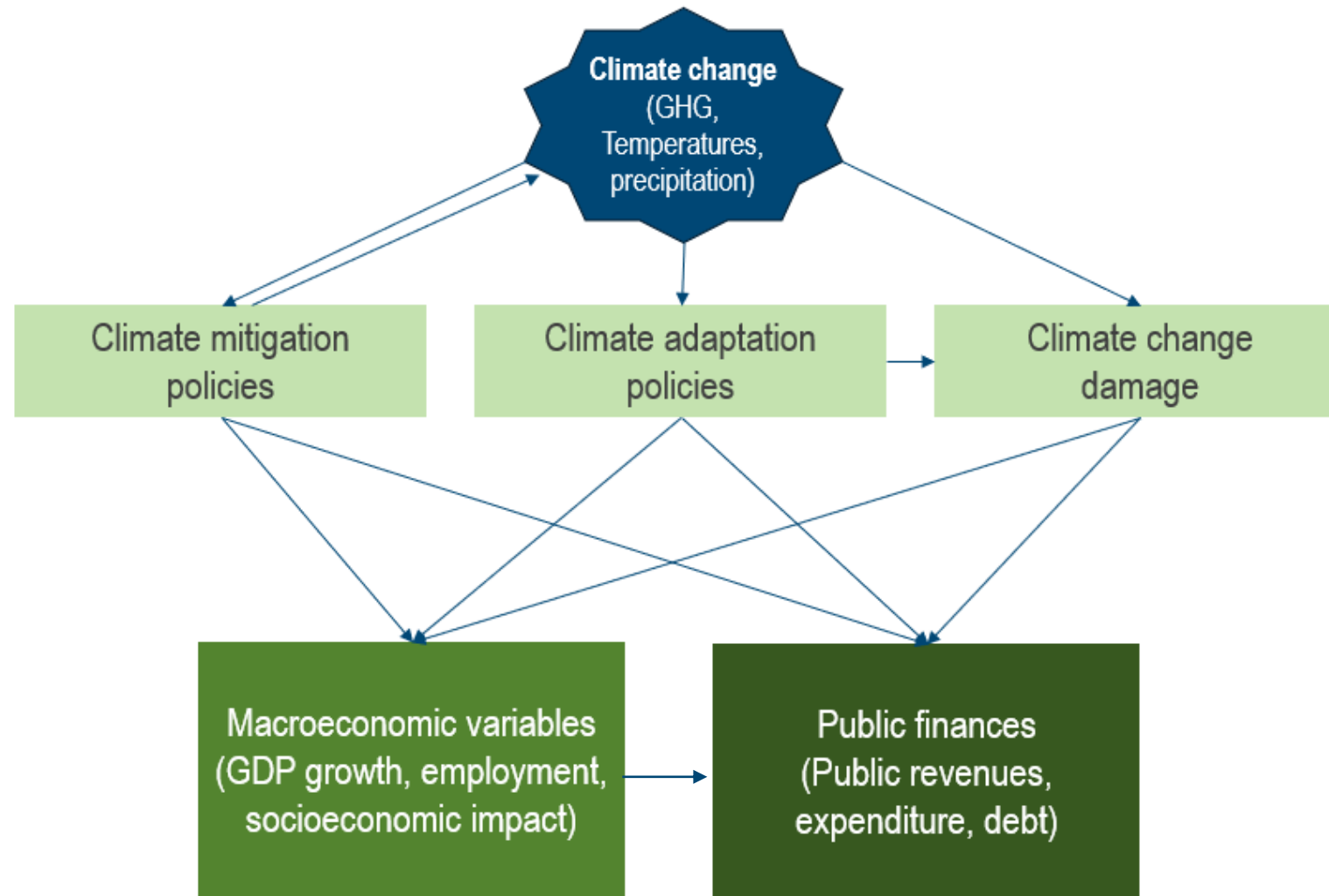
- Ensuring that public budgets are aligned with NDCs and NZE commitments
- Informing budget decisions and prioritizing expenditure:
 - Often comes too late
 - No information about cost efficiency or climate impact
- Comparing climate action across countries



Next generation green budgeting instruments



How climate change affects public finances, and vice versa





Assessing impact of budget proposals on GHG emissions

Linking budgets and climate objectives and commitments requires having the capacity to understand and measure the impact of policies on climate objectives. This is not straightforward. It requires investing in modelling.

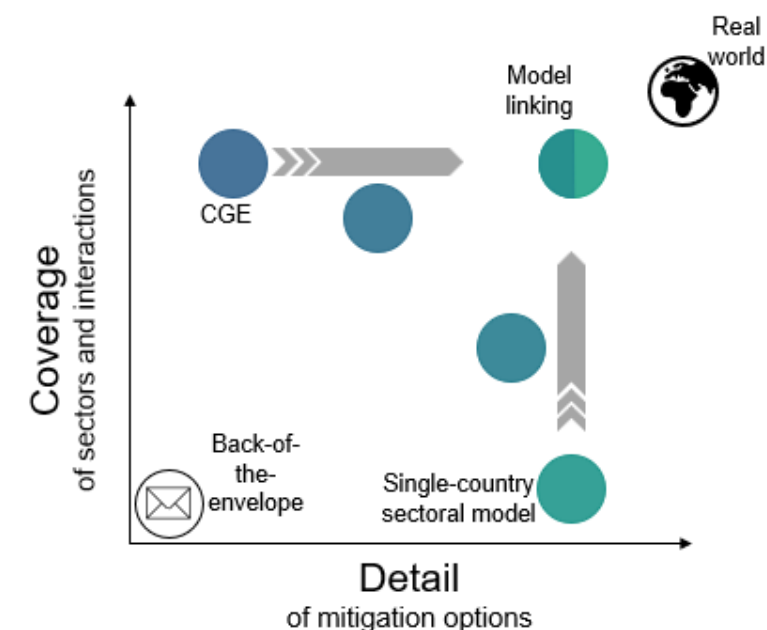
Preliminary considerations

- > Which policy or policy mix?
- > Which emissions to consider?
- > At what jurisdictional level (supranational, national, sub-national?)
- > Timeframe and frequency of the assessment
- > How to deal with overlapping policies?
- > How to choose the baseline year and scenarios?

Two broad approaches

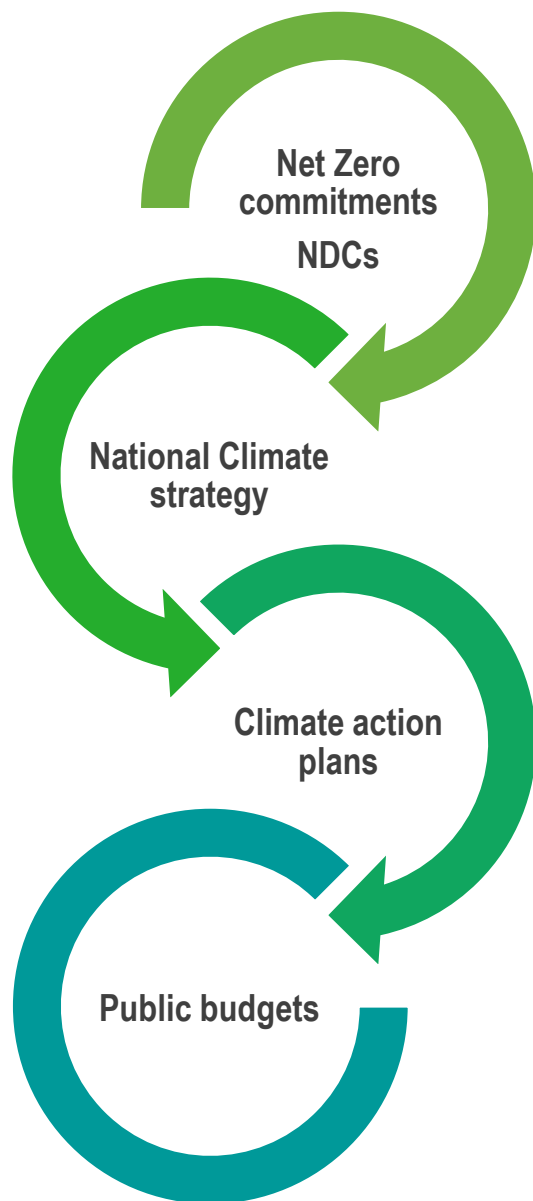
- > Ex-ante analytical approach
 - ✓ Sectoral/Partial equilibrium models
 - ✓ General equilibrium models
- > Ex-post empirical approach

Trade-offs





Aligning budgets with national climate strategies



Tools to ensure alignment of budgets and climate goals

- > Climate impact assessment of budget proposals
- > Embedding GHG emissions in budget proposals
- > Developing tools to estimate the impact of policies on GHG emissions
 - Development of standard calculations tools
 - Development of guidelines and methodologies
 - Capacity building

Estimating the costs of climate commitments

Estimations of the cost of climate change mitigation policies are high
but the estimates of the costs of inaction show these would be even higher

Different ways of estimating cost of climate change and commitments



Effect of climate mitigation policies

Direct costs: public expenditure, effect on taxes
Indirect costs: through changes in GDP growth



May or may not include the effects of climate change

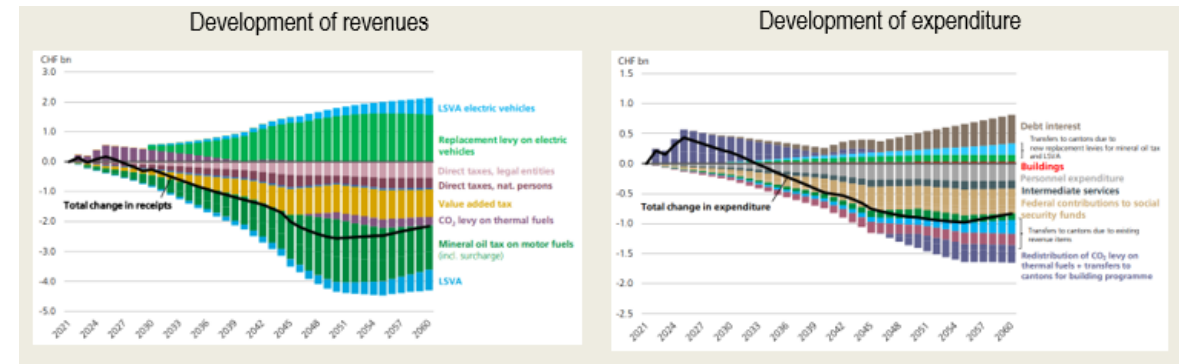


Short-term, Medium-term, Long-term

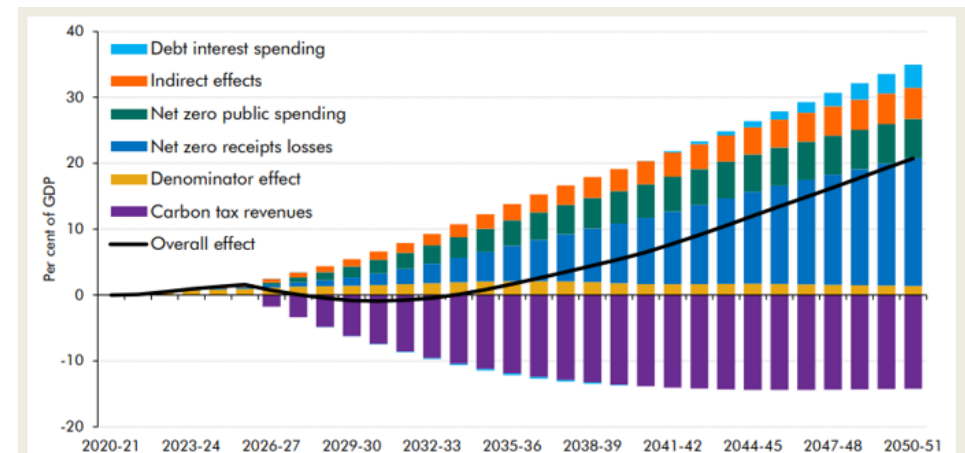


Counties estimate cost in monetary terms, or as increase in public debt, or as share of GDP (reduced growth)

Switzerland: Impact of climate mitigation on Confederations receipts and expenditures (CHF bn 2021)



United Kingdom: Fiscal cost of net zero (% GDP additional debt by 2060)



Thank you!

www.oecd.org/gov/budgeting

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OECD Paris Collaborative on Green Budgeting



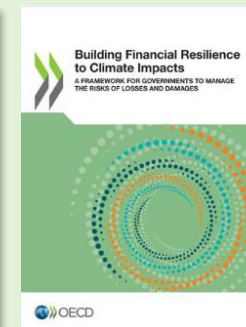
The **OECD Paris Collaborative on Green Budgeting** brings together officials working on green/climate policy and budgets in different parts of government, such as central budget offices, ministries of climate/environment, independent fiscal institutions, sub-national governments, etc. The Paris Collaborative advances a multi-dimensional perspective to integrate climate change considerations into budget processes in government.

The PCGB was created at the One Planet Summit in Paris in 2017



Recent events and publications:

- ✓ Annual Meeting of the OECD Paris Collaborative on Green Budgeting, **4-5 April 2024 at the OECD Conference Center in Paris, France**
- ✓ **Beyond Green Tagging:**
Linking budgets better with climate goals



Thank you!

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