

# Green Budgeting

## Strengthening climate-smart public investment management

May 2024

# Challenges in the context of climate change

- Climate change is a **key budgetary**, fiscal and socioeconomic challenge
- Federal governments play a key role in order to enable cost-effective achievement of the climate goals
- Main goal is to **bridge the gap between budget and climate policy** in accordance with Article 2.1c of the Paris Agreement

## Paris Agreement Article 2.1c – making finance flows consistent

- Art. 2.1 [... Paris Agreement] aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

[...]

**c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.**

**→ Financial flows and climate targets are linked**

# Relevant international agreements and frameworks



**2015**

Paris Agreement

Article 2.1.c



**2020**

Organization for  
Economic Cooperation  
and Development  
(OECD)

OECD Green Budgeting  
Framework (GBF)



**2021/2022**

European Union  
(EU)

EU Green Budgeting  
Reference Framework  
(GBRF)

# 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 related instruments include i.a.
  - climate tagging, impact assessments, Green Bonds, Green Finance Agenda, Macro-economic modelling of GHG policy effects and much more

# 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 sophistication

# Austrian Green Budgeting milestones

- **April 2022**
  - Creation of a Green Budgeting Focal Point in the MoF
- **September 2022**
  - Development and publication of the Green Budgeting methodology (as part of the Green Spending Review module 1)
  - Initial green budgeting analysis of the federal budget
- **October 2022**
  - First steps of introducing the methodology into the climate and environmental report (supplement to budget)
- **May 2023**
  - Publication of a deep dive report for a specific budget chapter (further development of the methodology)
- **September 2023**
  - Recommendations to introduce Green Budgeting a subnational level (as part of the Green Spending Review module 2)
  - Initial green budgeting analysis of the regions

# Austrian Green Budgeting milestones

- **October 2023**
  - Further Green Budgeting steps in the annual climate and environmental report
- **November 2023**
  - Creation of a climate hub in the MoF
- **December 2023**
  - Austrian finance ministry announces the Green Budgeting Alliance at COP28
  - Pilot project on Green Budgeting agreed between the federal state and the regions
- **February 2024**
  - Kick-off meeting for the Green Budgeting pilot project with the city of Graz
- **March 2024**
  - Kick-off meeting for the deep dive in budget chapter 16 - taxes

# 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)

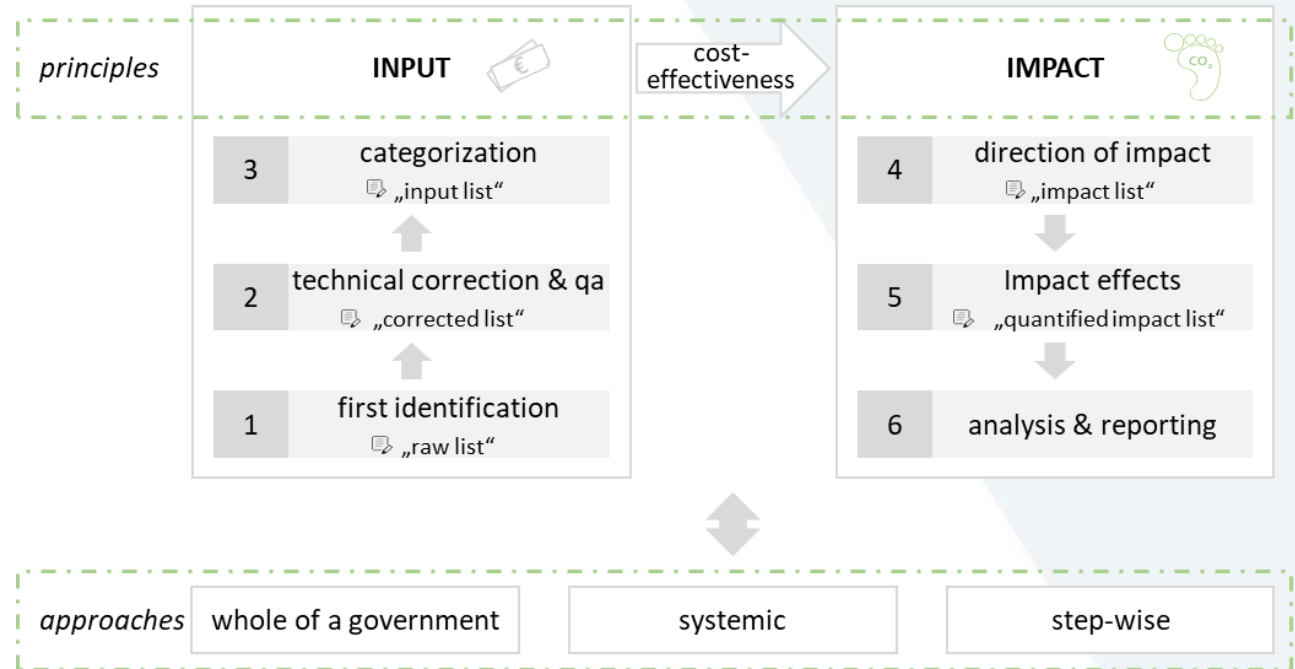
assessment of the impact  
dimension

and delivers

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

# Austrian Green Budgeting methodology – from Input to Impact

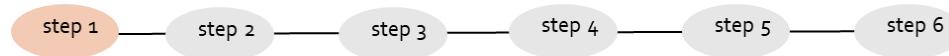
- Based on OECD and EU Green Budgeting frameworks
- The Green Budgeting methodology consists of **6 steps** with an **input/impact approach**



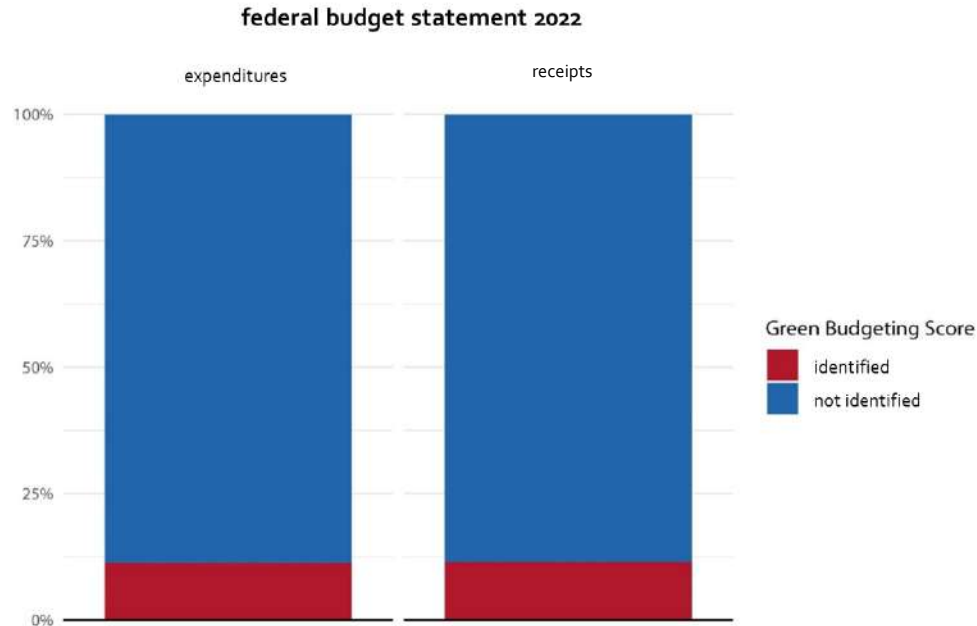
# Green Budgeting in Austria

## methodology – step 1: first identification („raw list“)

- 3 criteria to identify the relevant budget lines (= “raw list”)
  - **1:** Is the budget line covered by the Green or Brown list of the European Commission?
  - **2:** Is the OECD/DAC Criteria for Eligibility relevant for the budget line?
  - **3:** Is there another relevant information about the budget line (expert check)?



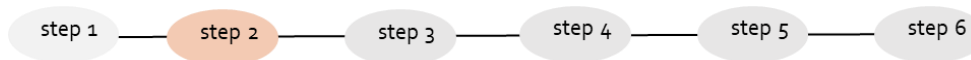
# Green Budgeting methodology – Nearly 10% of all budget items with climate/environmental link



# Green Budgeting in Austria

## methodology – step 2: technical correction („corrected list“)

- Quality check of the identified budget lines
  - MoF experts
  - Experts in line ministries
- Quality check = stepwise approach which takes several years
- Continuous evaluation and further development necessary



# Green Budgeting in Austria

## methodology – step 3: categorization („input list“)

- Categorization of the budget lines
  - According to the categorization scheme of the transparency database
  - Categorization scheme is based on the Classification of the Functions of Government (COFOG)



# Categorization of the federal budget 2022

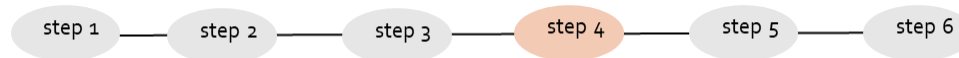


# Green Budgeting in Austria

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

Assessment of the  
**direction of impact**  
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



# Classical climate tagging details

budget line	budget line description	GB-relevant	Green Budgeting Scores					
			-2	-1	0	1	2	99
43 01 02 00 1 7700182	Umweltförderung im Inland Investitionszuschüsse (EFRE)	Yes					100	
43 01 02 00 1 7700400	Umweltförderung im Inland Thermische Sanierung	Yes					100	
43 01 02 00 1 7700500	Umweltförderung im Inland Investitionszuschüsse	Yes					100	
43 01 02 00 1 7700788	Umweltförderung im Inland Investitionszuschüsse RRF	Yes					100	
43 01 02 00 2 8293000	Umweltförderung im Inland Zinsen aus dem Geldverkehr und Emissionsagien	No						
43 01 03 00 1 7280017	Klima- und Energiefonds Abwicklungsk. v. vom Bund verschied. Rechtsträgern	Yes			100			
43 01 03 00 1 7330080	Klima- und Energiefonds Transferzahlungen an Klima- und Energiefonds	Yes					100	
43 01 03 00 1 7330788	Klima- und Energiefonds KLIEN Aufbau- und Resilienzfazilität RRF	Yes					100	

- Further examples: [Appendix to the GB-Deep Dive](#)

# Tagging mixed expenditures

- Heterogeneous budget lines with possible different score assignments
- **Our approach**
  - Development of **2 scoring options** – depending on the granularity of the budget line
    - Option A: budget line
    - Option B: closer look to the measures beneath the budget line
  - Use of a **share**
    - Possibility of assigning a certain percentage of the budget line to the respective score

Budgetposition (BPO)					Green Budgeting (GB)								
Voranschlagsstelle	HH	Konto	Text Voranschlagsstelle	Text Konto	BVA 2022	Klima-/Umweltrelevanz	GB Scoring-option	Score 2 (Anteil in %)	Score 1 (Anteil in %)	Score 0 (Anteil in %)	Score -1 (Anteil in %)	Score -2 (Anteil in %)	Score 99 (Anteil in %)
34010100	1	6572000	Internationale Kooperation	Sonstige Geldverkehrsspesen	0	Nein							
34010100	1	7800200		Beiträge an internationale Organisationen	70.000	Ja	A			100			
34010100	1	7800488		Transferzahlungen an ESA Covid-19	0	Nein							
34010100	1	7800600		ESA-Pflichtprogramme	19.462.000	Ja	B	0	30,5	62	7,5	0	0
34010100	1	7800601		EUMETSAT	8.801.000	Ja	A	100					
34010100	1	7800602		OECD-Energieagentur	50.000	Ja	A	100					
34010100	1	7800603		ESA-Wahlprogramme	30.616.000	Ja	B	31,9	28,5	19,1	20,5	0	0

# Tagging unclear expenditures

- Content/intention/direction of impact of the budget line is unclear
- **Our approach**
  - Assignment to Score 99 of the Green Budgeting Scorecard



- Closer look on the budget line
  - through a Deep Dive in the budget chapter
  - as part of the budget preparation work in the following year



New information ->  
assignment to another Score



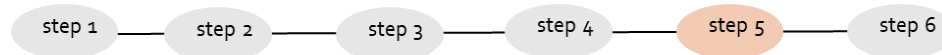
No new information ->  
Score 99

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“)

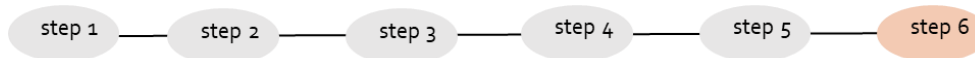
- Goal of step 5: Simple and comprehensible calculation of GHG effects for as many areas of the federal budget as possible
  - **National impact indicators** in the transparency database
    - MoF pilot project with an Austrian funding agency
  - **Quantitative measurement/assessment of impact effects**
    - 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 the data
  - climate and environmental report (supplementary to budget)
  - Input for further processes/documents, incl. strategies (e.g. NECP, Green Bonds)



# Further Green Budgeting steps in the annual climate and environmental report

2022

Green Budgeting  
Score +2;  
expenditures

2023

Green Budgeting  
Score +2 and +1;  
expenditures

status quo on  
counterproductive  
measures

2024/2025

## Planned

- Chapter on
  - Green Budgeting – Green Bond Alignment
  - Impact dimension
- Further details on counterproductive measures

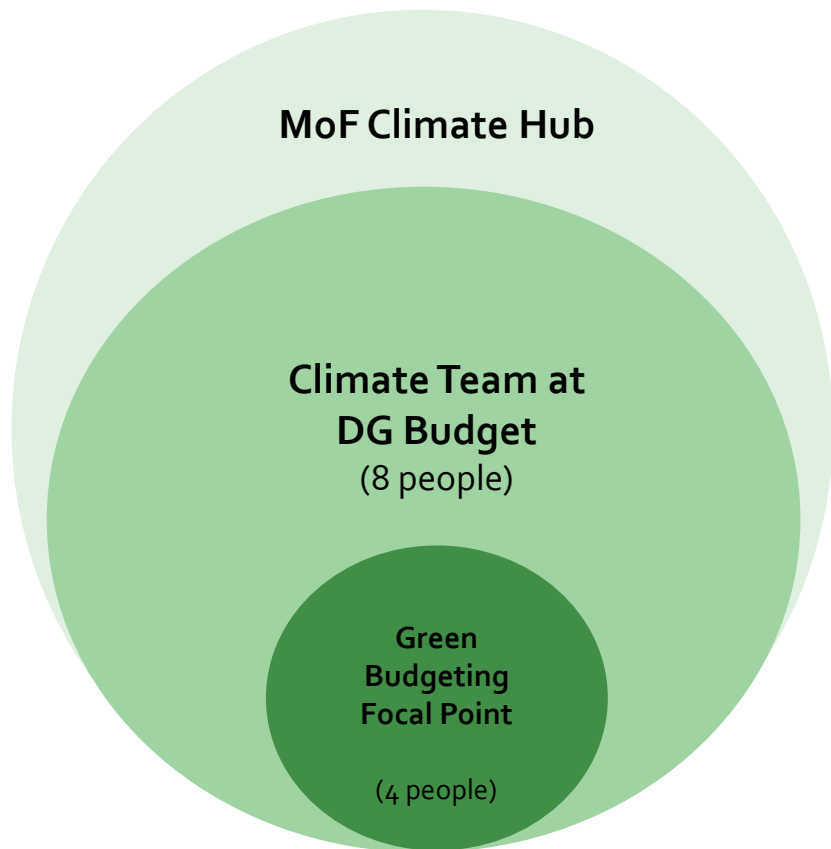
[Link to the report](#) – [Link to the appendix](#)

# Further anticipated next steps

## Planned reports/video for 2024/2025

- Green Budgeting „How to“ report
- Green Budgeting explanatory video
- Technical manual on Green Budgeting tagging

# Green Budgeting roles and responsibilities - MoF



Cooperation with other  
**MoF DGs and units, i.e.:**

- DG Tax Policy and Tax Law
- DG Economic Policy and Financial Markets
- Budgetary Strategy, Analyses and International Affairs
- Budget Planning and Controlling
- Transparency database
- ...

# The Green Budgeting Alliance

- Announced at COP 28
- **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
  - its challenges
  - potential tools and approaches in use to ensure consistency

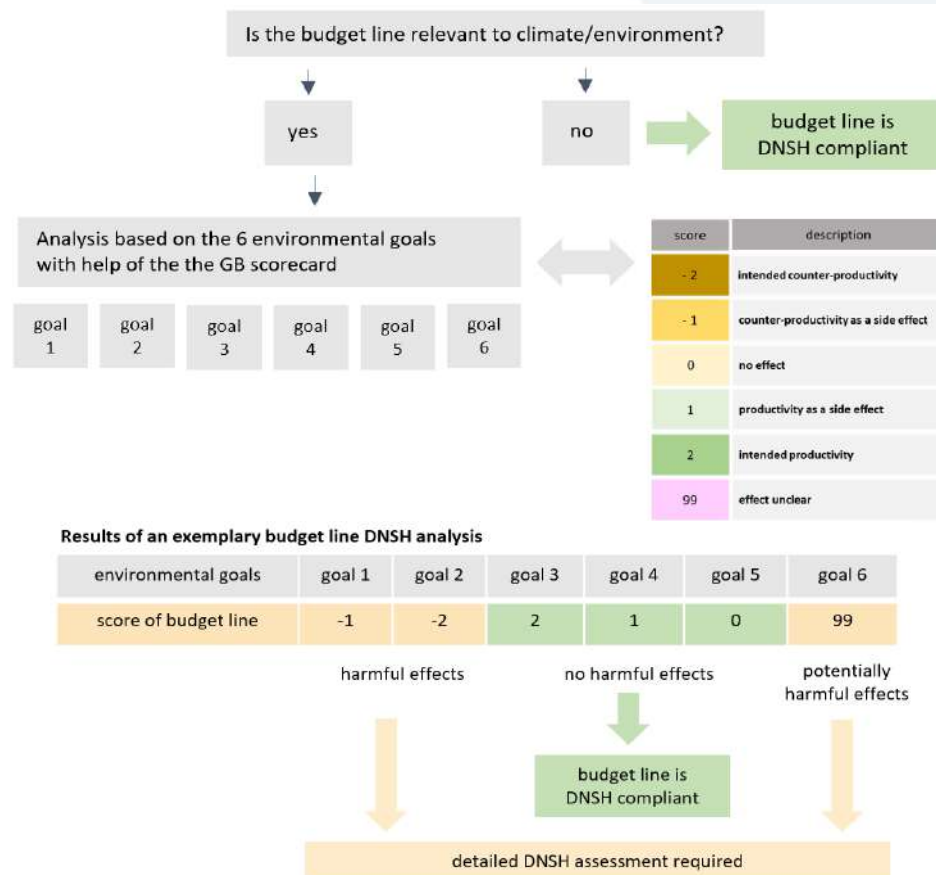
**Broadening the scope:  
EU Taxonomy and DNSH in tagging**

# Inclusion of DNSH in tagging

- Green Spending Review module 3 – implementation of the EU taxonomy at national level
- TSI DNSH – multi-country project
  - Already completed
    - December 2023/February 2024: Kick-off meeting
    - February 2024: Deliverable 1 - Inception report
  - Next steps 2024
    - As-is analysis of application of DNSH principle
    - Guidelines for implementing the DNSH principle
    - Report on country-specific recommendations for data governance structures
    - Green Spending Review module 3 – implementation of the EU Taxonomy at national level

# GB and EU Taxonomy (DNSH) - How to link these two concepts?

Further development through the ongoing TSI multi-country project on DNSH



# **Linking green budgeting and sovereign green bonds in Austria**

# Alignment of Green Budgeting and Green Bond Processes

- **Current situation**

- Green expenditures according to Green Budgeting methodology and Green Bond Framework **do not entirely overlap**

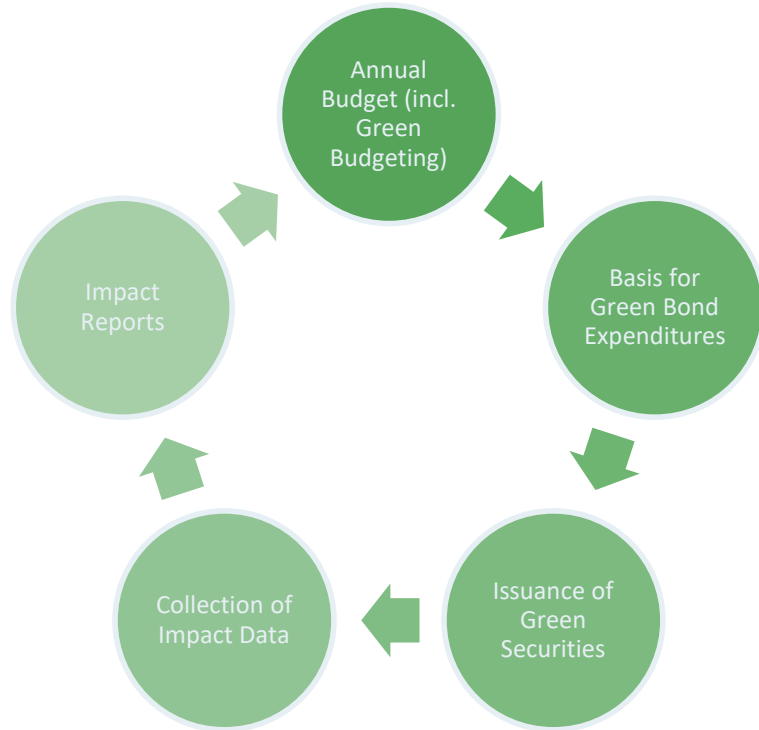
- **In future**

- Green Budgeting methodology (scorecard) as a basis for the definition of Green Securities expenditures (Input) with adaptations and exceptions
- Harmonization of impact data (Impact)

## **Applying the Green Budgeting methodology for Green Bond Process**

(allocation and impact-reporting)

# Alignment of the Processes: Green Budgeting & Green Bonds



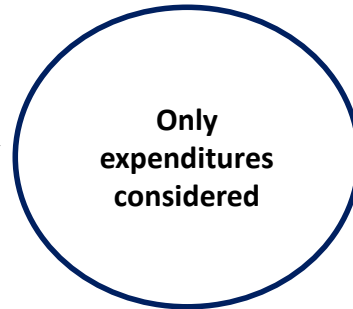
- Annual Budget and Green Bond processes will be interlinked
- Annual **climate and environmental report**, a supplementary document to the Federal budget, as starting point
- Both processes (Green Budgeting and Green Bonds) mutually reinforce e.o.
- Continuous reporting and collaboration is key
- “learning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

# Alignment of the processes: Input (Expenditures)

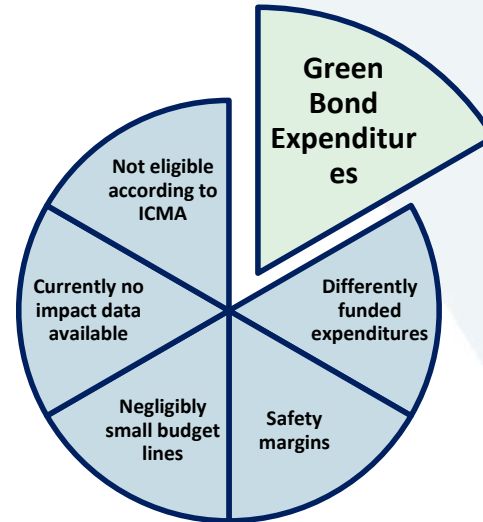
## 1. Green Budgeting Scorecard

score	description
- 2	intended counter-productivity
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2	intended productivity
99	effect unclear

## 2. Revenues vs. Expenditures



## 3. Deductions & Adaptations



## 4. Eligible Green Bond Expenditures

## Alignment of the processes: Impact

- Linking data of Green Bond Impact Reports with Green Budgeting impact data
- Harmonization and transparency of impact calculations
- Possible alignment of methodologies: International Capital Market Association (ICMA), EU Taxonomy (DNSH) and national Green Budgeting

# Thank you for your attention!

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Climate Team DG Budget**

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