

Financing Climate Action in Regions and Cities Launch Webinar - Summary

22 June 2022

9:30am-12:30pm CEST


Since 2020, the OECD and the European Commission (DG REGIO) have been engaged in a joint project to improve the understanding of the financial role of regions and cities in the carbon-neutral transition by enhancing the tracking, measurement, and mobilisation of subnational public climate finance. The webinar on “The Financing Climate Action in Regions and Cities”, which took place on 22 June 2022 gathering close to 200 participants on-line, presented the outcomes of this project and the newly created Subnational Government Climate Finance Hub.



Opening Remarks

In his introductory remarks, **Yoshiki Takeuchi**, OECD Deputy Secretary-General, stressed the gravity and urgency of the climate crisis as well as the need to accelerate the green transition. The joint OECD and European Commission project “Financing Climate Action in Regions and Cities” represents a stepping-stone to produce evidence-based information to this end. **Marc Lemaître**, Director General of DG Regional and Urban Policy at the European Commission, expressed his belief that this project provides key insights into how to make the most of public expenditure to drive the green transition and mobilise other revenues in the most effective way to accelerate and meet climate ambitions.

Nadim Ahmad, Deputy Director of the Centre for Entrepreneurship, SMEs, Regions and Cities (OECD/CFE), then set the scene for the conference by reminding participants of the central role subnational governments play in the green transition due to their jurisdiction over key policy areas such as transport, housing development, land-use and zoning, and waste management. This is confirmed by the updated data on subnational climate expenditure and investment gathered as part of this joint project, which shows that subnational governments accounted for 63% of climate-significant public expenditure and 69% of climate-significant public investment, on average, in 33 OECD and EU countries in 2019. M. Ahmad also presented the new [Compendium of Financial](#)



[Instruments that Support Subnational Climate Action](#), another deliverable of the project. This online, interactive dashboard compiles over 300 climate-related grants, loan programmes, funds, and loan guarantees provided to subnational governments in OECD and EU countries by the central government or higher levels of government. He then introduced the third pillar of the project on subnational green budgeting, highlighting that it is a concrete tool that regions and cities can use to mainstream climate action throughout their budgetary processes. In closing, Mr. Ahmad stressed the long-term need to incorporate climate considerations into national accounting and statistical systems to facilitate tracking efforts while also pointing out that, in the short-term, regions and cities can take action today by adopting a green budgeting approach to better align their budgets with their green objectives.

Session 1: Making the most of subnational green budgeting

Isabelle Chatry, Head of Unit in charge of Decentralisation, Subnational Finance and Infrastructure within the Regional Development and Multi-level Governance Division (OECD/CFE), opened the first session by presenting the guidelines and self-assessment tool (SAT) developed by the OECD to support the adoption and dissemination of green budgeting practices at the subnational level. The guidelines specify pre-requisites for developing a green budgeting practice (e.g. territorial climate plans, high-level political and administrative support), as well aspects that should be included in the practice (revenues) and ways of developing it to ensure it is long-term. The tools and guidelines were developed based on a stocktake of existing subnational green budgeting practices in OECD and EU countries as well as two green budgeting case studies, one with the Region of Brittany (France) and one with the City of Venice (Italy).

The guidelines, case studies, and SAT are detailed in the OECD publication “*Aligning Regional and Local Budgets with Green Objectives: Subnational Green Budgeting Practices and Guidelines*” and can be accessed on the new [Subnational Government Climate Finance Hub](#), which was also launched during the conference. Echoing the findings of this publication, the first roundtable of this session, moderated by **Kate Power**, Policy Analyst (OECD/CFE), presented the current state of subnational green budgeting in EU and OECD countries and possible avenues to scale-up the dissemination and use of green budgeting at the subnational level.

Green budgeting concerns all governments and, at the national level, the Paris Collaborative on Green Budgeting (PCGB), a partnership between countries initiated by the OECD, has been assisting national governments in integrating climate and environmental objectives into budgeting since 2017. **Margaux Lelong**, Policy Analyst in the Budgeting and Public Management Division (OECD/GOV) introduced the network, which works in close partnership with governments and experts to co-design practical and pragmatic approaches to green budgeting. She noted some of the ways in which the PCGB can serve as a resource for subnational governments. **Ms. Lelong** also emphasized that there is no “one-size fits all” approach of green budgeting at the national and subnational levels. Building on this, **Morgane Nicol**, Director of the Territories Programme at the Institute for Climate Economics (I4CE), presented the climate budgeting methodology co-developed by I4CE and several French municipalities in 2020. The methodology consists of a line-by-line analysis of the climate adaptation and mitigation impact of expenditure items, using the objectives set out in the French National Low-Carbon Strategy as a reference point.



Trude Rauken, Special Advisor in the City of Oslo’s Department of Environment and Transport, presented Oslo’s “climate budget”, a green budgeting methodology developed and used by the city since 2016. She stressed that a climate budget must answer four questions: What would it take in terms of effort to reach the climate objectives set by the implementing subnational government? Who is responsible in the government to reach the institution’s goal? Where do we need to make more effort to reach these objectives? What is the cost of the needed reforms? **Gildas Lebret**, Deputy General Manager of the Brittany Regional Government (France), touched upon this last question when explaining the financial and human resource costs incurred by the Region of Brittany in developing their green budgeting practice. Choosing the appropriate green budgeting tools and setting the timeline to adopt green budgeting practices can be daunting and, as **Massimiliano de Martin**, Counsellor for Urban Planning and Environment for the City of Venice (Italy), notes, it is important that subnational governments can access support from institutions and networks such as the OECD to advise and guide them in these efforts. This was echoed by **Catrin Robertsen**, Head of Climate Budgeting at C40 Cities, who presented C40’s Climate Budget Pilot, an initiative covering 13 cities across the globe to help them prepare, implement and monitor a climate budget initiative, based on the City of Oslo’s methodology, while also providing them with a peer-to-peer networking platform. This experience helped to highlight barriers and opportunities for climate budgeting in a variety of contexts and can provide useful insights for subnational governments wishing to start a green budgeting exercise.

Vincent Chauvet, Mayor of Autun (France) and Rapporteur of a draft opinion on subnational green budgeting for the European Committee of the Regions, noted, however, that most of these green budgeting methodologies still do not address problems faced by smaller subnational governments, that account for the vast majority of local governments in Europe.





Session 2: Mobilising public and private finance for subnational climate action

The second session made evident how critical it is that investments and expenditure align with long-term climate action at the subnational level. The moderator, **Courtenay Wheeler**, Policy Analyst (OECD/CFE), opened the session by pointing out the specific constraints that subnational governments face in accessing climate finance, as well as the big challenges of the moment that increase the urgency for action – namely, the recovery from the COVID-19 crisis, the war in Ukraine, the inflation and energy crisis, economic headwinds, ongoing climate change, the need for a digital transition and demographic change.

Catherine Wendt, Head of Unit for Smart and Sustainable Growth, Directorate-General Regional and Urban Policy (DG REGIO) at the European Commission, provided an overview of the EU's main subnational investment instrument, the Cohesion Policy. She noted that for the 2021-2027 programming period, EUR 100 billion will be invested in partnership with regions and cities with a focus on transformational investments that are screened through the lens of the European Green New Deal and the EU's Just Transition objectives. **Carel Cronenberg**, Senior Technical Advisor at the Council of Europe Development Bank (CEB), subsequently highlighted that the CEB has recently adopted a conceptual framework that focuses on the nexus of social inclusion and climate action, and that this framework underlies the CEB's collaboration with subnational governments to offer them flexible financing options (budget financing, indirect loans, etc.) as well as knowledge sharing and partnership building.

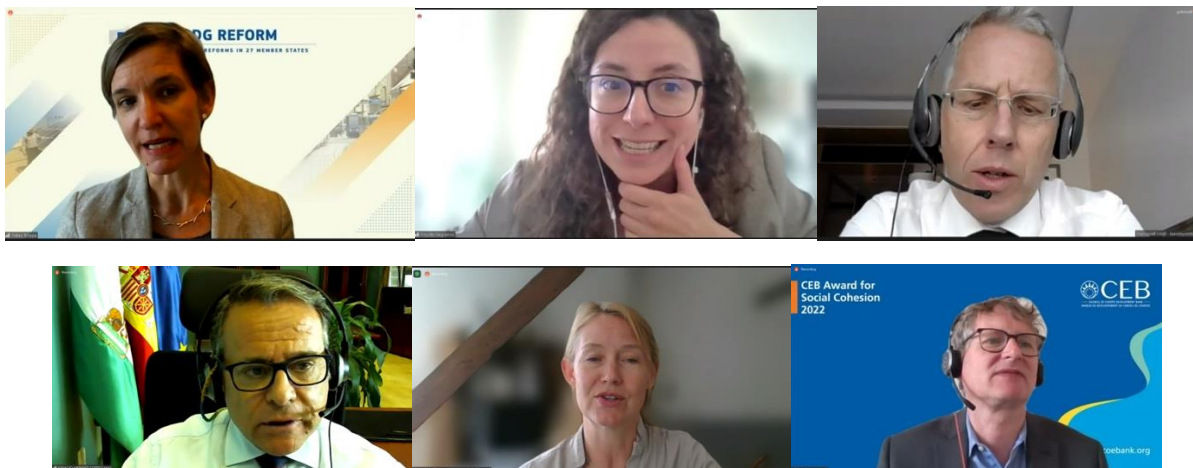
Björn Bergstrand, Head of Sustainability at Kommuninvest (Sweden), outlined how the municipal credit agency's green financing programme, and accompanying framework, launched in 2015, has resulted in 12% of Kommuninvest's total lending being "green" as of 2022. He also noted that Kommuninvest's green finance framework is aligned with national and local climate objectives as well as with the investment and spending responsibilities of Swedish local governments, a key factor contributing to the demand for their green finance products. **Rikka Torppa**, Deputy Head of Unit for Revenue Administration and Public Financial Management, at DG REFORM (European Commission), explained the role that DG REFORM plays in helping Member States to deliver on the objectives of the European Green Deal as well as their Resiliency Plans. **Ms. Torppa** invited interested subnational governments in the EU to apply for technical assistance via DG REFORM's annual call for proposals.

Representing the subnational government point of view, **D. Ignacio Méndez Cortegano**, Secretary General of Finance for the Junta de Andalucía, presented the Autonomous Community's comprehensive approach to delivering on its green goals by integrating a green perspective into the region's strategic planning practices, into its budgetary decision-making and elaboration processes, as well as into its financing strategy. The region's approach is based on five key elements: clear political intent, clear methodologies, legal frameworks (such as the region's Climate Change Law), a Green Budget Fund, and capacity building and training for staff. He noted that these five aspects are interrelated, and that the region is actively working on all aspects at once. **Priscilla Negreiros**, Manager at the Cities Climate Finance Leadership Alliance (CCFLA), closed the first round of questions with an overview of the latest State of Cities Climate Finance report. The report estimated that global urban climate investment totalled USD 384 billion in 2021, falling far short of what is needed to meet urban climate mitigation and adaptation investment needs. To bridge this investment gap, she recognized

areas of opportunity exist, through building models that allow for effective aggregation of projects and financing, as cities are often unable to secure funding due to small monetary size of the individual projects.

The second part of the session centred on key challenges subnational governments face in accessing climate funding and financing and what the opportunities are for different actors to assist regions and cities in overcoming these challenges. **Catherine Wendt** noted that DG REGIO has made it a priority moving forward to provide capacity building to regional governments in the EU to develop and advance their climate agendas. **Carel Cronenberg** emphasised the importance of EU Taxonomy and other methodologies for regions and cities to have clear definitions and guidance about what investments and spending can be considered green. When combined with green budgeting they can help governments to make more informed green investment decisions. Building on this, **D. Ignacio Méndez Cortegano** explained how Andalusia linked its green budgeting practice to its sustainable finance framework to facilitate the identification of expenditures to be funded by sustainable bonds. This work has had several benefits for the region including by enlarging its investor base, mobilizing private capital for environmental ends, and incentivising sustainable investment.

Björn Bergstrand highlighted how organisations like Kommuninvest can help facilitate access to green finance for small and intermediate cities in particular by streamlining transaction costs and tailoring the financial assistance they offer to fit the smaller sized project needs of these cities. **Priscilla Negreiros** emphasised some of the resources available to cities to overcome this barrier, such as CCFLA's project preparation resource directory, which connects cities with organisations that can assist them with different aspects of project preparation.





Concluding Remarks

To conclude the conference, **Catherine Wendt** reiterated that urgent efforts are needed to redirect investments to transformative action to reach stated climate goals. Regions and cities have an important role to play, hence the value of this project in making tools available to them. She stated her commitment to continue to promote the tools developed in the framework of the project across the EU. **Dorothee Allain-Dupré**, Head of the Regional Development and Multi-level Governance Division, (OECD/CFE), closed by thanking all the speakers, stakeholders, experts, and colleagues. She emphasized that although this conference marked the end of the joint project, it is only the beginning of the work to be done on this topic. Finally, she outlined the next steps for this work at the OECD, which include organising a special session in the fall during the 9th OECD Forum on Green Finance and Investment as well as organising a separate forum next spring to take stock of the progress on subnational green budgeting and climate finance tracking.