



EU4Energy



Covenant of Mayors for Climate & Energy – Eastern Partnership

**How do European cities make their
budgets climate friendly?**





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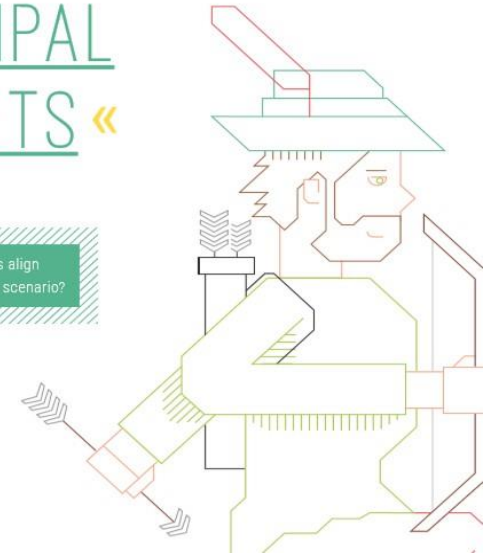
5 action areas

- 1) Environmental reporting and budgeting
- 2) Green Public Procurement
- 3) Fossil fuel divestment of municipal funds
- 4) Green municipal bonds
- 5) Earmarking local revenues and other financial instruments



» CLIMATE-
MAINSTREAMING
MUNICIPAL
BUDGETS «

How can local authorities align their finances with a 2°C scenario?



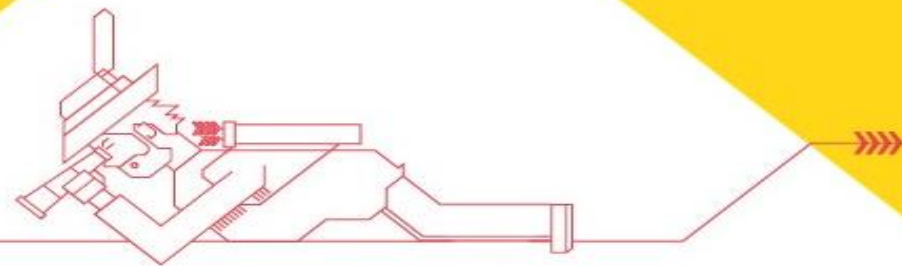
ENVIRONMENTAL REPORTING AND BUDGETING

- **Change the way municipal budgets are presented:** show climate impact of funded measures and the costs necessary to attain cities' climate goals.
- **Combining environmental and financial reporting leads to:**
 - better informed decision-making about investments and fund allocation
 - better engagement of financial staff: climate and energy data is presented in a form they are familiar with.

Oslo (Norway)

- Oslo City Council adopted its first Climate Budget in 2016.
- It contains measures that will help achieving city climate goals.
- CO2 emissions and the costs of reducing them are reported at the same time as the regular budget report.
- Identifying gaps between measures planned and the city's objectives
- Responsible: Department of Finance and the City Council for Environment & Transport

GREEN PUBLIC PROCUREMENT



- **Municipal procurement budgets** represent a significant leverage for a development towards sustainable and innovative market practices.
- **City staff has to engage with the local economic actors** to make sure that its ecological standards are being met. Setting high standards triggers innovation.
- Integrating green criteria in public procurement documents achieves **cost savings throughout the product life-cycle**

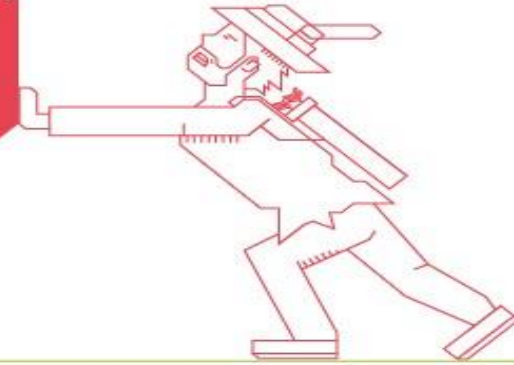
Copenhagen (Denmark)

- Ambitious green public procurement strategy, with detailed goals across sectors.
- Created a 'GPP Team' made of the environmental staff and the administration's procurement staff

Rome (Italy)

- E-procurement combined with a digital monitoring system of energy savings and GHG emission reductions.

FOSSIL FUEL DIVESTMENT OF MUNICIPAL FUNDS



- **Cities' funds and saving accounts** are invested in companies and projects.
- Ask your banks and fund managers for transparency about how they manage the city's money in terms of **environmental investment criteria and climate risk**.
- Assets in fossil fuels are currently overvalued, creating a financial bubble which will entail significant **financial losses** for investors when it bursts.

Munster (Germany)

- The forerunner of the municipal divestment movement in Germany since its decision to divest in 2015.
- City is transparent about its divestment strategy and process.

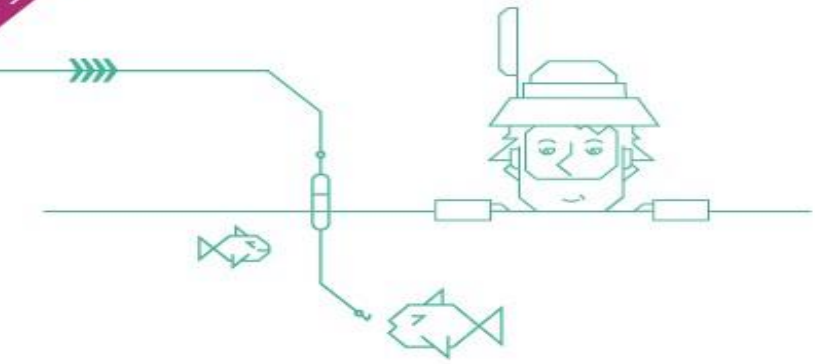
GREEN MUNICIPAL BONDS



Gottenburg
(Sweden)

- A **source of financing** for energy and climate projects.
- Cities with a **sophisticated environmental reporting** system, trained staff and strong cooperation between financial and environmental departments access finance for energy and climate projects more easily.
- **“Soft” benefits**: a powerful marketing tool, possibility for citizens to get involved in the city’s green projects.
- Forerunner in terms of green city bonds: first issue in 2013, since then, every year
- Experience in terms of reporting and communication with investors.
- The Scandinavian green bond market is highly developed and active, characterised by good cooperation between municipal and financial institutions

EARMARKING LOCAL REVENUES AND OTHER FINANCIAL INSTRUMENTS



Lausanne (Switzerland)

- Cities establish **specific funds** for energy efficiency or sustainable transport projects.
 - **Funds are financed** by specific budget line, environmental taxes, carbon-offsetting, citizens and local actors, etc.
 - **Benefits:** raising awareness, mobilizing private resources, creating market for sustainable businesses.
- Municipal utility company recovers a small tax on citizens' energy consumption.
 - The tax is invested in two funds financing energy and climate-related campaigns

Recommendations

- Cooperation and knowledge-exchange between **environmental and financial staff** is key
- **Following the data-flow across departments** is just as important as following the flow of money
- **Combining environmental and financial reporting** visualizes the relationships between the city's finances and its climate action
- **Transparency** is essential to get the citizens involved
- **Financial institutions** are valuable partners but must live up to the city's environmental standards
- Regular engagement with the **local economy** allows cities to push towards more sustainable market practices



<https://energy-cities.eu/publication/climate-mainstreaming-municipal-budgets/>



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Thank you!

More info on

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