

CLIMATE BUDGETING:

Transforming governance to mainstream climate action



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C40

C40 is a network of nearly 100 mayors of the world's leading cities who are working to deliver the urgent action needed to confront the climate crisis and create a future where everyone, everywhere can thrive. Representing 582+ million people and one-fifth of the global economy, mayors of C40 cities are committed to using a science-based and collaborative approach to help the world limit global heating to 1.5°C, and build healthy, equitable and resilient communities.

Arup

Arup is the creative force at the heart of many of the world's most prominent projects in the built environment and across industry. Working in more than 140 countries the firm's designers, engineers, architects, planners, consultants and technical specialists work with clients on innovative projects of the highest quality and impact.

Arup has worked with C40 since 2009 to develop strategic analysis and research that is central to progressing the understanding of how cities contribute to climate change mitigation and adaptation. The partnership supports a strong analytical research agenda while helping city actors to identify opportunities, collaborate and develop deliverable solutions to accelerate and expand action on climate change.

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EXECUTIVE SUMMARY



Cities have made progress on greenhouse gas (GHG) reductions but require a new approach to mainstream climate considerations and move from planning to implementation.

The climate science is clear: cities are not on track with commitments and must urgently increase efforts to reduce emissions. City leadership is critical and essential to deliver ambitious climate goals. Climate budgeting is an effective governance system that cities can use to mainstream climate considerations and accelerate near-term climate action to deliver long-term targets.

This report demonstrates how climate budgets can improve governance and summarises research with cities on the factors that have supported them in implementing a climate budget to-date.

Climate budgets integrate emission targets into existing governance processes to deliver the required reductions through funded measures and policy, at the scale necessary to achieve meaningful climate outcomes and wider city goals.

Current climate action is typically concentrated in a single department with limited scope and powers. Climate budgets facilitate cross-departmental collaboration to move from ad-hoc to systemic implementation, and provide greater transparency, ownership, and accountability for delivery.

To effectively set up a climate budget to drive coordinated transformational change, cities should:

- **Secure political willingness and commitment** to position climate budgeting as a key system to support delivery of the city's climate action plan (CAP) and generate momentum to overcome technical and institutional challenges.

- **Integrate climate budgeting into existing governance processes and systems** to move from a CAP to immediate, science-based action, and to track progress of emission reductions with each budget cycle.
- **Ensure technical competence and institutional capacity** to build climate literacy and expertise, normalise climate priorities, and distribute responsibility across the administration.
- **Start by targeting high emission sources within the city's direct control** and plan to align with the city-wide scope of the CAP year-on-year.
- **Customise the climate budget to local priorities** through an iterative and dynamic process that considers the city's key climate concerns and scope of power in the context of strategic priorities.
- **Encourage co-ownership and early involvement of key stakeholders** to leverage the collective capability of finance and climate departments, as well as create a culture of shared accountability for achieving emission targets across the administration.

- **Maintain access and engagement of leadership** to legitimise and endorse the climate budget, and ensure data is used systematically to inform science-based decision-making at all governance levels.
- **Embrace external stakeholders and participate in knowledge-sharing** to influence businesses and civil society in areas outside the administration's direct control, to drive system-level transformation.

Robust governance structures and processes are crucial for cities to respond to the climate crisis and deliver on their targets. By mainstreaming emission reductions through the whole of city government, climate budgets are an effective, powerful, and systemic way for cities to deliver on their climate goals.

INTRODUCTION

Cities are taking ambitious, collaborative and urgent climate action to tackle the climate crisis. C40 cities have committed to reduce their contribution to climate change and prepare their cities for climate risks. However, global emissions are still rising, which means cities need to accelerate their climate action to limit global heating to 1.5°C and build healthy, equitable and resilient communities. While technology and knowledge is available, robust city governance structures and action-implementation processes are crucial to enable cities to create change.

Despite the important role of cities in reducing emissions and tackling climate change, the share of responsibility for achieving climate targets often lies overwhelmingly on the climate departments of city administrations. City departments are often siloed and focused on delivering their distinct priorities, and therefore, do not always contribute to

accomplishing the city's climate objectives. Similarly, it is often the case that climate change-related expenditure is separated from the rest of the city's budget. As such, the climate impact of the city's finances, important though it is, is not always well understood and appropriately addressed.

A climate budget integrates GHG emission targets and considerations into the city's management processes and financial budgeting, providing a central and comprehensive governance system for implementing emission reductions. Enabling all departments to work on climate action mainstreams climate targets into whole-of-government decision-making and policies.

Climate action is not just about reducing emissions or adapting to climate change. It is also about creating a clean environment, promoting sustainable economic development and prosperity, and providing a better quality of life for all.



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CLIMATE BUDGETING

What is a climate budget?

Having made commitments to reduce GHG emissions and avert climate breakdown, cities then face a challenge to translate these into funded and measurable actions across city government.

The budget is the governance process city leaders use to articulate a clear vision, identify community and department targets, and undertake a strategic plan to help mitigate conflicting goals.

The preparation and approval of a budget is one of the most important duties of administrative officials as it determines what services will be put

forward, to what extent they will be provided, and how they will be funded.

A climate budget presents the city's measures to reduce emissions along with their calculated effect and cost, while assigning responsibility for monitoring and delivering emission-reductions.

This helps cities maintain financial accountability, report annual progress towards delivering their CAP, and demonstrate how the city will implement plans for its future.

CARBON Budgeting

A carbon budget is the cumulative amount of carbon dioxide (CO₂) emissions permitted over a period to keep within a certain temperature threshold. There are several types of carbon budgets. Most often, the term refers to the total net amount of CO₂ that can still be emitted by human activities within a geographical or political boundary while limiting global warming to a specified level (e.g., 1.5°C or 2°C above pre-industrial levels).

CLIMATE Budgeting

A climate budget is a governance system that integrates climate considerations into the financial budget and creates transparency and accountability for climate action. To the extent possible, each action should be linked to an estimated emissions reduction and funding approach. This illustrates the costs required to achieve the targeted emission reductions.

Climate budgets are emerging as an efficient way to mainstream climate considerations into city-level decision-making, to translate medium- and long-term climate targets into delivery plans that are reviewed and improved annually.



Participating Cities

Within the C40 network there are 12 pioneering cities, led by Oslo, taking part in a dedicated pilot programme to develop, implement, and improve the use of a climate budget. These cities face distinct challenges and are at different stages of mainstreaming emission reduction targets into their governance systems.

Information presented is a pre-COVID projection, using data from city GPC inventories and Oxford Economics' Global Cities Dataset.

Report Methodology

This report focuses on climate budgeting as a process that integrates climate action into ordinary governance systems. The purpose is to capture the current state of climate budgeting as an approach to translate climate targets into funded actions, as well as the factors that enable its implementation.

Activities informing this report include:

- Literature review
- Interviews with representatives from cities looking to adopt or in the process of implementing a climate budget
- Discussions with C40
- Input from Arup subject-matter experts in cities and sustainability



POPULATION: 1.6 million

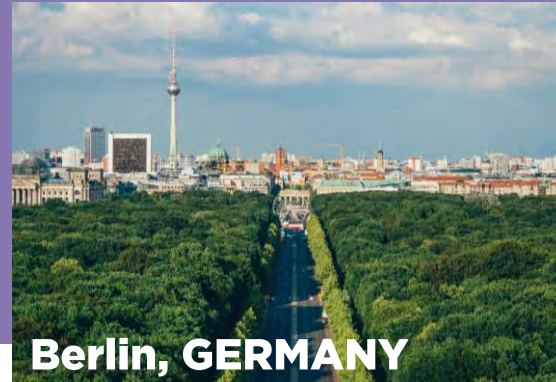
AREA: 101 km²

GDP: \$81 billion

**GPC BASIC EMISSIONS (tCO₂e):
2,250,000**
Inventory year: **2020**

**INTERIM GHG TARGET:
50% by 2030 compared to
1992 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



POPULATION: 3.8 million

AREA: 891 km²

GDP: \$183.1 billion

**GPC BASIC EMISSIONS (tCO₂e):
17,400,000**
Inventory year: **2018**

**INTERIM GHG TARGET:
70% by 2030 compared to
1990 levels**

**LONG-TERM GHG TARGET:
90% by 2040, 95% by
2045, compared to 1990
levels**



POPULATION: 9 million

AREA: 1,595.2 km²

GDP: \$682.1 billion

**GPC BASIC EMISSIONS (tCO₂e):
28,800,000**
INVENTORY YEAR: **2019**

**INTERIM GHG TARGET:
Net zero by 2030**

**LONG-TERM GHG TARGET:
Not needed**



POPULATION: 4 million

AREA: 1,362 km²

GDP: \$353.5 billion

**GPC BASIC Emissions (tCO₂e):
21,000,000**
INVENTORY YEAR: **2020**

**INTERIM GHG TARGET:
50% by 2025, 73% by 2035,
compared to 1990**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



Milan, ITALY

POPULATION: 1.4 million

AREA: 182 km²

GDP: \$87.7 billion

**GPC BASIC EMISSIONS (tCO₂e):
4,390,000
INVENTORY YEAR: 2020**

**INTERIM GHG TARGET:
45% by 2030 compared to
2005 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



Montréal, CANADA

POPULATION: 2.1 million

AREA: 443 km²

GDP: \$93.2 billion

**GPC BASIC EMISSIONS (tCO₂e):
9,400,000
INVENTORY YEAR: 2018**

**INTERIM GHG TARGET:
55% by 2030 compared to
1990 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



Mumbai, INDIA

POPULATION: 13.3 million

AREA: 458 km²

GDP: \$301.4 billion

**GPC BASIC EMISSIONS (tCO₂e):
25,100,000
INVENTORY YEAR: 2019**

**INTERIM GHG TARGET:
30% by 2030 compared to
2019 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



New York City, USA

POPULATION: 8.6 million

AREA: 1,215 km²

GDP: \$837.6 billion

**GPC BASIC EMISSIONS (tCO₂e):
48,400,000
Inventory year: 2020**

**INTERIM GHG TARGET:
50% by 2030**

**LONG-TERM GHG TARGET:
Carbon neutral by 2050**



Oslo, NORWAY

POPULATION: 685,124 million

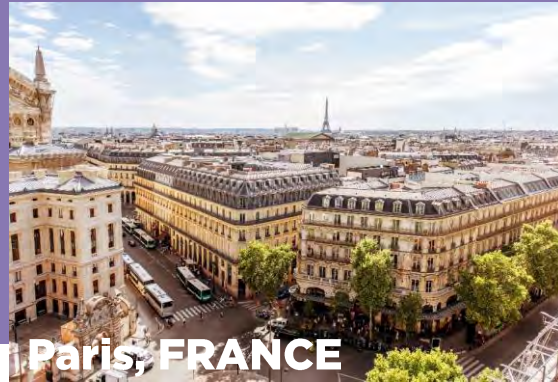
AREA: 481 km²

GDP: \$57.5 billion

**GPC BASIC EMISSIONS (tCO₂e):
1,410,000
INVENTORY YEAR: 2019**

**INTERIM GHG TARGET:
95% by 2030 compared to
1990 levels**

**LONG-TERM GHG TARGET:
Not needed**



Paris, FRANCE

POPULATION: 2.2 million

AREA: 105 km²

GDP: \$167.9 billion

**GPC BASIC EMISSIONS (tCO₂e):
5,400,000
INVENTORY YEAR: 2019**

**INTERIM GHG TARGET:
50% by 2030 compared to
2004 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



Rio de Janeiro, BRAZIL

POPULATION: 6.6 million

AREA: 1,202 km²

GDP: \$145.1 billion

**GPC BASIC EMISSIONS (tCO₂e):
15,000,000
INVENTORY YEAR: 2017**

**INTERIM GHG TARGET:
20% by 2030 compared to
2017 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



Stockholm, SWEDEN

POPULATION: 978,113 million

AREA: 216 km²

GDP: \$72.3 billion

**GPC BASIC EMISSIONS (tCO₂e):
1,480,000
INVENTORY YEAR: 2019**

**INTERIM GHG TARGET:
1.5tco₂e per capita by 2023**

**LONG-TERM GHG TARGET:
100% reduction by 2040**



Tshwane, SOUTH AFRICA

POPULATION: 3.6 million

AREA: 6,345 km²

GDP: \$65.5 billion

**GPC BASIC EMISSIONS (tCO₂e):
19,500,000**

Inventory year: 2015

**INTERIM GHG TARGET:
10% by 2030 compared to
2015 levels**

**LONG-TERM GHG TARGET:
100% reduction by 2050**



WHY CLIMATE BUDGETING?

Accelerate climate action through strong leadership

Political leaders are taking climate action because it is critical for the long-term success and survival of cities. Climate budgeting mobilises and empowers all city departments to take ownership and plan how they will deliver on climate targets.

Leadership is essential to the pursuit of increasingly ambitious climate policies - particularly in the face of heightened scrutiny and demands to demonstrate progress in responding to climate change. In addition to climate action, cities are working to deliver on a range of other goals, including economic prosperity, poverty reduction, and health and wellbeing. Elevating the climate agenda does not need to be at the expense of these.

Pursuing goals simultaneously, is a demonstration of responsible leadership towards sustainable development.

Climate budgeting is also a process to alleviate the institutional and financial barriers to emissions reduction. It is a way to strategically mainstream sustainability into city operations. By incorporating climate considerations into the annual budget process, climate budgeting makes action relevant to all politicians, elected officials and administrators. Through it, city leaders can ensure there is a sound implementation plan with the necessary funding to deliver on their CAP and emission reduction priorities.





Mainstream climate targets and considerations

Climate budgeting provides an opportunity to create a collaborative cross- departmental process where the finance and climate team come together to integrate climate action into the budget process. This collaboration establishes the city's budget as the primary document and central governance process for implementing measures to achieve climate targets.

The climate budget is cross-disciplinary and allows climate and finance teams to create a shared language to discuss the city's strategic priorities. Finance is a key lever to influence sustainable outcomes, and green finance is increasingly available. Working on a climate budget is a crucial first step to demonstrate that climate action, financial decisions, and policymaking are complimentary.

For an environmental team, climate budgeting is an opportunity to socialise technical data and concerns through a process that departments are familiar with and receptive to. Actively approaching colleagues from this perspective will also encourage further conversations around a wider remit of climate priorities.

A climate budget is integrated into an existing management system that encourages shared ownership and accountability for climate action. Ideally, the Chief Financial Officer will take a leadership role in bringing climate and finance teams together to prepare guidance and set the support mechanisms for the climate budgeting process. This is especially useful in contexts where there are limited central climate resources. The aim is that each department across the administration has ownership for

collecting, processing, and reporting climate data. In this sense, climate budgeting relieves environmental teams of exclusive responsibility for the city's emissions. Instead, all departments are held accountable for their projects and programmes, as they are in the ordinary budget process. By linking climate action to one of the most important processes in the administrative cycle, climate budgeting is an opportunity to mainstream and formalise climate considerations, while offering a flexible approach that allows for projects to be continually assessed and re-focused during reporting processes.

This system of ownership and accountability is a city-wide approach to elevate climate to the level of other strategic priorities, including jobs, transport, and housing. It places responsibility on all departments to ensure their budget proposals align with climate goals.

Systematically use data to inform decision-making

The climate budget makes it possible to integrate GHG emissions data into policy decision-making and financial reporting. Climate budgeting provides a science-based approach for cities to track and disclose their emission-reduction progress, course correct, and strengthen with new actions on an annual basis.

Climate budgeting allows cities to report and communicate where they are, where they need to be, and how they plan to get there. Data collection and management supports cities to estimate the emissions-reductions expected from a climate action.

Developing costings for climate actions, as part of the city's financial conversations, helps to inform and prioritise the allocation of finance and other resources between measures. This makes the management of direct emissions (e.g., Scope 1 and 2) tangible and actionable across all departments. Furthermore, it is a transparent way for cities to demonstrate responsible use of public funds. As such, the process creates a system of accountability, and can improve communication within the administration and the wider public on climate issues.

In most cities, the administration's emissions account for a small proportion of the city's carbon footprint. Using data to identify key sources of negative climate impact, climate budgeting helps departments track emissions, identify specific issues outside their direct control, and engage external stakeholders to help achieve the city's emissions reduction targets.

The climate budget process is an opportunity to consider how to continually influence the decisions and investments of all city stakeholders.

CASE STUDY:

London

London is following a phase-based approach to implementing a climate budget. In July 2022, the Greater London Authority (GLA) included climate budgeting in their ordinary budget guidance. They also prepared specific guidance for the departments on producing a climate budget and assessing climate impacts. In Year 1 they are reviewing the emissions of the GLA organisations (e.g., emissions and fleet). In Year 2, they would like to incorporate emissions for the whole of London (including areas they are not directly responsible for). By Year 3, London hopes to have an approach that covers embodied emissions for all supply chains too.



KEY CONSIDERATIONS

Political willingness and commitment

Political leadership is the single most important factor to facilitate establishing a climate budget. This leadership can come in the form of a clear mandate by the city's political leader. In addition, the city's administrative leaders can position climate budgeting as a key system to support emission reductions and delivery of the city's CAP, as well as the alignment of climate with other objectives.

Where political leadership sets an explicit expectation that climate targets, measures and considerations are part of all decision-making processes (e.g., budget, policymaking, legislation), the task of setting a climate budget becomes an easier process for the administration.

Political support is essential for creating momentum to break through technical and institutional challenges that come with developing a climate budget. A direct political mandate can help the staff leading climate budgeting access data and collate the necessary information to start the process. Data may indicate that the

current spending allocation is insufficient to deliver on targets and in this case political leadership and senior departmental buy-in is crucial to continually align financial priorities and GHG emission targets.

Political buy-in can also support staff engagement across city departments. Designing and implementing uniform ways of working that mainstream climate budgeting across the administration become easier tasks with clear direction from political leaders. Having top-down support can also help break down barriers in other parts of the administration to facilitate climate budget implementation.

In addition, senior political and administrative buy-in can encourage participation in knowledge exchange platforms and programmes. Knowledge exchange forums can help the administration learn from international best practice and foster mutual trust between different cities going through the same process. These fora also provide a space for collaboration at an early stage of planning and programming by allowing engagement with international experts building the knowledge, capability, and confidence within the city.



CASE STUDY:

Tshwane

Taking action to address climate change is embedded in the City of Tshwane's sustainability journey. Having a specialist City Sustainability Unit in the Office of the Executive Mayor anchors this intent in a profound political commitment to elevate sustainability at an institutional level. Since 2013 this unit has undertaken the task of mainstreaming climate change in Tshwane. This commitment has remained unaffected by the political vagaries that have and may continue to characterise the political landscape. Tshwane's vision is to remain singularly committed to climate action as a key priority, not just a nice-to-have, irrespective of change in city leadership. Climate budgeting will build on Tshwane's determination to integrate their CAP into the city's management systems – to reduce the city's vulnerability to climate change while enabling sustained economic growth and development. Tshwane's dedicated climate action makes it a trailblazer inspiring other cities in South Africa and beyond.



Integrate climate budgeting in to existing governance processes and systems

Climate budgeting is an opportunity to mainstream climate throughout the city administration, by augmenting existing processes and policies and delivering emission reductions without introducing new governance structures.

Across the administration, there will be officials who instinctively understand how to engage with the city's climate targets and others who find the topic overwhelming and confusing. It is important, therefore, that cities integrate the climate budget into familiar systems, such as yearly planning activities and the ordinary city budget.

Using existing mechanisms is an effective way to reach and engage other departments, encourage mindset shifts, and elevate climate priorities across the city.

This means cities can monitor, deliver, and report on climate action in the same cycles as other strategic priorities. In turn, decision-makers can determine whether resources are being applied as intended and take corrective action if needed.

Standardising these processes enables cities to track the implementation progress of their CAPs and facilitate better-informed decisions year-on-year.



Technical competence and institutional capacity

The city's ability to draw upon knowledge and expertise of internal departmental teams and external partners is key to promoting positive solution-driven approaches to combat climate change. Every city has a unique set of stakeholders, resources, and processes.

Building on existing skills can help cities make progress on climate budgeting. This entails building on experience of how the city administration operates and distributing ownership and accountability to those responsible for the transformation. Fostering inter-departmental collaboration through cross-disciplinary teams can accelerate climate action across the city.

It makes environmental policymakers more finance-savvy and financial policymakers more climate-literate in proposing climate change initiatives.

Cities need to consider their technical capability and determine if there is a need to develop this internally or augment through external consultants in the interim. If the early climate budgeting team is not part of the city administration, it is important they have good knowledge of the local context, speak the local language, and understand the culture.

Where cities require additional support they should plan for how external resources can help build the institutional knowledge and capacity necessary to sustain the process in the long term. An enabling environment must also feature psychological resources, such as a shared determination and positive attitude.

Cultural and behavioural change will be required across various departments. Not every climate budget decision will be popular and finding sustainable finance to drive transformational change can be a challenge. Investing time to strengthen collaboration between the

layers of city administration and advocating for improved fiscal conditions will support the prioritisation of climate-smart investments and policymaking.

Where there is wider buy-in from across city departments, climate action tends to be faster and more successful. Contextualising other priorities in terms of the environment and visualising these as part of the city's 'bigger picture' strategy can facilitate this buy-in.

Get started: identify where the city is and where it wants to go

Climate budgeting is an innovative governance system which allows cities to think big and embrace city-wide transformative actions. Cities adopting this approach should consider starting in phases according to two fundamental guidelines. First, focus on emissions and measures within the administration's control. Second, target the biggest emissions sectors and sources in the local context.

A phased approach allows cities to connect the climate budget process with other activity in the city's pipeline. This includes considering the scope of the administration's direct authority and immediate emissions reductions achievable. Cities should plan to gradually expand the budget to align with the breadth of their CAP and the city-wide emissions targets.

It is important to link the climate budget to the city's emissions reporting. Access to the necessary data from departments (e.g., in terms of quantity and validity) and creating

a methodology connecting funding to action (e.g., an emissions impact-based cost evaluation) can accelerate the budgeting process. Emissions or cost data can substantiate investment decisions, however precise data does not need to be immediately available. Additional data needs may become apparent when implementing the climate budget.

Cities can consider reviewing historic budget records as a first step. This information is factual, and finances are already calculated. Reviewing the budget items of key departments for features such as climate relevance (has direct impact on, or is impacted by, climate) and the nature of any impact (positive or negative) can offer a baseline understanding of the operational budget and investment cost of the CAP. It can also strengthen awareness of the environmental impact of the city's existing projects and where to prioritise intervention, to guide better future decision-making.

However, developing a baseline is not an essential requirement for climate budgeting. Instead, cities can use graphs of historical emissions and an understanding of emission limits to start the climate budgeting process.





Customisable to local priorities

A key enabler for climate budgeting is the ability to adapt the climate budget to the local context and towards solving challenges where the effect of climate change is experienced locally. By assessing the current policy and financial commitments, the annual climate budget is an iterative and dynamic process that allows cities to determine short-term practical action to combat climate concerns. This ensures decision-making remains cognisant of long-term emission-reduction targets. Providing annual climate budget guidance ensures each department considers climate in the formulation of plans, programmes, and budget proposals.

While cities can take responsibility for direct emissions across the administration, CAPs demonstrate the need to engage with the wider local community to meet city-wide climate targets.

Many city leaders recognise that collaboration and reconciliation of different powers, system boundaries, and budgets is necessary to take meaningful and scalable climate action. Climate budgeting is an opportunity for the city to demonstrate to external stakeholders the city's priority towards climate and how it is implementing action plans.

Co-ownership and early involvement of key stakeholders

Climate budgeting connects a city's climate and finance departments, and involves coordination with other specialists including planning, data-reporting, and policymaking. The effectiveness of a climate budget depends on the collaboration among these elements, and the approach is an opportunity to break down departmental silos and improve general collaboration across the administration to improve performance in areas beyond climate action.

It is important that the Chief Financial Officer takes a leading role in the climate budgeting process to demonstrate commitment and facilitate resource allocation. This engages departmental heads and their environmental and financial representatives from the outset.

Leveraging existing networks and structures within the city, as well as other alliances across the administration, is a way to expedite the climate budgeting process.

These key stakeholders should discuss what is reasonable across the phases of climate budget integration and contribute to shaping the process for the city. The climate budgeting team can develop guidance that articulates the technical data they expect, the supporting resources available, the financial context, and the accountability and ownership of the process moving forward. Cities should consider formalising the necessary ways of working by establishing cross-departmental working groups to help maintain clear roles and responsibilities within the climate budget process long-term.

City-wide administrative engagement is an opportunity to better understand priorities across the city and create a structure to manage how they are delivered. Early involvement means that officers can bring in colleagues across their teams as appropriate, to create continual buy-in, expand the network for better change resilience, and socialise the climate budgeting process more widely.

CASE STUDY:

Paris

In Paris, the climate budgeting team used existing finance and sustainability networks to engage departments and identify key points of reference across the administration. The team established a working group to share a common language and awareness of how the programme can enable the implementation of the range of measures required to reach the city's climate targets. The team worked with

departmental representatives for a retrospective line-by-line climate assessment of their respective 2019 budgets. The climate-finance team used their subject matter expertise to first review each department's budget and qualitatively identify their respective carbon impacts. They then re-engaged the departmental stakeholders to better incorporate fiscal and operational considerations relating to emission reductions. Adopting this approach encouraged richer discussion across the city, as well as more expansive thinking around policy and budget proposal.



Ongoing access and engagement of leadership

Top-down support helps to sustain focus on supporting the climate budget process. Political support provides the space, resources, and authority for the leading departments to take ownership and encourage the development of the climate budget. The distribution of authority from administrative leaders provides legitimacy and endorsement, helping to facilitate the necessary conversations between the departments.

Climate budgeting works best when leaders remain actively engaged in the process. By respecting political dynamics and internal reporting structures, the climate budgeting team builds trust-based relationships with key decision-makers. Providing progress reports to leaders throughout the administration allows for informed decision-making across different governance levels. Through the effective use of established governance processes, teams can follow up with and call on their leaders to steer activity.

CASE STUDY:

London

In London, sponsorship and direction from the Deputy Mayor for the Environment and the Mayor's Chief of Staff was critical to enable senior officials across both the climate team and financial team to lead the climate budgeting work. Having the programme driven by high-ranking officials in the finance unit, who are responsible for the ordinary budget and have a comprehensive understanding of the budgetary process, is a key enabling factor. Given experience managing organisational barriers in the ordinary budget negotiations and having understood how climate features as part of the city's objectives, the team is better equipped to support the climate budgeting process. This creates confidence throughout other departments about the city's commitment to the process, which empowers them to identify related strategic objectives of their own.





CASE STUDY:

Oslo

The City of Oslo's procurement activities are crucial for meeting the city's environmental goals. Oslo is committed to using procurement as a strategic tool to drive a transition to more sustainable production and consumption. By introducing climate requirements into the procurement of construction services, Oslo is taking full advantage of their purchasing powers.

Oslo's use of procurement to require fossil fuel-free construction sites and zero-emission machinery creates a predictability in the market.

This means private stakeholders in the construction industry can invest in new machinery knowing that the city will continue to apply climate criteria in tendering processes. Over time, these requirements have knock-on effects throughout the supply chain. This approach offers a multitude of additional benefits. For example, reducing construction-related emissions and noise pollution has health and wellbeing benefits, and grows the market for low-emission machinery and construction equipment.

Embrace external stakeholders and participate in knowledge sharing

Cities at the start of their climate budgeting journey benefit from strong relationships with allies outside the administration. This is especially important in administrations with limited resources, limited direct powers to reduce city-wide emissions, and with national targets that are not aligned with the level of ambition of the city.

A key enabler to work through the complexity of emissions reduction-responsibility is the ability to convene all relevant actors. By doing this through a partnership model, city-wide stakeholders can leverage policy development and financial opportunities to act on emissions-reduction. Climate budgeting is a transparent process that allows cities to send strong signals to national governments to consider their responsibilities and align on actions to deliver the city's CAP.

A climate budget can also shape other parts of the economy by strengthening public and private-sector partnerships, creating confidence in the low-carbon economy, and encouraging investment. Developing a climate budget process that embraces local civil society can unlock meaningful and inclusive participation towards the reduction of emissions.

Climate budgeting requires continuous learning. For many cities, this will stretch existing capacity and expertise. Engaging in national and international networks enables cities to identify shared challenges and learn from different ways of working.

Knowledge sharing platforms are another opportunity to recognise and reflect on progress made, challenge existing thinking for better ideation, and plan for the future. Sharing knowledge also creates healthy competition among cities that advances best practice and enables city-level impact to scale even further.

TOP TIPS

Climate budgeting is ground-breaking and innovative work. Across different contexts, cities will experience distinct challenges in mainstreaming climate into existing governance systems. The following tips can help cities to successfully get started.

DO



Commit to climate budgeting through strong political and administrative leadership and clear mandates

Mainstream climate budgeting into existing governance processes

Build technical competency and institutional capacity

Start immediately by focusing on the biggest emission sources within the city's powers and plan to gradually align with the city-wide scope of the CAP

Focus on local climate concerns and widen the remit year-on-year

Engage internal stakeholders early and build cooperation and ownership across the city departments

Ensure ongoing access to and active engagement of key political and administrative leaders

Embrace external allies, communicate, and collaborate on common responsibilities

DO NOT



Attempt to implement climate budgeting from an exclusively bottom-up approach

Design a new process for reporting, managing, and budgeting on climate

Underestimate the time, resource or momentum needed to sustain climate budgeting

Overcomplicate the first budget by seeking and collecting new data, or expecting to have the perfect systems in place at the outset

Attempt to solve the whole city's climate challenges in one go

Introduce vague processes that mean work continues in silos and there is a lack of ownership and responsibility

Make climate budgeting an overly bureaucratic exercise by disconnecting it from leaders

Feel intimidated by challenges outside the city's direct control and miss the opportunity to influence the wider community

CONCLUSION

A climate budget is a process to integrate climate considerations into all decision-making to comprehensively deliver strategic goals.

This report summarises how climate budgeting is a key lever for cities seeking to accelerate action in the face of the climate emergency.

Leaders need to position climate budgeting as a key governance system to support the delivery of the city's CAP. By aligning with other strategic objectives, cities can generate the momentum to overcome technical and institutional challenges. Identifying existing administrative systems that climate budgeting can integrate into allows cities to track emission-reductions progress year-on-year and enables science-based and data-driven decision-making.

To mainstream climate priorities across the administration, it is important that cities build the knowledge and expertise of internal departments and appropriately

distribute responsibility to strengthen climate competence. As with a responsible financial budget, a climate budget should deliver value by focusing resources to the strategic priorities of the city and tangible interventions that address the key climate concerns.

A phased approach to climate budgeting allows cities to immediately start targeting emission sources within direct control, and work year-on-year to align with the city-wide scope of their CAP. Multi-departmental collaboration supports the distribution of actions across the administration and sets accountability for achieving emissions targets. Ongoing participation of political and administrative leaders provides legitimacy and endorsement to the continuous climate budgeting process.

As city administrations are responsible for only a small share of city-emissions, it is vital they tap into networks across multiple sectors, including businesses and civil society.

Engaging with expertise beyond city boundaries will enable collective transformation to healthy, equitable and resilient cities.

