PUBLIC BUDGETS THROUGH A CLIMATE LENS: FOLLOW THE MONEY TO FIND THE REAL AMBITION

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Climate plans explain where a public administration wants to go. Budgets show how far it is willing to go. The Basque Country's Law 1/2024 brings this perspective into public accounts and opens up an opportunity for the Basque Government, the provincial councils (Diputaciones Forales), city councils and the entities in their public sector to link their climate commitments to specific economic decisions.

From climate commitment to budget decision

Public administrations have learnt to talk about climate neutrality, resilience, sustainable mobility and the energy transition. These concepts appear in strategies, plans and institutional statements. However, transformation does not happen in the documents that announce the direction of travel, but in the decisions that allocate resources: what is funded, how much is allocated, for how long and which actions stop receiving support.

That is why, if we want to know the real climate ambition of an institution, we should follow the money.

A budget with a climate perspective is not a specific budget for the environment department. Nor does it consist of adding up the budget lines that contain words such as "green", "sustainable" or "energy". It means analysing public accounts as a whole to find out which spending helps reduce emissions or vulnerabilities, which has a neutral effect and which may take us further away from climate goals.

This perspective changes the question. It is no longer just a matter of knowing how much is spent on climate action, but of checking whether the budget as a whole is consistent with the transition being announced.

Law 1/2024: a responsibility that cuts across levels of government

Law 1/2024 of 8 February on Energy Transition and Climate Change of the Basque Country takes a significant step in that direction. Its Article 61.1 states that the energy and climate perspective must be incorporated into the bill for the General Budget of the Basque Autonomous Community, with 2.5% of that budget allocated to the adoption of climate action measures.

This percentage therefore applies to the regional General Budget, not automatically to the budgets of every Basque administration. For the other public administrations in the Basque Country, the same article provides that they shall promote the integration of this perspective into their budgets, especially during the design phase. Article 61.2, for its part, provides for guidelines to be established to identify, prepare, monitor and evaluate budgetary actions with a positive impact on

climate change mitigation and adaptation.

The legal force is not the same in every case: the law sets an express obligation and a specific percentage for the General Budget of the Autonomous Community, whereas for other administrations it lays down a mandate to promote and integrate the energy and climate perspective. But it would be a mistake to read this difference as an invitation to wait.

The historical territories and local authorities must integrate energy, climate change mitigation and adaptation into their sectoral and territorial planning. In addition, Article 18 of the law requires the historical territories and municipalities with more than 5,000 inhabitants to adopt climate and energy plans. A plan without sufficient budget allocation runs the risk of becoming a list of good intentions.

Climate action is, moreover, spread across different areas of responsibility. The Basque Government decides on energy policy, housing, industry, health and transport; the provincial councils manage decisive areas such as roads, natural areas, taxation and support for municipalities; and city councils act on public space, everyday mobility, water, waste, buildings and facilities, and protection against heat and flooding.

No single level holds the entire budget for the transition. Each one manages a part of it.

Tagging is the starting point, not the result

Climate tagging makes it possible to classify budget lines according to their relationship with mitigation and adaptation. The Manual for incorporating the energy and climate perspective into the General Budget of the Basque Country (link) distinguishes between favourable, partially favourable, partially unfavourable, unfavourable, mixed and neutral or undefined spending.

This classification avoids a binary reading and recognises that an investment can have different effects. A new piece of infrastructure, for example, can improve a public service and, at the same time, increase emissions, consume materials, take up land or lock in certain mobility patterns.

The methodological progress is important because it does not look only at positive budget lines. Making incompatible or potentially unfavourable spending visible is as necessary as accounting for green investment. There is little point in increasing grants for energy retrofitting if other decisions lock in, for decades, a territorial model that is car-dependent or particularly vulnerable to heat and flooding.

But tagging is not enough. A budget line classified as favourable does not in itself guarantee an effective reduction in emissions or risks. It may be poorly implemented, reflect an overly generous assessment or fund an action that would have been carried out anyway. There is also the risk of counting the same spending twice, confusing the approved budget with the budget actually executed, or attributing to an entire budget line a climate benefit that only applies to part of it.

Tagging must lead to evaluation and, above all, to decisions. If it only serves to colour-code budget lines once the budget has been closed, it will offer a tidier snapshot, but it will not change course. Its real potential emerges when it is applied at the start of the budget cycle and makes it possible to

compare alternatives before resources are allocated.

Five steps to turn the accounts into climate policy

The first step is to **define common criteria**. The Basque Government, the provincial councils and local authorities need comparable categories, rules for weighting spending and a traceable justification for each tag. The regional methodology provides a useful basis that can be adapted to the competences and capacities of each institution without building systems that are incompatible with one another.

The second is to **link each budget line to measurable objectives**. It is not enough to state that an investment contributes to adaptation: it must be explained which risk it reduces, which population or area it targets and which indicator will be used to check the result.

The third is to **also review negative impacts**. A comprehensive climate perspective must identify the budget lines that increase emissions, exposure or vulnerability and assess whether they can be redesigned, made conditional or replaced.

The fourth is to **monitor implementation**. Publishing planned spending is insufficient if it is not then known how much has been spent or what effects it has had. Traceability must accompany the budget from its design to its final settlement.

The fifth is to **incorporate climate justice**. A euro allocated to the transition does not produce the same public value everywhere. Evaluation must show who receives the benefits, who bears the costs and whether resources reach the most vulnerable neighbourhoods, municipalities, sectors and households.

For small municipalities, this task can be difficult if it is framed as a new, isolated technical obligation. Here the provincial councils, the districts and the Basque Government itself have an essential role to play: providing methodologies, training, shared tools and assistance so that incorporating the climate perspective does not depend on the size of the municipal workforce.

Budgeting is choosing the transition

Law 1/2024 opens up an opportunity to move from accounting for scattered climate policies to evaluating the economic coherence of public action as a whole. The 2.5% is a specific obligation for the General Budget of the Basque Autonomous Community, but it should not become a ceiling or the sole indicator of ambition. A public administration can meet the percentage and, at the same time, maintain spending that runs counter to its climate goals.

For the provincial councils, city councils and the other Basque public administrations, the path can begin by adapting the regional methodology to their own competences and capacities. The gradual introduction of tagging, impact assessment, monitoring of implementation and linking budget lines to their climate plans would make it possible to move towards more coherent, transparent and comparable budgets.

The question is not just how much money carries a climate tag. What matters is knowing what that spending transforms, what impacts it avoids, how it is distributed and which budget decisions need to be redirected. Because plans express intentions, but budgets set priorities. And it is by following the money that the climate transition stops being a promise and becomes public policy.