Own Your SECAP

Climate-mainstreaming in municipal budgets: Lessons learned

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1. Introduction

As the impacts of climate change become increasingly evident, the role of local governments in leading the transition to sustainable, climate-resilient communities is more critical than ever. Recognising this, several pioneering European municipalities have developed and implemented effective strategies and tools to integrate climate considerations into all aspects of financial and budgetary planning. The OwnYourSECAP project builds upon these efforts, aiming to support both target and replication municipalities in adopting one of five key climate-mainstreaming strategies tailored to their local context. This report specifically focuses on the lessons learned in guiding municipalities through the awareness-raising, selection, and practical implementation of these strategies, with the ultimate goal of embedding climate and energy priorities into their municipal budgets.

Throughout the project, a combination of peer-to-peer (P2P) exchanges, national/regional workshops, and local working group discussions were held to support municipalities, especially those less experienced, in identifying the most suitable climate-budgeting approach. The report analyses, discusses and shares, the process, guidelines developed, challenges encountered, and lessons learned in ensuring that climate-mainstreaming becomes a core component of their strategic planning. This document will summarise the outcomes, highlighting how local administrations have acknowledged and implemented climate-mainstreaming strategies in their budgets and providing a roadmap for further replication.

The objectives of this report are as follows:

1. To present the climate-mainstreaming strategy and guidelines developed by the project partner consortium.
2. To document the process of raising awareness among municipal finance departments, administrative staff and political stakeholders regarding the importance of climate and energy-related expenditures and investments in local budgeting processes.
3. To analyse the implementation experiences of municipalities in embedding the selected strategies into their municipal budgets, highlighting challenges faced, potential solutions proposed, and lessons learned.
4. To provide a comparative overview of the chosen climate-mainstreaming strategies across municipalities, showcasing differences in approaches based on local contexts, capacities, and priorities.
5. To summarise the outcomes of the knowledge exchange activities.
6. To provide a brief comparative overview of the structure and allocation of municipal budgets to climate action in partner countries.
7. To support replication and scalability by offering practical insights, recommendations, and examples that can guide other European municipalities in integrating climate considerations into their financial and budgetary planning.

These objectives collectively aim to contribute to the broader goal of OwnYourSECAP: enabling local governments to align their climate action planning (SECAPs) with financial decision-making processes, ensuring more sustainable and resilient municipal governance.

2. Comparative overview of municipal budgets for climate action

The structure of municipal budgets and how it is allocated to climate and energy-related activities are different across the European nations. For example, in Ireland, local authorities manage their own budgets but rely heavily on central government funding, especially for capital projects and national policy priorities. However, they also raise independent revenue through local taxes and charges. Hence, while they are not fully allocated by the central government, central government grants significantly influence what they can do, particularly in areas such as housing, infrastructure and climate action, as funding is ringfenced. Therefore, although local authorities in Ireland have responsibility for climate actions through their SECAPs, they do not always have the financial autonomy or capacity to fully deliver. National funding and policy frameworks drive much of the investment in climate projects.

In contrast, municipalities in France receive state funding, but also raise taxes. France has also made green budgeting mandatory at the national level, which is cascading down to some local levels. That is why, climate budgeting is growing, especially through the “budget vert” (green budget) initiative. The local authorities have a higher degree of fiscal autonomy in allocating budgets to climate and energy related action.

The following table presents a broad comparative overview of municipal budget structure for climate action across the 11 partner countries.

Here is a comparative overview of how municipal budgets are allocated to climate action across the countries in the OwnYourSECAP project consortium: Ireland, Latvia, France, Italy, Spain, Portugal, Czech Republic, Slovakia, Austria, Poland, and Sweden. This comparison focuses on fiscal autonomy, funding sources, and the degree to which climate-mainstreaming is observed in municipal budgets.

Table 1: Comparative overview of municipal budget allocation for climate action in the 11 partner countries of OwnYourSECAP

Country	Fiscal Autonomy	Main Funding sources for climate action	Integration of climate in budgets
Ireland	Low – moderate	Central government grants, local property taxes (LPT), Sustainable Energy Authority of Ireland (SEAI), EU funds	Limited, project-based
Latvia	Moderate	Local taxes, central transfers, EU funds	Some cities experimenting
France	Moderate – high	Local taxes, central transfers, EU funds	Green budgeting in some cities
Italy	Moderate	Local taxes, national/regional co-funding	Some cities experimenting
Spain	Moderate – high	Local taxes, central grants, regional funds	Present in larger cities (e.g. Barcelona)

Country	Fiscal Autonomy	Main Funding sources for climate action	Integration of climate in budgets
Portugal	Low – moderate	Central government, local taxes, EU funds	Limited but improving
Czech Republic	Moderate	Local taxes, state budgets, EU funds	Developing
Slovakia	Low – moderate	Central government, EU funds	Very limited
Austria	High	Strong local revenue, national co-funding	Integrated in some municipalities
Poland	Moderate	Local taxes, national support, EU funds	Some pilot initiatives
Sweden	High	High local tax autonomy, green bonds	Climate integrated into budgets

These differences in municipal budget structure across the partner countries led to the formation of a working group to create a strategy to carry out climate-mainstreaming municipal budgets workshops in each of the 11 countries. The project provided a valuable platform to test and adapt different climate-budgeting strategies according to local governments and financial contexts. The guidelines developed is presented in the next section.

3. Climate-mainstreaming municipal budget strategy

To address the differences in the structure of municipal budgets allocated to climate and energy actions across the local authorities in the partner consortium, a working group was established to formulate a series of guidelines strategy to carry out workshops with municipalities on this topic. These differences in municipal budget structure across the partner countries led to the formation of a working group to create a strategy to carry out climate-mainstreaming municipal budgets workshops. The strategy presented below is adaptable for each partner country based on the local contexts.

3.1. Background

Climate budget mainstreaming is a dynamic and ongoing process that requires commitment, collaboration, and innovation. By following these guidelines, a municipality can effectively integrate climate considerations into their budgeting process, leading to more resilient, sustainable, and climate-friendly communities.

3.2. Planned outcome

- Synergy between municipal Investment plan or Municipal budget and Sustainable Energy and Climate Action Plan (SECAP).
- The municipality gains insights into the proportion of its budget or investments – in EUR and % - that are energy and climate relevant.
- The municipality commits tagging future investments based on predefined criteria (e.g., climate relevant; partly relevant; negative impact; neutral; unknown etc.).
- The municipality commits to increasing climate-related investments by at least 5% by 2030. Alternatively, discussions with municipalities should determine the type of commitment they can make based on national circumstances. This commitment should be documented in the SECAP, a separate document, or another format acceptable to CINEA.

3.3. Approach

The standardised ***OwnYourSECAP*** approach, to be tested in the eight national municipalities in each partner country, includes five main steps (see the graphic below[1]):

1. **Obtain the Investment plan or municipal budget** in an Excel format to begin the integration process. Do not go into detail beyond expenditure categories (consider the big, consolidated lines)
2. **Add three new columns to the Investment Plan / municipal budget:**
    a. In the first column, specify whether the action / budget line is (select one of the proposed options or create a different classification):
        i. climate-related, partly related, neutral, has a negative impact, or is unclear.

[1] The infographic is made in Canvas and can be used for update and/or translation: https://www.canva.com/design/DAGRNEFTzqM/NthMczba4EDnRRz0ZMsvUg/view?utm_content=DAGRNEFTzqM&utm_campaign=designshare&utm_medium=link&utm_source=editor

ii. Friendly, unfriendly or neutral.

Tagging categories should be decided and agreed upon together with the municipality. Add a possibility to evaluate in % of how much is favourable, harmful and neutral or undefined.

b. In the second column, add **comments/remarks** on the actions / budget lines, highlighting their relevance to **climate mitigation, adaptation,** or **energy poverty**.
c. In the third column, link each action in the Investment Plan / budget line to a corresponding **SECAP measure**, providing the appropriate SECAP measure number.

3. **Summarise** and prepare a **presentation** for the municipality based on the results. This should include the number of climate-relevant actions in the Investment Plan or budget lines the municipal budget, the planned investments / costs in euros and percentage terms for energy and climate actions, identified trends, and feedback on the current approach.
4. **Based on the priorities of the municipality, select 8-10 measures** from both the Investment Plan / municipal budget and SECAP for the next 2-3 years, ensuring these measures are included in both documents. Add the evaluation of the selected SECAP measures based on indicators like effectiveness, efficiency and efficacy using EUR/MWh reduced and/or EUR/MWh of RES increased, EUR/tCO_2 avoided etc. Use design thinking approach in the discussion.
5. **Discuss with the municipality how to introduce continuous climate tagging** into the Investment Plan or municipal budget to ensure that climate-related actions are prioritised and commitments are solidified. Discuss how to ensure municipality's commitment to increasing climate related investments by at least 5% by 2030 (to be documented in the SECAP, separate document, or in a format acceptable to CINEA). Alternatively, discuss with municipalities the type of commitment they can make based on national circumstances.

Figure 1: Climate-mainstreaming guidelines developed by the OwnYourSECAP project partner partners

4. Challenges in climate-mainstreaming municipal budgets

While implementing the climate-mainstreaming guidelines in the workshops with the participating municipalities, there were several challenges that were encountered by majority of the partner countries. These challenges are summarised in this section.

4.1. Lack of Clear National Guidance & Standardisation

Even though climate tagging was introduced through a series of climate-mainstreaming workshops, it was observed that local authorities lack a unified framework for tagging climate-related expenditures. These are the issues that were raised amongst participating municipalities.

- No common definition of *climate positive, neutral, or negative*.
- Individual LAs are left to interpret categories, leading to **subjectivity** and inconsistency.
- For example, Housing Assistance Payments (HAP) — some consider it neutral, others see it with indirect climate relevance.
- Without standard templates, one LA may classify expenditure differently from another, making cross-comparisons impossible.
- This undermines the credibility of results and raises risks of both under- and over-estimation of climate spending.

Opportunity: The absence of a national standard provides a valuable opening to co-develop a clear, consensus-based tagging framework. Collaborative work between municipalities and national authorities can lead to a practical taxonomy that promotes comparability, transparency, and shared learning across regions.

4.2. Complexity of Budget Structures

Local authority budgets are sometimes not designed to reflect climate impacts.

- In local authorities, budgets are organised by functions, services, job codes, with many items bundling multiple projects.
- For example: A €200k item may cover 10 jobs, some climate positive, some negative. Assigning a single tag is highly problematic and uncertain.
- Payroll makes up 30–50% of budgets; attributing climate impact to staff salaries is practically impossible.
- Revenue vs capital budgets also differ:
    - Revenue budgets are linked to ongoing operations and services.
    - Capital budgets are linked to infrastructure with lifecycle emissions (e.g. building roads, cycle lanes). Measuring CO_2 is very complex.

Opportunity: This complexity highlights the need for innovative “overlay systems” and simplified coding layers that can complement existing budget structures without major reform. Piloting such models can demonstrate how municipalities can integrate climate perspectives flexibly within their current accounting frameworks.

4.3. Subjectivity & Risk of Misrepresentation

The Climate tagging exercise as per the guidelines established by the project consortium, pointed out that allocating a project or actions "climate-friendly" or "climate-unfriendly" is based on judgement calls without objective measures.

- Officers must often **"guesstimate"** whether something is climate-friendly.
- For example, in Ireland, to quantify the climate-tagging process to a certain degree, the strategy was adapted. 75% - 100% was assigned to climate-friendly, 50% was assigned to climate-neutral and when climate-friendly was 50% - 75% was assigned partially friendly. However, in practice, the following issues cropped up from this exercise:

    - Negative results (e.g. for road budgets) can demotivate staff, making them less likely to engage.
    - Maintenance vs new investment: some would argue maintenance is neutral or positive, others feel that it still has carbon cost — no clear standard.
    - There is also an associated risk of greenwashing. If everything is tagged positive or assigned a 100%, the credibility of results collapses.

Opportunity: The exercise has created momentum for developing clearer, evidence-based criteria and training for municipal staff. By building shared understanding and introducing standard benchmarks, municipalities can increase consistency and confidence in climate tagging outcomes.

4.4. Resource & Workload Burden

Climate tagging could be resource-intensive for local authorities.

- Many municipalities have hundreds of budget lines; tagging requires reviewing them across multiple departments.
- Staff often lack detailed knowledge of all projects in their section, requiring additional consultations.
- Finding the "right" person to provide informed input in each section is difficult.
- Significant time needed for coordination, beyond existing workloads.

Opportunity: This challenge underscores the importance of capacity-building and digitalisation. Developing user-friendly tools, shared services, and training modules can streamline the process and enable staff to integrate climate tagging efficiently within their regular workflows.

4.5. Data Gaps & Measurement Issues

Data to quantify climate impacts of budgets is often unavailable or incomplete.

- CO_2 savings/outputs not consistently measured across LA services.
- Enforcement and regulatory roles (e.g. inspections) have indirect but important climate impacts — difficult to capture quantitatively.
- Big-ticket areas like housing or social services are statutory requirements, not discretionary climate choices. Tagging them is inherently complex.
- Distinction between *direct climate measures* (e.g. energy efficiency retrofits) and *indirect measures* (e.g. housing policies) remains unclear.

Opportunity: These data limitations create a strong case for establishing national data hubs and shared indicators. By introducing simple, standard proxies and gradually improving data collection, municipalities can build a more robust evidence base for climate-informed budgeting.

4.6. Communication & Political Challenges

Climate tagging can be politically sensitive and difficult to explain.

- Negative tags on major services (roads, housing) risk being perceived as criticism of core statutory functions.
- Departments may feel judged or unfairly labelled, leading to disengagement.
- Some participants suggested adopting "neutral at 50%" scoring to soften the negative perception.
- Risk of undermining support for the process if staff or councillors see it as punitive or inaccurate.

Opportunity: These sensitivities open the door for a more constructive communication strategy. By framing climate budgeting as a forward-looking management tool that helps identify investment opportunities and improve transparency, municipalities can build broader political and public support for the process.

4.7. Strategic Alignment Issues

Local authorities must reconcile multiple national and local agendas simultaneously.

- Must balance Sustainable Energy and Climate Action Plans (SECAPs) with:
  - National Climate Action Plan.
  - National Development Plan.
  - Rising demands from population growth and service provision.
- Example: providing more housing and infrastructure under National Development Plans may be socially necessary but increases carbon emissions.
- Tension between short-term statutory service delivery vs. long-term sustainability goals.

Opportunity: This challenge reinforces the importance of multi-level governance and policy coherence. Aligning local climate budgets with national frameworks can create synergies, ensure that local priorities are visible in national planning, and promote more consistent climate action across all government levels.

5. Next steps and lessons learned

Unless the above-mentioned challenges are addressed with national-level leadership, standardised tools, training, and data frameworks, climate-mainstreaming of municipal budgets will remain inconsistent, ad-hoc, and vulnerable to criticism. Therefore, it is crucial to discuss any proposed next steps that would make the process of climate-mainstreaming municipal budgets easier to integrate into the political agenda of municipalities.

5.1. Consistent National Framework

- National Climate Budgeting Framework approved by the Department of the Environment/Finance needs to issue a standardised taxonomy of climate-positive, neutral, and negative expenditures.
  - For example, in France, new regulations appeared in the summer of 2024 requiring communities with more than 3500 inhabitants to produce a green annex to the budget. This new regulation includes an analysis of the budget according to 6 axes of the EU taxonomy: mitigation, adaptation, water, resources, pollution and biodiversity and requires analysis at the detail level of every line in the accounting software. The lines are compulsory and linked to the reporting APIs to the ministry.
- National training programmes for finance officers and relevant staff from all sections/ departments to ensure consistent interpretation.
- Creating a cross-council working group or a peer-learning network to exchange lessons, would reduce inconsistency.

5.2. Simplify Budget Structures

An Overlay System, developing a parallel “climate coding layer” that sits on top of existing budget codes without changing statutory financial structures would help in dealing with the complexity of budget lines.

Functional Grouping allowing councils to group small or mixed items (e.g. payroll, admin) as “neutral baseline” instead of tagging each line could be helpful in reducing ambiguity.

Tiered Approach:

- Tier 1: High-relevance budget areas (transport, housing, energy).
- Tier 2: Moderate/indirect relevance (planning, water).
- Tier 3: Neutral (admin, payroll). This reduces complexity while focusing effort where climate impact is greatest.

Digital budgeting service such as IT supports (possibly linked to the Local Government Management Agency) to semi-automate tagging.

5.3. Setting Benchmarks

- Categorising benchmarks by pre-assigning default values to certain expenditure types (e.g. “road resurfacing = 40% climate negative” or “social housing built to Nearly Zero Emission Buildings or NZEB standards = 70% climate positive”) would help in providing a degree of certainty to deal with the subjectivity of the climate-mainstreaming municipal budgets process.
- To safeguard Greenwashing, reserve 100% for activities demonstrably delivering climate mitigation/ adaptation (e.g. solar farms, retrofitting).

- Lifecycle Analysis Guidance for capital projects (roads, cycle lanes, housing), provide simplified lifecycle carbon analysis tools to support more objective tagging.

5.4. Centralised support

- A shared-service model implemented through a centralised support to host a small technical unit providing direct assistance to county or city councils would aid in reducing work burden.
- Capacity-Building Grants with fund secondments or climate finance officers in each local authority is potentially beneficial.
- Prioritisation Protocol such as councils start by tagging only the top 10–15 expenditure lines (largest € impact), then expand gradually, would be less overwhelming.
- Data Templates such as using pre-filled national estimates for common expenditure (e.g. social housing unit CO_2 impact), so councils don't reinvent calculations would be useful.

5.5. Data management & curation

- National Data Hub by organisations such as Environment Protection Agency to provide reference datasets (carbon factors, energy savings benchmarks, lifecycle emissions for typical infrastructure).
- Use measurable proxies (e.g. kWh saved, building energy rating upgrades) where CO_2 data is missing.
- Mandatory Data Capture in Projects which require that all new capital projects include a short "climate impact statement" (similar to EIAs but simplified) would help address the data gap.
- Implementing a progressive approach starting with high-confidence measures (e.g. fleet electrification) and allow estimates for harder-to-quantify areas (e.g. regulatory enforcement).

5.6. Motivating and communicating

- Positive Framing is important to address the risk of disengagement from public officers from departments who feel judged by negative tags. Present results as a baseline-to-improvement journey, not a pass/fail. Highlight opportunities for shifting spend towards climate-positive over time.
- Neutral Benchmarking: Adopt the "neutral = 50%" approach to avoid demonising statutory functions.
- Engagement Strategy with early involvement of section heads to co-design tagging and ensure buy-in.
- Political Narrative needs to be strategized. Frame climate budgeting as improving value-for-money and future-proofing services, not as a critique of current spending.

5.7. Alignment of climate targets to statutory services

- Policy Alignment Guidance: National government to issue guidance linking SECAPs, the National Climate Action Plan, and the National Development Plan to local budget tagging.
- Dual-Objective Framework: Allow councils to classify spending under both service provision and climate relevance to avoid false trade-offs.
- Scenario Planning: Encourage councils to run scenarios (e.g. "if 10% of housing spend goes to retrofit vs. new build") to show trade-offs and opportunities.

- Long-Term Integration: Gradually integrate climate tagging into multi-annual capital investment frameworks so future projects are planned with climate in mind from the outset.