



VIEWPOINT
MARK WATTS

Climate Budgeting for Rapid Action in Cities



Mark Watts is the Executive Director of C40 Cities, a global network of nearly 100 mayors from the world's leading cities driving science based action and political leadership for climate justice.

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We have a very short time in which to prevent global heating from accelerating beyond human capacity to constrain it. Progress has been made, but the scale of the task will continue to increase as long as our economy remains dependent on fossil fuels. We now need to halve global emissions and make an irreversible shift beyond oil, gas, and coal in the next five years. While many actors need to contribute, such a rapid, economy-wide shift will not happen without decisive, innovative, and mission-driven leadership by governments. One example of what is needed is climate budgeting—a whole-of-government approach to climate action which is rapidly gaining traction at the city level.

Intensified Impact of Today's Changed Climate

The impacts of our changed climate have intensified rapidly in the last few years, with cities on the front lines confronted almost daily with increasing heat, flooding, storms, toxic air, climate-related disease, and shortages of power and water. Almost all C40 cities report that they have faced severe climate threats that jeopardise their economic and social prosperity.

City governments—responsible for more than half of the world's population and 75% of the world's

energy consumption—are becoming increasingly central to the global response to the crisis. While frighteningly few countries have published climate action plans aligned with the goals of the Paris Agreement, it is a condition of membership of C40. Among C40 cities, most have been implementing plans for some years now, and 82% are cutting emissions faster than their respective national governments.

Nevertheless, even among this group of highly committed cities, they are still not turning goals into action at the requisite speed and scale. Despite the number of “high-impact climate actions” implemented by C40's own member cities tripling over the past 10 years, there is still a further need to double the rate of implementation and triple the number of actions to achieve our 2030 goal of halving emissions across the network.

Halving emissions within five years requires large-scale systemic transformation that traditional models of governance are not designed for. Government departments tend to work in silos, focused on incremental changes in specific sectors. Achieving economy-wide transformational change necessitates first the determination of a mission, followed by a redesigning of government mechanisms to achieve that common purpose together.

Employing Existing Governance Mechanisms to Achieve Climate Goals

Climate budgeting is a powerful, comprehensive mechanism that makes use of the existing financial budget to mainstream climate action. By integrating climate considerations into ordinary budget instructions and guidance, it allows for bottom-up proposals for new actions that can lead the city closer to its targets. At the same time, climate budgeting can also serve as a climate lens to all financial decision-making, ensuring that harmful activities are identified and mitigated against.

In the integrated climate and financial budget model, the city states its climate targets for the year and outlines actions for achieving them across all departments, complete with costs and impacts. Departments will become responsible for monitoring, assessing, and reporting progress and impact of climate actions.

At a political level, climate budgeting ensures transparency in what actions are required and what actions are being taken, as well as accountability in delivering them.

Historically, responsibility for climate policy has sat with the sustainability or climate department. With climate budgeting, however, each department will identify and propose climate actions relevant to their responsibilities, collect and report climate data, and implement climate measures. This will, in turn, make the responsibility for cutting emissions, building up a city’s resiliency, and making reducing consumption a shared goal across all government departments.

In many cases, it may not be clear at the outset how a city’s science-based emission reduction target can be achieved. Many city governments may be tempted to concede that the set targets are not realistic or possible, and proceed to set a lower target. With the climate budget, however, failure is not acceptable. It is mission-driven government in practice—akin to the example of

President Kennedy pledging to put a man [sic] on the moon, before the technology to achieve such a feat had been invented, thereby forcing NASA to find a new way of working.

Climate Budget in Action

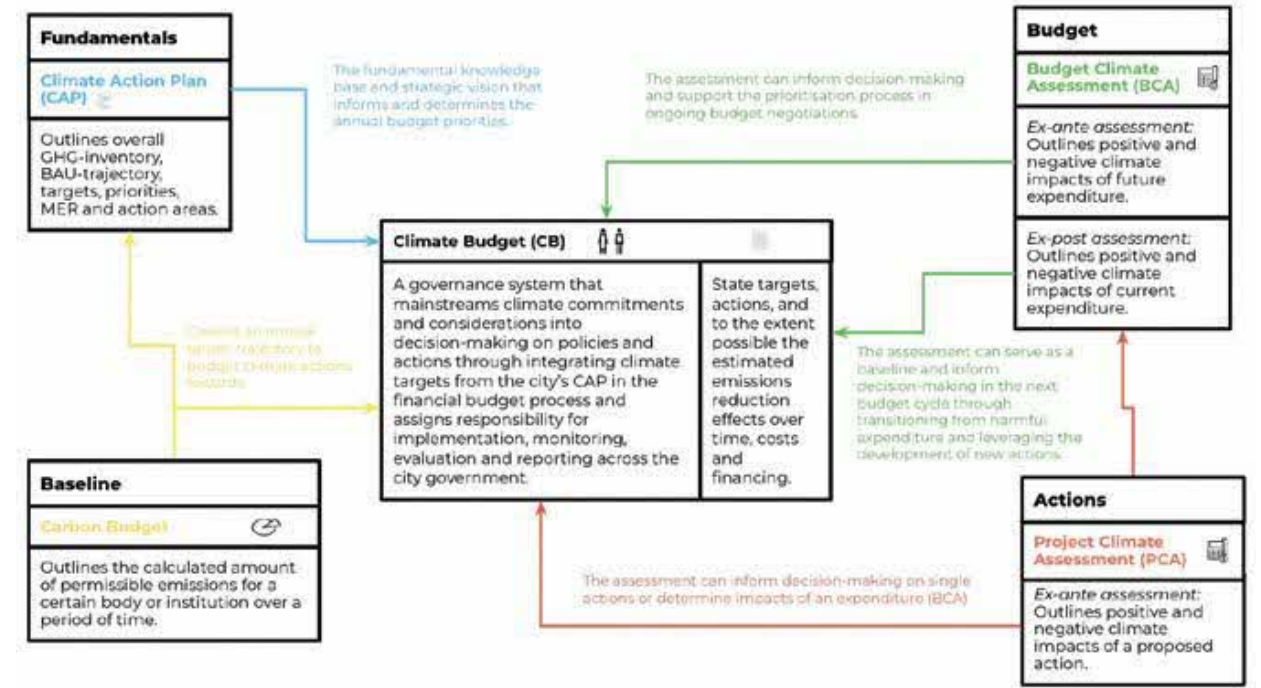
One of the benefits of a climate budget is that it can ensure various agencies take responsibility for climate action within their sector. This is done by incorporating all aspects of city governance, from procurement and contracts to training and job descriptions, into the budget.

In Oslo, the city which first pioneered the climate budget system, the Agency for Urban Environment, Agency for Improvement and Development, and Agency for Climate work together to establish loading bays, freight consolidation centres, charging infrastructure, city procurement of freight services, and financial incentives.

Every year, the city calculates the emissions reductions then zeroes in on the highest emitting sectors. Departments overseeing the offending sectors are then instructed to identify and propose new actions. These are negotiated and adopted as part of the ordinary budget process. For each measure, lines of responsibility are established, costs are estimated, and sources of financing are identified. This system helps to identify and address gaps quickly and ensure delivery plans are reviewed and improved.

The Difference Between Climate Budgets and Carbon Budgets

A carbon budget is a physical measure of the amount of carbon dioxide emissions permitted over a period of time to keep within a certain temperature threshold, while a climate budget is a governance system in which science-based climate goals are incorporated into a financial budget.



The graphic showcases the components of climate budgeting, and how they can connect and inform one other. Image: C40

Measures brought about by the climate budget have also improved liveability for the residents of Oslo. Expanding the city’s network of cycling lanes by 100 km has resulted in a 51% increase in cycling, and improved safety for cyclists and pedestrians. Since 2019, there have been zero pedestrian and cyclist deaths. At the same time, Oslo also boasts the highest levels of electric car use outside of China. This is due in part to the city government’s efforts in making sure that electric charging stations are widely available. Beyond road users, innovative government regulations have also led to the rise of electrified construction equipment, making construction sites cleaner and quieter.

To share its experience, Oslo conducted a two-year climate budgeting pilot programme with 12 cities under the C40 programme—Barcelona, Berlin, London, Los Angeles, Milan, Montréal, Mumbai, New York, Stockholm, Paris, Rio de Janeiro, and Tshwane. At the time of writing, London, Mumbai, and New York have already published their climate budgets, with more to follow.

Ensuring the Success of Climate Budgeting

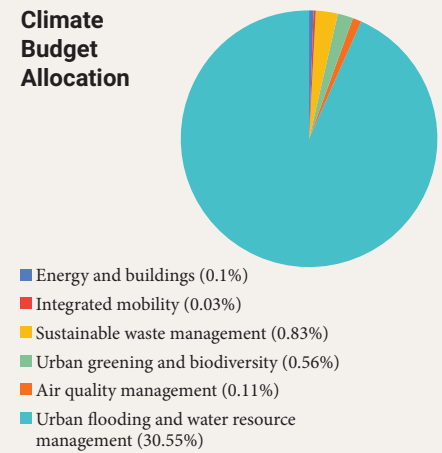
A number of key considerations can ensure the success of climate budgeting in a city:

- **Political leadership** is the single most important factor in establishing and sustaining a climate budgeting system. Top-down direction and continuous support provides the space, resources, and legitimacy for leading departments to take ownership and helps to facilitate necessary conversations between departments. Climate budgeting works best when leaders remain actively engaged in the process. Providing progress reports to leaders throughout the administration allows informed decision-making across different governance levels.
- **Leveraging of existing mechanisms** to reach and engage other departments, especially those for whom climate policy is new. Integrating climate in the financial budget process sends a powerful signal that these considerations should be included in all

Mumbai

Mumbai launched its climate budget in June 2024, using it as a governance system to deliver the city's Climate Action Plan. It was developed in collaboration with more than 20 departments, creating an opportunity to link every decision towards their climate goals. The budget covers both mitigation and adaptation, and has assessed co-benefits for all actions.

Climate Budget Allocation



Mumbai's Climate Budget Allocation.
Image: Mumbai Climate Budget FY 24-25

London

London uses a phased approach to implement its climate budget:

- Year 1 – review of the city's own operations.
- Year 2 – incorporate emissions for the whole of London, including areas the city government is not directly responsible for.
- Year 3 – include embodied emissions from supply chains.

London is also considering adaptation measures in their climate budget. This involves reviewing their experiences and doing an annual review to improve and expand upon their approach.



London City Hall.
Image: Foster and Partners

decisions. It also opens the way for cities to deliver, monitor, and report on climate action in the same budget reporting process as other strategic priorities.

- **Solutions-driven approach** Building on existing skills and capacity to promote emissions reduction and boost resilience. Every city has a unique set of stakeholders, resources, and processes. Fostering inter-departmental collaboration through cross-disciplinary teams can accelerate action.
- **Phased implementation approach** Identify where the city is and where it wants to go. Consider a phased implementation approach, beginning with emissions and measures within

the administration's control, then target the biggest emissions sectors and sources in the city context. The city may begin by tackling key hazards or work within important sectors for adaptation resilience.

- **Customisation** of the climate budget to local context and priorities. Embed it in the existing systems and solve challenges where the impacts of the climate crisis are experienced locally. Track progress and adjust course if needed.
- **Shared ownership** Ensure co-ownership and early involvement of key stakeholders. Climate budgeting connects a city's climate and finance departments and involves effective



Mark Watts and Erik Lae Solberg, Governing Mayor of Oslo. C40 mayors are at the forefront of climate leadership, driving the issue of climate action at the front and centre of local policies.
Image: C40

coordination with others. The Chief Financial Officer should take a leading role, and the city could consider establishing cross-departmental working groups to help maintain clear roles and responsibilities within the process.

- **Knowledge exchange** Embrace external stakeholders and participate in knowledge sharing activities. Cities can benefit from strong relationships with allies outside the administration. A key enabler is to convene all the relevant actors, including the private sector and civil society.

Climate budgeting is not a technical or a box-ticking exercise. It requires political courage to be transparent in what is done and what is needed. Climate budgeting should be the backbone of the organisation helping to steer decisions in the needed direction. As climate budgeting is universally applicable, it can be taken up by regional and national governments to support large-scale, rapid climate action. Cities have demonstrated how the system utilises a government's strengths to deliver results for both climate and people. Most of all, climate budgeting holds leaders accountable for delivering on climate goals in current and future administrations. 🌱