The European Committee of the Regions calls for green investments to be exempted from the public deficit calculation

PUBLISHED JUN 29, 2022
BY EUROPA

On Thursday, the European assembly of regional and local representatives adopted a series of recommendations to support the implementation of green budgets at local and regional level. The recommendations were prepared at the request of the French presidency of the Council of the European Union. The rapporteur for the opinion is Vincent Chauvet (FR/Renew Europe), Mayor of Autun and member of the Green Deal working group of the European Committee of the Regions. The Committee calls on the European Commission and the Member States to exempt green investments from the regional public deficit calculation and to establish effective, participatory and transparent green budgeting, with a clear methodology linked to specific environmental performance indicators.

Local and regional authorities are on the front line when it comes to climate change, biodiversity loss and increasing air, water and soil pollution. With constantly shrinking budgets and steadily rising energy and fuel prices due to the war in Ukraine, it is a major challenge for cities and regions to fund and implement measures and projects for adapting to climate change.

During the presentation of the opinion on The implementation of green budgets at local and regional levels, the rapporteur, Vincent Chauvet (FR/Renew Europe), pointed out that "Climate change has a big economic impact, with ever higher environmental costs. Cities and regions have a pivotal role to play in delivering the inclusive green transition. The Member States and the EU are all responsible for supporting local and regional authorities by means of direct financing and tangible measures. We urgently need to agree on a common definition of green budgeting and a structured but flexible European framework which will help align budget items with climate and

environment objectives. The green transition will either take place at local level - or it will not take place at all." Mr Chauvet will be a member of the European Committee of the Regions' delegation to the next global climate conference organised by the United Nations in November in Egypt (COP27).

The European Committee of the Regions also advocates efficient, participatory and transparent green budgeting, which will make it possible to evaluate the "greenness" of the public budget and help boost the number of green projects. It calls on the public authorities to arrange external audits, to publish the findings with a view to bolstering public confidence and to establish a participatory approach to green budgeting so as to enable the public, and in particular young people, to manage part of the annual budget for the implementation of green projects.

The EU's assembly of regional and local representatives also calls for the creation of a cross-authority cooperation platform to build the capacity of local and regional authorities for greening their budget and aggregating small-scale projects with a view to creating economies of scale and exchanging good practices.

The Committee considers that a list of green and neutral budget items needs to be drawn up. In terms of taxation, Mr Chauvet argues for green budgeting devised at local and regional level, focusing on outgoings and income. Initially, he calls for outgoings only to be evaluated.

The opinion adopted by the Committee calls on the European Commission and the Member States to exempt green investments from the regional public deficit calculation and from the debt limit "golden rules".

The Committee members agreed that green bonds have the potential to increase support for investors in low-carbon projects.

The Committee highlighted the need to balance green budgeting with social objectives in order to redistribute resources towards the most vulnerable members of society, particularly low-income households and struggling businesses which are finding it very hard to cope with the steep increase in energy and fuel prices. The Committee opinion therefore proposes applying the "polluter pays" principle more rigorously so as to avoid social inequality.

In May 2021, the European Commission roughly defined "green budgeting" as a "budgetary process whereby the environmental contributions of budgetary items are identified and assessed with respect to specific performance indicators, with the objective of better aligning budgetary policies with environmental goals".

According to the OECD, 55% of public expenditure and 64% of public investments linked to the climate and environment are carried out by subnational tiers of government.

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Press release distributed by Wire Association on behalf of Europa, on Jun 29, 2022. For more information subscribe and follow us.

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