

The role of CFP in Green Budgeting: Strengthening Depth, Transparency and Credibility

Noémia Goulart
Amílcar Sousa



October 21st, 2026

Mission and tasks of the Portuguese Public Finance Council (CFP)



Portuguese IFI was created in 2011, following the amendment to the Budgetary Framework Law

Mandate:

- Assessment of the macroeconomic scenarios and the consistency of budget projections with those scenarios;
- Assessment of compliance with the fiscal rules;
- Analysis of public debt dynamics and its sustainability;
- Analysis of dynamics of commitments, special emphasis on pensions and health systems and public-private partnerships and concessions;
- Assessment of the financial position of regional and local governments;
- Assessment of the economic and financial situation of public corporations;
- Analysis of tax expenditure;
- Monitoring of the budget outturn.

Green dimension as an extension to existing principles of fiscal sustainability and fiscal transparency



- CFP started to address climate issues, including a specific section in the 2021 Fiscal and Sustainability Risks Report.
- In 2022 greater emphasis was given to climate change in the Portuguese economy and impact on public finances:
 - In CFP regular publications
 - New research dedicated to this theme;
 - CFP organized with University of Evora a Conference on Green Budgeting, thereby stimulating the debate in the Portuguese society and academy.

Research published by CFP staff in 2022



Climate change: macro-fiscal risks and challenges

<https://www.cfp.pt/en/publications/other-publications/climate-change-macro-fiscal-risks-and-challenges>

The climate dimension of fiscal policy sustainability: best practices in Green Budgeting and lessons for Portugal

<https://www.cfp.pt/en/publications/other-publications/the-climate-dimension-of-fiscal-policy-sustainability-best-practices-in-green-budgeting-and-lessons-for-portugal>

The Green Budget

<https://www.cfp.pt/en/publications/other-publications/the-green-budget>

Contraciclo (Blog)

[CFP's Blog | Portuguese Public Finance Council](#)

CFP occasional paper

Climate change: macro-fiscal risks and challenges



Approach:

1. Map the problem of climate change in the Portuguese economy and understand its scope in public finances.
2. Main concepts underlying climate change and theoretical channels of transmission to the economy.
3. Existing empirical evidence for Portugal.
4. Analysis of GHG emissions and vulnerability/exposure to climate change indicators.
5. Planning tools and financial instruments adopted in Portugal.
6. Financial dimension of climate change policies in Portugal.

CFP occasional papers on Green Budgeting

The climate dimension of fiscal policy sustainability: best practices in Green Budgeting and lessons for Portugal



Approach:

1. Green dimension of fiscal policy
2. Green Budgeting
 - Definition, context, tools and methodology (Green tagging)
 - Purpose and advantages:
 - Budget transparency adding to the (usual) financial dimension by disclosing the impact of the budget on the environment;
 - Accountability of decision makers concerning climate goals;
 - Informed, evidence-based debate on sustainable growth.
 - Institutional Framework.
 - Reporting process.
3. Best practices: Green budgeting, common principles by EC, IMF & OECD in 2021
4. Case studies: France, Ireland, Finland, Italy and Sweden

Portugal: Steps taken



Institutional Framework:

- **Climate Framework Law** (approved in 2021)
 - Establishes citizens' right to climate balance and commits Portugal to climate neutrality by 2050.
 - Creates the **Climate Action Council** as an independent advisory body.
 - Creates the **Climate Action Portal**, allowing citizens to monitor all relevant information.
 - Sets out guidelines on the budgetary process and green taxation, as well as actions to be undertaken in budget programming.
- **Agency for Climate** (2025)
 - Incorporates services transferred from the former General Secretariat of the Ministry of the Environment.
 - Responsible for implementing RRP investments carried out by the Environmental Fund and the Blue Fund.

Portugal: Steps taken



Strategic Framework:

- **National Energy and Climate Plan (PNEC 2030)**, approved in 2020 and revised in 2024:
 - **Greenhouse gas emissions:** 55% reduction by 2030 compared with 2005.
 - **Carbon neutrality:** target brought forward to 2045.
 - **Renewable energy:** 51% of gross final energy consumption by 2030, recently revised down to 49% by the Council of Ministers.
- **National Roadmap for Adaptation 2100 (RNA 2100)**, developed 2020-2023
 - **Vulnerability and climate risk assessment** up to 2100 under three climate scenarios.
 - Expected **climate impacts on economic sectors**, to inform both macro- and microeconomic decision-making.
 - Provides regional **adaptation narratives and guidelines** for integrating adaptation into spatial planning, notably municipal master plans.
- **Social Climate Plan (2026)**
 - €1.6 billion proposal, to be implemented by 2032, to support a **just energy transition** and protect most vulnerable groups against rising fossil fuel costs.



Portugal: Steps taken

Green policy instruments and tools:

FISCAL INSTRUMENTS:

- **Green Taxation Reform** in 2014
- **Carbon tax** in 2016
- **Environmental Fund** in 2016 (earmarked fund; financing vehicle)

BUDGETARY TOOLS:

- **RRP** climate allocation of 37.9% of the €16.6b to climate dimension in 2021 (*first tagging*)-revised up to 41,2%
- **State Budget** tagging in 2023

Green policy instruments and tools:



CLIMATE FRAMEWORK LAW, main fiscal elements:

- **Integration of climate scenarios** in macroeconomic forecasts
- **State Budget account** , consolidation of climate policy measures and appropriations
- **Green taxation**
- **Public investment and assets**, strategic climate risk assessment.

Article 29 (Climate Law)

Budget programming

1 – Without prejudice to its inclusion in several sectoral budgetary programmes, the budget appropriation for climate policy purposes should be consolidated in a State Budget account.

2-The Government ensures the integration of climate scenarios in the models that underlie the forecasts and macroeconomic scenarios that underpin the State Budget, which should explicitly include a forecast of greenhouse gas emissions for the economic year to which it relates.

3-The **State Budget** report shall:

- a) **Identify the measures to be adopted** by the Government in the field of climate policy;
- b) Indicate the consolidated budget allocation to be made available for the implementation of climate policy **in the various budgetary programmes**; and
- c) Provide an **estimate of the contribution** of the measures to the implementation of the goals provided for in this law.

4-The General State Account report shall:

- a) Identify the measures implemented by the Government on climate policy;
- b) Indicate the consolidated budget implementation of the climate action initiatives of the various budgetary programmes; and
- c) Provide an estimate of the savings achieved or expected in greenhouse gases for each of the measures.

5-The CAC issues an opinion on the State Budget and on the General State Account, under the terms of this law.

Portugal: a possible roadmap to Green Budgeting



CFP Recommendations in 2022:

- i. **All the procedural steps** necessary for the preparation of a Green Budget (including green tagging of public expenditure and revenue) should be **incorporated in the Budget Framework Law**;
- ii. **Appointing a coordinating entity for green budgeting:** Directorate-General for Budget (DGO), to work closely with the line ministries, particularly with the Ministry of the Environment;
- iii. **Operationalization of the Climate Action Council (CAC)**, whose composition should also include the independent fiscal institution.

Regular publications:

- i. An **annex to the State Budget Proposal including information on green tagging (expenditure and tax expenditure)**, cost-benefit analysis of proposed policy measures, and a forecast of the impact of the state budget proposal on the emission of greenhouse gases;
- ii. **Ex-post assessment** of the execution of environmental expenditures and revenues;
- iii. A tagging annex to the **Tax Expenditure Reports**;
- iv. Publication of all relevant climate and environmental data in **a public portal** (as already envisaged in the Portuguese Climate Law).

Steps taken by Portugal in the State Budget



Portugal: Steps taken in the State Budget 2023



- **Preliminary exercise** to cope with Climate Framework Law obligations
- CG entities that submitted their budget for 2023 were asked to identify **measures** that contribute to climate change mitigation and adaptation
- Measures categorized as "**Green**" (in case of alignment), "**Yellow**" (aligned aspects and aspects that need improvement) or "**Red**" (needs improvement).
- **Only 48% of CG entities** identified measures that complied with those requirements
- **Measures with positive impact** in climate change mitigation and adaptation = **€2520 million**
 - 72% allocated to climate change **mitigation**
 - 75% **Environment and climate action** programme
 - 76% **Energy/Mobility** category
 - 92% destined for **general population**

CFP assessment

Analysis of the Draft State Budget for 2023 (cfp.pt)



Noted the need for the following improvements:

1) **Methodology** not aligned with international conventions:

- Colors adopted not aligned with the international standards (data on "yellow" and "red" contribution should be disclosed too)
- Focus on measures, not on public expenditure

2) The **methodology and guidelines should be disclosed** to ensure harmonization, transparency and comparability of the data.

3) SB/2023 represents only a **preliminary step towards Green Budgeting**, still a long way to go.

Portugal: Steps taken in the State Budget 2024

- Start of application of “**tagging**” methodology
 - Use of “Green”, “Brown”, “Mixed” and “Neutral” categories for tagging expenditure
- **Wider coverage:**
 - Expenditure of 3 pilot programmes (Environment, Infrastructure, Agriculture)
 - All climate and **environmental** goals of the EU taxonomy
 - Mitigation and adaptation to climate change
 - Water resources / Transition to circular economy / Pollution prevention / Biodiversity protection
- Favourable and unfavourable expenditure **breakdown by Programme and COFOG classification**
- **Execution data reported** in the General State Account 2024

Portugal: Steps taken in the State Budget 2024



- **Methodology disclosed** (SB's «Informative and supplementary elements»)

CG's expenditure **excluding the following items :**

- Compensation of employees (except if exclusively allocated to green/brown projects)
- Taxes, social security contributions
- Budgetary reserve (doesn't have a pre-established purpose)
- Current and capital transfers between CG entities (consolidated expenditure)
- Interest paid
- Specific expenditures (commissions and court decision costs)
- Expenditure related to pension funds and insurance companies
- Transfers to the EU
- Financial liabilities and extra-budgetary expenditures

“Elegible expenditure” to be tagged as “Green”, “Brown”, “Mixed”, “Neutral” or “Not classified” (insufficient information available)

CFP assessment

Analysis of the Draft State Budget for 2024 (cfp.pt)



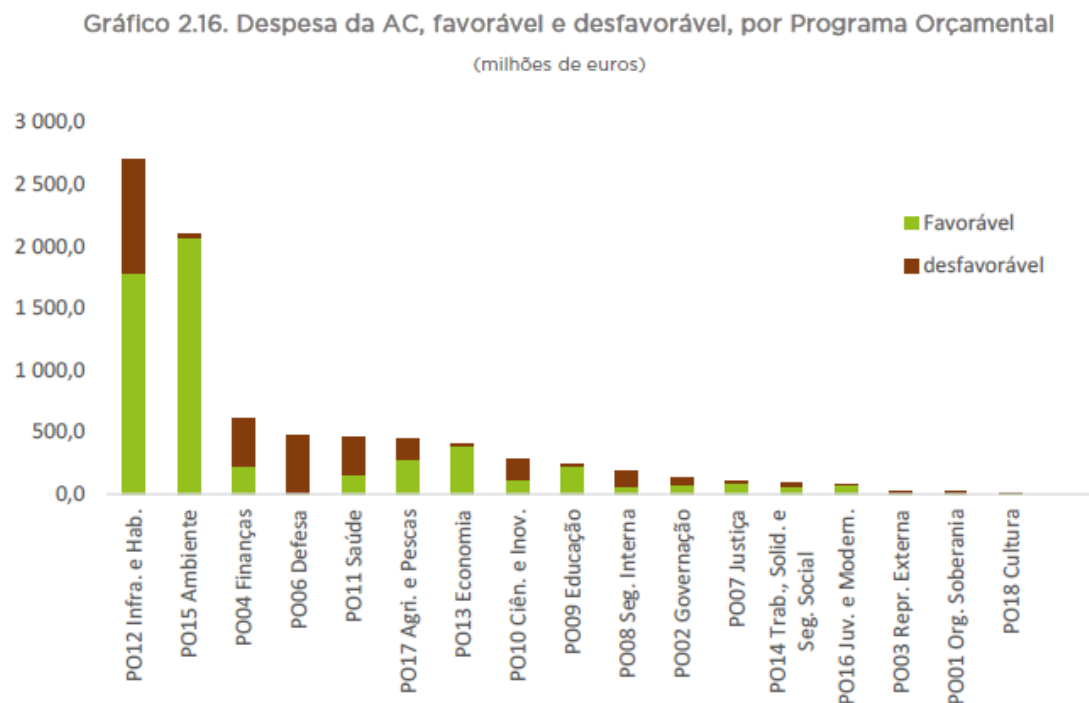
Noted the need for the following improvements:

- 1) **Only 3 budgetary programmes were covered**
- 2) **Methodology should be aligned with international conventions:**
 - Data of non green expenditure presented in an aggregated way (mixing unclassified expenditure with “brown”, “grey” and “mixed” expenditure)
 - Low level of information granularity: not possible to classify a significant % of expenditure
 - Public revenue and fiscal expenditure not covered
- 3) **No performance indicators yet:** not possible to draw conclusions about the contribution of green expenditures to climate and environmental policy objectives

Portugal: Steps taken in the State Budget 2025



- New budgetary items to identify expenditure financed by “**Green Treasury Bonds**”
- **Application of the “tagging” methodology to all budgetary programmes**
- CG’s favorable and unfavorable expenditure with **full breakdown by budgetary programme**



Fonte: Ministério das Finanças

Portugal: Steps taken in the State Budget 2025



- **Methodology** changes

- **Exclusion of the following items:**

- Compensation of employees (**except if related with green jobs in OECD's definition** (jobs which include tasks that align with environmental goals or require green skills) **and brown jobs**)
 - Taxes, social security contributions
 - Budgetary reserve (doesn't have a pre-established purpose)
 - Current and capital transfers between CG entities (consolidated expenditure)
 - Interest paid
 - Specific expenditures (commissions and court costs)
 - Expenditure related to pension funds and insurance companies
 - Transfers to the EU
 - Financial liabilities **and financial assets**
 - Extra-budgetary expenditures

CFP assessment

Green Budgeting and the Climate Perspective in the SB/2025 @ CFP's Blog (cfp.pt)



Noted the need for the following improvements:

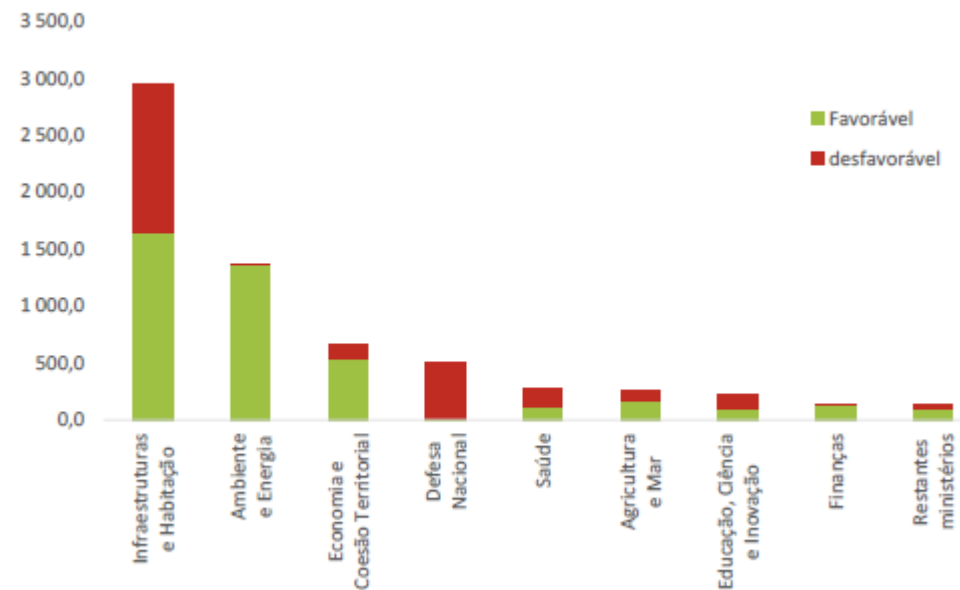
- 1) **Exercise with limited effectiveness:** only 8.4% of total CG expenditure projected for 2025 was eligible
- 2) **Public revenue and fiscal expenditure still not covered**
- 3) **A step back in budgetary transparency and accountability:** figures for each budgetary program were not disclosed (only by COFOG classification)
- 4) **No performance indicators yet:** not possible to draw conclusions about the contribution of green expenditures to climate and environmental policy objectives

Portugal: Steps taken in the State Budget 2026



- **No relevant progress to point out**
- But a step back: graphic with CG's favourable and unfavourable expenditure by Ministry (not by Programme) and displaying only 8 Ministries

Gráfico 7.3. Despesa da Administração Central, favorável e desfavorável, por Ministério
(milhões de euros)



Fonte: Ministério das Finanças

Portugal: Steps taken in the State Budget 2027



Positive steps:

- **Favorable revenue included** for the 1st time (€5529 million of taxes and charges on goods and services that have a potential negative impact on the environment)
 - 69% related to tax on petroleum and energy products (including carbon tax)
 - Majority contributes to goals of climate change mitigation and of pollution prevention and control
- Graph of CG's favorable expenditure with **breakdown by climate and environmental goals**

Gráfico 7.4. Despesa favorável da Administração Central por objetivo ambiental
(milhões de euros)

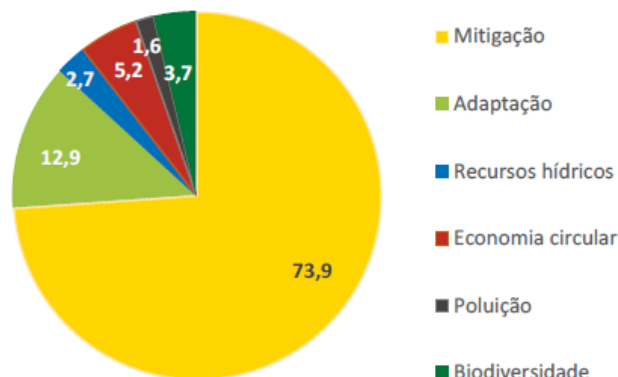
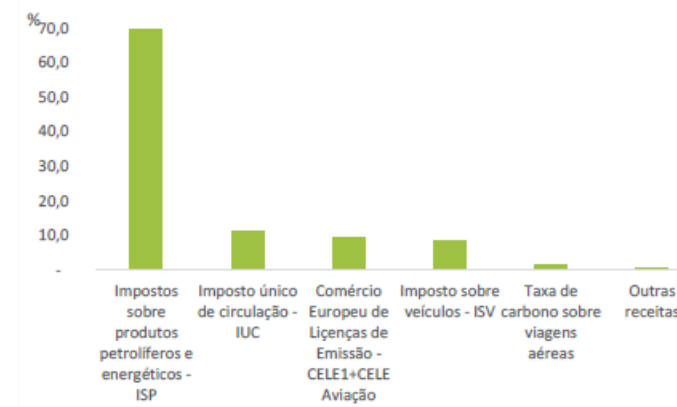


Gráfico 7.6. Receita verde
(percentagem do total)



Portugal: Steps taken in the State Budget 2027

Negative steps:

- No tables, only graphs
- No figures disclosed (neither by budgetary program, nor by COFOG classification)

Methodology changes

Items excluded:

- Budgetary reserve and **Provisional appropriation**
- Current and capital transfers between CG entities (consolidated expenditure)
- Interest paid
- Specific expenditures (commissions and court costs)
- Expenditure related to pension funds and insurance companies
- Extra-budgetary expenditures

No longer exclusion of:

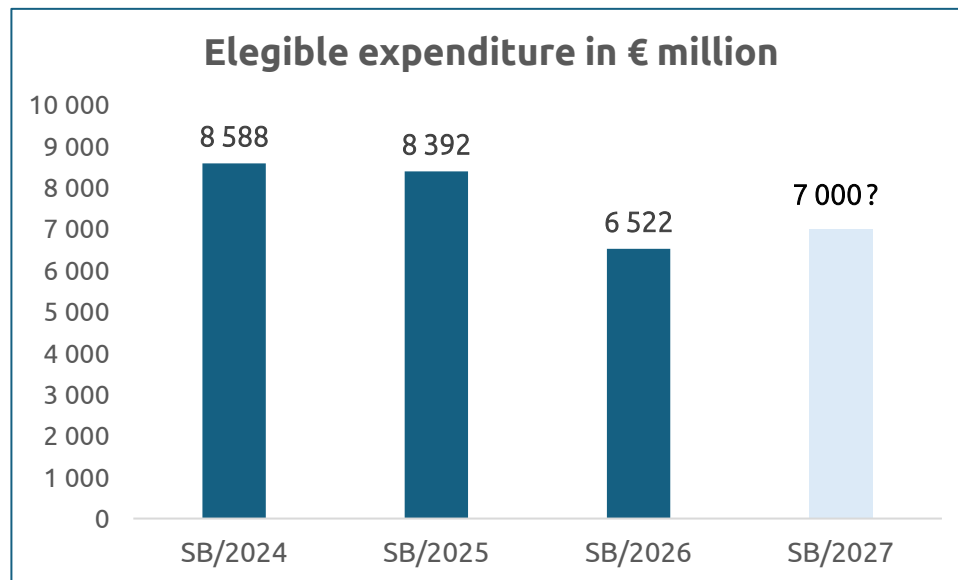
- Compensation of employees
- Social security contributions
- Transfers to the EU
- Financial liabilities and financial assets

Green Budgeting in Portugal: some figures

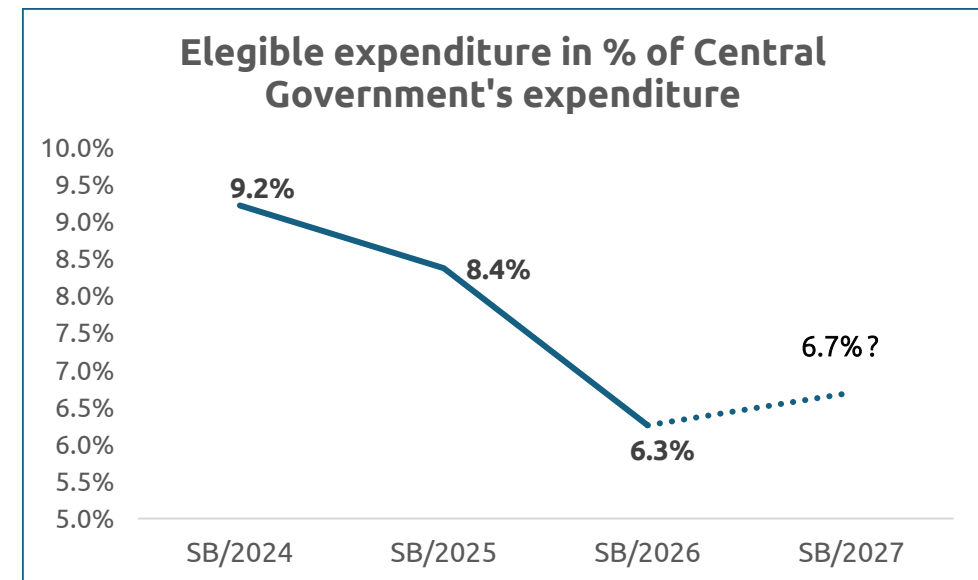


Eligible expenditure

Decreasing in € million



Decreasing in % of CG's expenditure



Note: The exact figures of SB/2027 were not disclosed by the Ministry of Finance

Green Budgeting in Portugal: some figures



A more detailed analysis can only be made by COFOG classification:

- Programmes with more eligible expenditure: **Economic affairs** and **Environmental protection**
 - These two correspond to 80% in SB/2024; 70% in SB/2025 and SB/2026
- **More favourable than unfavorable expenditure** (except in SB/2024)
- Unfavorable expenditure mainly corresponds to **not classified expenditure!**

COFOG	SB/2024			SB/2025			SB/2026		
	Favourable	Unfavourable	Total	Favourable	Unfavourable	Total	Favourable	Unfavourable	Total
01 - General public services	17	67	84	392	132	524	191	99	289
02 - Defence			0	6	445	452	9	467	476
03 - Public order and safety			0	158	159	317	38	31	69
04 - Economic affairs	2381	4196	6577	2155	1425	3580	2161	990	3151
05 - Environmental protection	709	1202	1912	2396	12	2408	1533	4	1537
06 - Housing and community amenities	4	10	15	28	49	76	12	462	474
07 - Health			0	166	296	462	120	159	279
08 - Recreation, culture and religion	2		2	19	5	24	17	4	20
09 - Education			0	346	188	533	102	118	220
10 - Social protection			0	11	5	16	3	5	8
Total	3113	5476	8588	5677	2715	8392	4184	2338	6522
<i>Proportion of total</i>	36.2%	63.8%	100.0%	67.6%	32.4%	100.0%	64.2%	35.8%	100.0%

Green Budgeting in Portugal: some figures



YoY change:

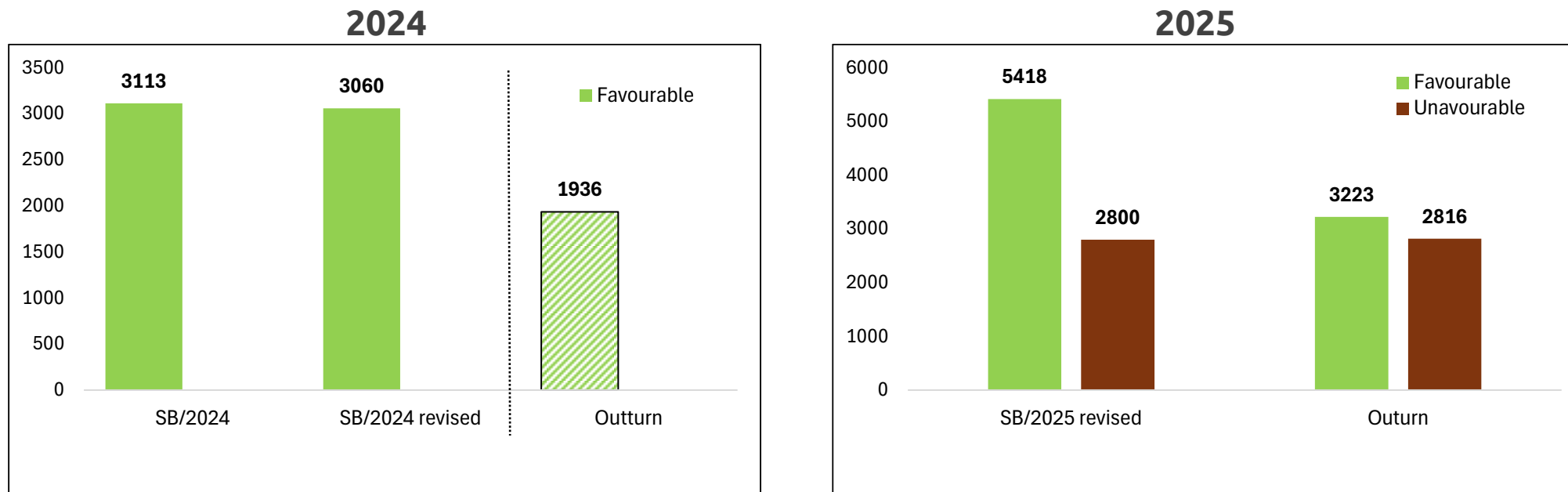
- SB/2024 covered only 3 programmes but still had more eligible expenditure than in SB/2025
- **Another decrease in SB/2026, mainly in favourable expenditure** but also in unfavourable
 - Decrease of favourable expenditure mainly in «Environmental protection»
 - Decrease of unfavourable expenditure mainly in «Economic affairs»; increase in «Housing and community amenities»

COFOG	2025/24 change			2026/25 change		
	Favourable	Unfavourable	Total	Favourable	Unfavourable	Total
01 - General public services	376	65	441	-202	-33	-235
02 - Defence	6	445	452	3	22	25
03 - Public order and safety	158	159	317	-120	-128	-248
04 - Economic affairs	-226	-2771	-2996	6	-436	-430
05 - Environmental protection	1687	-1191	496	-863	-8	-871
06 - Housing and community amenities	23	38	62	-15	413	398
07 - Health	166	296	462	-47	-137	-184
08 - Recreation, culture and religion	17	5	22	-2	-1	-3
09 - Education	346	188	533	-244	-70	-314
10 - Social protection	11	5	16	-8	0	-8
Total	2564	-2761	-196	-1493	-377	-1870

Green Budgeting in Portugal: some figures



Forecast vs. Execution



- 2024: **favourable expenditure fell short** of forecast (- €1124 million; execution rate: 63%)
- 2025: **unfavorable expenditure slightly exceded** the forecast (+ €17 million) and favourable expenditure fell short of the revised forecast (- €2195 million; execution rate: 59%)
- Deviations in favorable expenditure occurred mostly in the **transport area in 2024** and in the **environmental protection area in 2025**

Climate Framework Law in the State Budget



- Initiatives have been decreasing
- Appropriations reached a **record in SB/2027**, but the path is uneven
- Primarily **Mitigation expenditure**
- No information on ongoing or new measures
- No execution data is disclosed in the General State Account report
- Without execution data and **performance indicators**, the contribution of these measures to climate objectives cannot be assessed.

Year	Number of Measures/Initiatives	Aproppiation for Measures	(%) Adaption	(%) Mitigation
2023	616	2519.5 M€	28.3	71.7
2024	898	3014.0 M€	31.8	68.2
2025	206	2301.5 M€	45.1	54.9
2026	80	2751.4 M€	30.1	69.9
2027	267	3677.2 M€	17.0	83.0

What's next?



Portugal: what needs to be done



Against (OECD, 2021) benchmark - following elements are still missing:

- i. **Green tagging** of budgetary items;
- ii. **Environmental cost-benefit analysis** of the fiscal policy measures to be implemented;
- iii. **Assessment of the State Budget's environmental performance**;
- iv. **Auditing of the State Budget** along the same principles;
- v. **Regular reviews of tax expenditure and subsidies** according to their impact on climate and environment;
- vi. General Government **spending review from a green perspective**;
- vii. **Quantification of greenhouse gases** associated with the State Budget and with each of the new fiscal policy measures;
- viii. Inclusion of **climate and environmental considerations** in long-term **fiscal sustainability** analyses;
- ix. Adoption of a **green balance sheet**, which includes assets and liabilities related to the country's natural resources.

Portugal: what needs to be done



Against (EC, OECD, IMF, 2021) – common tools and institutions:

- i. **Medium-term fiscal and budgetary frameworks**
- ii. **Climate fiscal risk management**
- iii. **Green budget tagging**
- iv. **Performance and impact assessments**
 - i. Performance frameworks
 - ii. Policy evaluations
 - iii. Green spending reviews
- v. **Accounting and reporting**
- vi. **Institutional design:** institutional coverage and independent oversight (CCA, IFI, CoA)

OECD Green budgeting framework: the role of CFP



#	Practice	OECD building block	Budget cycle stage	CFP entry point
1	Green perspective in medium-term plans; climate forecasts integrated in macro-fiscal government forecasts	Tools: green medium-term budget framework	Planning / formulation	Yes – existing mandate on macro-fiscal forecasts
2	Climate change and environmental fiscal risks to public finance sustainability	Tools: climate fiscal risk assessment	Planning / sustainability analysis	Yes – existing mandate on fiscal sustainability
3	Ex-ante and ex-post evaluation of the impact of environmental policies, systematically used in budget decisions	Tools: environmental impact assessment	Formulation and ex-post evaluation	No
4	Green perspective in the spending review, aligned with environmental and climate policies	Tools: green spending review	Review / evaluation	No
5	Green accounting	Accountability and transparency	Execution / reporting	Yes – independent assessment
6	Instructions, training and coordination	Enabling environment: budgetary governance	Cross-cutting	No

Portugal: overall assessment of Green and Climate Budgeting



1. Pre-conditions for effective Green Budgeting not yet met:

- **Legal Framework:** Incorporation of the Climate Law fiscal dispositions into the BFL: full integration of GB and CB in the **budgetary process** (*currently being revised*).
- Implementation of a **Green PFM System** by incorporating Green considerations into:
 - Different stages of the budget cycle (strategic planning, budget, execution, reporting and auditing),
 - Fiscal framework, public investment management, procurement,
 - Performance indicators, programme budgeting,
 - Assessment of public policy impacts (*ex ante and ex post*).

2. GB practices so far:

- Improved understanding of how public expenditure contributes to **environmental and climate objectives**.
- Implementation has taken a step **backwards in terms of Transparency**
- Implementation of the **Climate Framework Law has plateaued**, although far from concluded.
- Link between **fiscal policy and climate goals** remains unclear.

Thank you!

