

Designing climate budgets in the Basque Country

Basque Country, Spain

Population: 2 million (2025)

GDP: €98 billion, 21% industrial
and energy sector (2024)

Annual Budget: over €16 billion
(2025).

Targets

- 2030 GHG emission reduction target of at least 45% (on 2005 levels)
- Climate neutrality by 2050 at the latest (aiming for 2045)



The challenge: incorporating the climate perspective in the regional budget

The Basque Country has a long history of working on climate change and the energy transition, from the first energy guidelines of 1981 to the current Energy Transition and Climate Change Act 1 of February 2024. The Act includes the objective of climate neutrality by 2050 at the latest – but aiming for 2045. The Act requires the Basque Country's General Budget to allocate at least 2.5% of the budget to climate change mitigation and adaptation measures, and to establish budget monitoring rules – including five-year impact analyses.

With climate budgeting, the government aims to increase the share of public resources for decarbonisation and climate resilience. This requires 'climate budget tagging': identifying which budget items have positive or negative climate and energy impacts. These insights enable the government to prioritise and redirect spending in line with its climate goals. It also helps to highlight contributions from different departments, demonstrate the scale of action across the administration, identify potential financing gaps, and strengthen access to external public or private funding by showing the region's commitment to climate action.



The initiative: creating a climate budgeting methodology

The Basque Country has introduced climate budgeting to integrate climate and energy considerations into its annual budget cycle.

What is climate budgeting?

Climate budgeting identifies, classifies and tracks spending and revenues that contribute to mitigation and adaptation, making clear if fiscal decisions align with climate goals. This strengthens transparency, accountability and the effective use of public funds. Common tools include climate budget tagging, performance indicators and dedicated reporting.

The Ministry of Industry, Energy Transition and Sustainability has developed a [methodological guide for climate budgeting](#). This work was carried out in close collaboration with Ihobe (Public Environmental Management Company), the Budget Office of the Ministry of the Treasury and Finances, EVE (Basque Energy Agency) and Orkestra-Basque Institute of Competitiveness (Deusto University), which provided technical guidance.

The methodology follows international green budgeting frameworks and is based on France's "green budget" approach, adapted to the Basque Country's budget structure and focus on climate change mitigation and adaptation. The analysis covers the expenditures of the General Administration and government-related organisations. It uses a classification grid to determine for each budget line if its impact on climate and energy is favourable, unfavourable, mixed, or neutral. Budget lines related to renewable energy for example, are generally 100% favourable, where items linked to fossil fuel use are 100% unfavourable. Some items, such as those related to environmental restoration, have partial weightings, where others, such as new railway construction, are 'mixed' as they support mitigation but can negatively impact biodiversity.

The methodology, together with the results of the budget analysis, were published on December 15th, 2025. The published report shows that spending for climate action measures have increased slightly over the three-year period 2023-2025, accounting for 1,9% of the budget in 2025, which reflects the need for greater effort to reach the 2,5% established by law.

“ The Basque Government is firmly committed to designing its budgets aligned with climate change mitigation and adaptation actions, and to allocate 2.5% of our General Budget to climate action. The aim is to advance towards a more sustainable Basque Country and, at the same time, help our industry become more competitive.

Participating in the Under2 Coalition's 'Next Generation Budgets' project has helped us to establish criteria, pinpoint the most appropriate methodology, and gain insights to engage with other stakeholders regarding green budgeting. It has been a great opportunity for the Basque Country to receive technical training and be part of a community sharing experiences with other regions.

Josu Bilbao Begoña

Deputy Minister for the Environment - Basque Government



Next steps

From now on, we will focus on standardizing the annual calculation of the climate budget during the preparation of the Basque Country's budgets. Our aim is to integrate climate budget analysis into the software used by the Basque Government for budget planning, while also providing straightforward guidelines and comprehensive training for ministries and civil servants. Currently, we are developing a training program to equip each department with clear instructions for calculating their contribution to the Basque Country's energy and climate budgets.

Get in touch

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