



Climate expenditure

November 2023

This publication is a summary of our letter, send to the Dutch Parliament, *Inzicht in uitgaven klimaatbeleid*, which was send to the Parliament on 25-1-2023, and is published on the website of the Dutch Court of Audit.

Central government is spending public money to reduce greenhouse gas emissions in the Netherlands. In recent years, the House of Representatives has raised questions and motions on several occasions to gain a fuller and better insight into expenditure on climate policy. The government has responded by presenting four annual statements on climate expenditure.

We have previously drawn your House's attention to the government-wide statement on climate expenditure contained in the draft 2021 budget of the Ministry of Economic Affairs and Climate Policy (EZK). Not all expenditure disclosed in that statement was consistent with the figures in the budgets of other ministries.¹

According to the Climate policy document, the government spends between €4 and €6.9 billion every year on climate policy measures.² The proposed establishment of a €35 billion Climate Fund can double annual expenditure on climate policy.³

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1. Netherlands Court of Audit (2020) *Aandachtspunten bij de ontwerpbegroting 2021 (begrotingshoofdstuk XIII) van het Ministerie van Economische Zaken en Klimaat* [Considerations on the draft 2021 budget (budget chapter XIII) of the Ministry of Economic Affairs and Climate Policy].
 2. At least €4 billion in 2021; at most €6.9 billion in 2024. EZK (2022) *Climate policy document 2022*.
 3. Between 2024 and 2030, about €5 billion in additional funding will be provided for climate policy. EZK (2022) *Tijdelijke regels inzake de instelling van een Klimaatfonds (Tijdelijke wet Klimaatfonds)* [Temporary rules on the establishment of a Climate Fund (Temporary Climate Fund Act)].

This substantial financial interest prompted us to audit how the government had informed your House about climate expenditure in recent years.

We concluded that:

- the various statements on climate expenditure were inconsistent with each other;
- ministries did not account for climate expenditure uniformly;
- there was no definition of climate expenditure;
- climate expenditure was not accounted for, or expenditure was misstated as climate expenditure.

In consequence, the House of Representatives does not receive consistent information on climate expenditure. We briefly consider these points in this letter.

Insight into current climate expenditure

The Climate Act requires the Minister for Climate and Energy Policy (K&E) to provide an insight into government expenditure on climate policy.⁴ On Budget Day, your House receives three statements on climate expenditure from three ministers. The Minister for K&E presents a statement in the draft Climate policy document; the Minister of Finance presents a statement in the Budget Memorandum and the Minister of EZK informs you by means of a statement in the Ministry of EZK's draft budget. Besides these three statements presented on Budget Day, the Minister of EZK also includes a statement in her annual report.

Inconsistencies in climate expenditure statements

Our audit found that the statements do not present a consistent picture of climate expenditure. Measures are included in some statements but not in others. Furthermore, the expenditure disclosed is not always consistent from one statement to another and the statements themselves do not consistently report certain tax facilities. The statements, moreover, are not prepared in a uniform manner.

No unequivocal statements or checks

Climate expenditure is incurred by, amongst others, the Ministries of EZK, the Interior and Kingdom Relations (BZK), Infrastructure and Water Management (I&W), Agriculture, Nature and Food Quality (LNV), and Finance. The three government-wide climate expenditure statements presented on Budget Day, however, are not

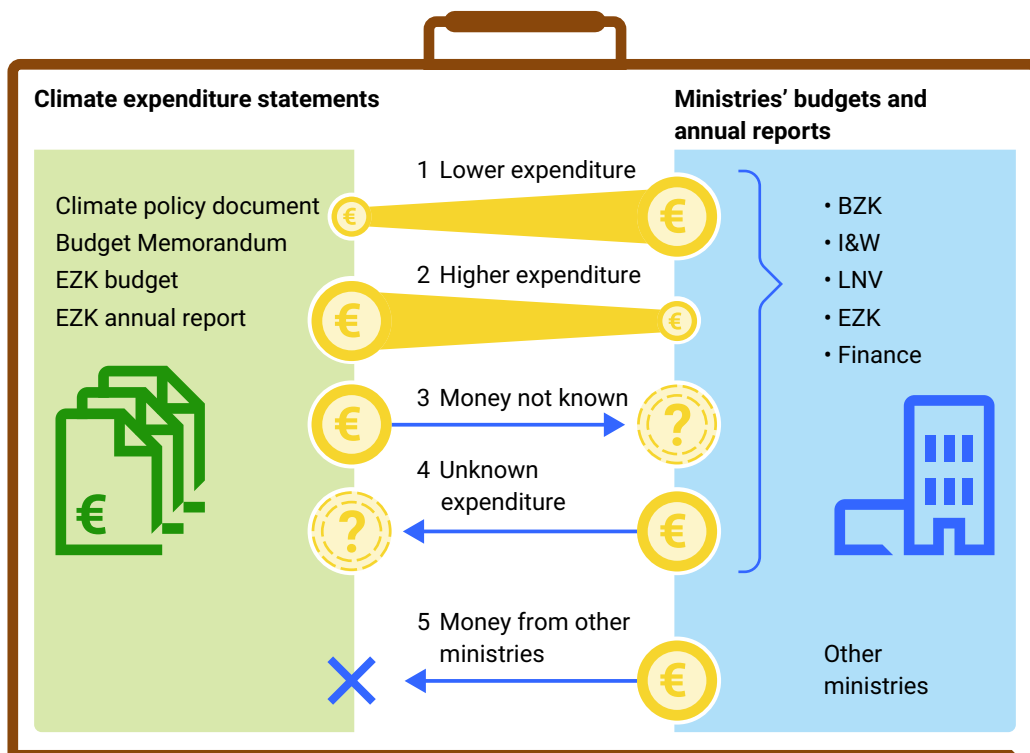
4. Act of 2 July 2019, containing a framework for the development of policy to irreversibly and gradually reduce Dutch emissions of greenhouse gases in order to limit global warming and climates change (Climate Act), section 7 (3) (c).

consistent with the budgets of the ministries that produce the figures (EZK, BZK, I&W, LNV and Finance). The expenditure disclosed in EZK's annual report is also inconsistent with the expenditure in the annual reports of the ministries that produce the figures. The difference are shown in figure 1.

Expenditure in the statements is sometimes lower and sometimes higher than expenditure in the underlying budgets and annual reports. The instruments and associated expenditure in the statements cannot always be seen in the underlying budgets, and vice versa. The differences can be significant: in some cases, 90% of the climate expenditure in a statement cannot be identified in the relevant budget or annual report. For some measures, the difference is as high as €200 billion a year.

Figure 1 Differences between the climate expenditure statements, budgets and annual reports

Climate expenditure statements inconsistent with budgets and annual reports of other ministries



The inconsistencies are due in part to the different ways in which ministries account for expenditure and disclose it in their budgets and annual reports. Furthermore, the ministries concerned do not always check that the data they provide are disclosed correctly in the statements.

Absence of definitions

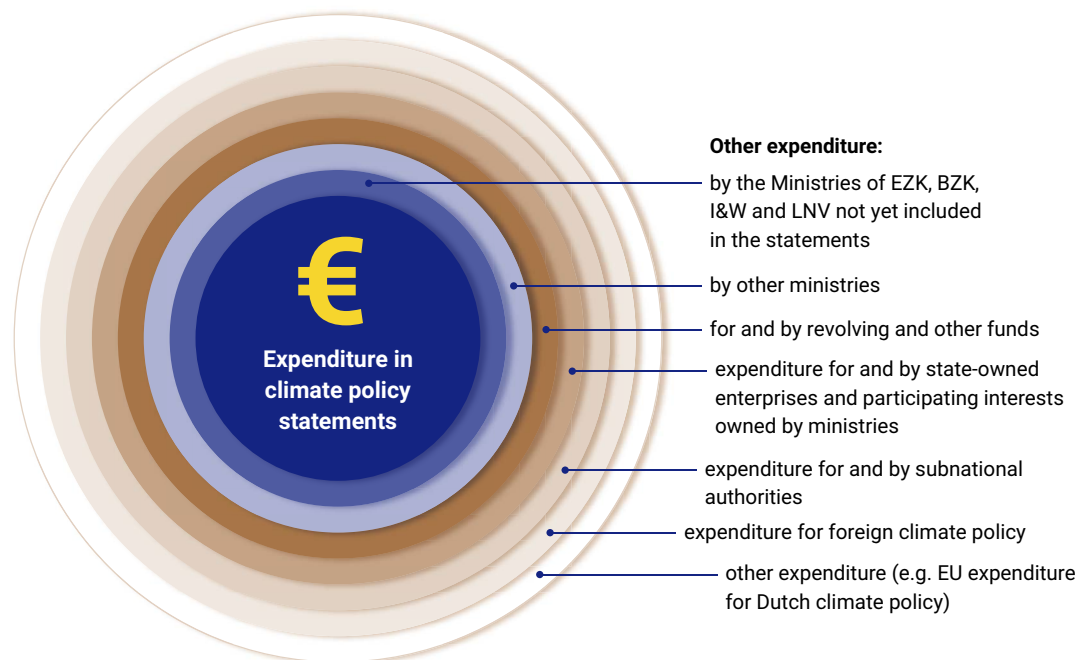
Until 2022, the ministries concerned disclosed only expenditure on a *list of measures* that the Ministry of EZK derived from the Energy Agreement for Sustainable Growth, the National Climate Agreement and the Urgenda funds. Since 2022, the Minister of EZK has used the climate expenditure statement to provide an insight into all climate policy. However, there are no clear definitions of climate policy and climate expenditure. Ministries are free to decide what measures they qualify as climate policy and what expenditure they recognise as climate expenditure.

Unknown climate expenditure?

The absence of clear definitions means some climate expenditure could be unknown. The Climate Act and the Climate Plan set the goal of reducing greenhouse gases by 95% by 2050 in comparison with 1990.⁵ Public money spent on every measure that contributes to the goal could be considered climate expenditure, but it is not disclosed in the climate policy statements. This expenditure is indicated in figure 2.

Figure 2 Climate expenditure that could qualify as reportable expenditure

In practice, more expenditure on climate policy than disclosed in the Climate policy document



5. Climate Act, section 2 and section 3 (2) (a); EZK (n.d.) Climate Plan 2021-2023.

This expenditure includes expenditure for and by revolving and other funds, state-owned enterprises and participating interests owned by ministries, subnational authorities and expenditure for foreign climate policy. We previously noted that it was difficult for your House to exercise its right to approve this expenditure because it was difficult to manage the amount of expenditure and there was little insight into the results achieved.⁶

Fossil fuel subsidies

We would further note that the government has introduced several facilities (including tax schemes) that might be contrary to the climate goals. The 2023 Budget Memorandum estimates that the energy and coal tax input exemptions for electricity generation, the input tax exemption for dual use coal and the degressive electricity and gas tax rate structure will reduce tax revenue by €4.6 billion in 2023. These facilities could qualify as fossil fuel subsidies, into which your House has requested more insight.⁷ Better insight into these tax facilities and fossil fuel subsidies would further help your House exercise its right of approval and your scrutiny of climate expenditure.

Insight into future climate expenditure

The proposed Climate Fund will substantially increase climate expenditure. Without uniform accounts and clear definitions of climate policy and climate expenditure, it will be difficult for you to exercise your right of approval and scrutiny effectively. In our 2019 publication *Insight into Public Funds (part 2) – Towards future-proof policy budgeting*, we observed that the disclosure of both financial and non-financial information was fragmented across a variety of government websites. In our opinion, the digital budget that is steadily taking shape at www.rijksfinancien.nl is an excellent opportunity to introduce uniformity into the current fragmented landscape of climate expenditure.

6. Netherlands Court of Audit (2022) *Warmtefondsen: geen gratis geld. Kosten, resultaten en lessen voor revolverende fondsen* [Heat Fund: no free money. Costs, results and lessons for revolving funds]; Netherlands Court of Audit (2021) *In public hands, New tasks for state-owned enterprises in the energy transition*; Netherlands Court of Audit (2021) *Considerations on the draft 2022 budget (budget chapter XIII) of the Ministry of Economic Affairs and Climate Policy*; Netherlands Court of Audit (2019) *Insight into central government revolving funds*; Netherlands Court of Audit (2019) *Results of the Accountability Audit 2018 Foreign Trade and Development Cooperation (XVII)* Report on the annual report, pp. 16-36; Netherlands Court of Audit (2016) *Insight into public funds. Invitation to reconsider public accountability*; Netherlands Court of Audit (2015) *The state as public shareholder. On the management of state-owned enterprises*.
7. EZK (2022) letter of the Minister for K&E regarding Response to the Klaver motion on the scale of fossil fuel subsidies, 20 December 2022, reference DGKE / 22581298.

We offered the Minister for K&E an opportunity to respond to this letter. He undertook to work out a definition of climate expenditure and oversee its consistent application. His full response can be read at www.rekenkamer.nl.

With a view to the debate on the Temporary Climate Fund Act that will establish the Climate Fund, we trust that this letter will be of service to you in your discussions with the ministers concerned.

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