

Green budgeting in Ireland

Ireland—Department of Finance

Dr Mike Fahy and Jean Brennan

A contribution to the ‘Compendium of Practice from a Global Community of Ministries of Finance and Leading Organizations: Economic analysis and modeling tools to assist Ministries of Finance in driving green and resilient transitions’

Topic: Specific analytical tools and approaches relevant to Ministries of Finance

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Access the full Compendium at www.greenandresilienteconomics.org

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Introduction

As traditional measures of economic performance fail to capture fully the specific impacts of climate and environmental policies on the public finances, as part of the annual budgetary process in Ireland, green budgeting is undertaken.

Green budgeting is the process of documenting the impact of budgetary measures and wider fiscal policy on the transition to a more sustainable and climate friendly economy. The objective is to make Government action on climate change more transparent. Raising awareness and understanding of the climate impact of wider budgetary policy can help promote policy changes that will result in improved environmental outcomes. For further detail see Fahy and Jean Brennan (2024).

Methodology

- In Ireland, the Department of Finance's green budgeting establishes a methodology by which governments can measure and design fiscal policy, including tax and expenditure measures, to influence individual and business behaviors toward supporting climate and environmental goals away from harmful climate and environmental activities.
- The Department's approach to green budgeting in Ireland considers the climate impact of tax measures from a monetary perspective. It examines both tax revenue measures and tax expenditures, the latter including subsidies related to potential revenue forgone (such as excise duties). The tax measures are considered to have a climate-positive (or green) impact if they make a substantive contribution to either the climate change mitigation or climate change adaptation environmental objectives. Conversely, they are considered to have a climate-negative (or brown) impact if they make a substantive negative contribution to either of these two environmental objectives.
- Overall, the objective of green budgeting is to make Government action on climate change more transparent. Raising awareness and understanding of the climate impact of wider budgetary policy can help promote policy changes that will result in improved environmental outcomes. The tax analysis undertaken by the Department of Finance complements the green budgeting expenditure analysis undertaken by the Department of Public Expenditure, NDP Delivery and Reform (DPENDR).
- Further details in relation to the Department's green budgeting methodology and approach are set out in Department of Finance (2021) [and](#) [the](#) Department of Public Expenditure, NDP Delivery and Reform (DPENDR) methodology is set out in Green Budgeting from an Expenditure Perspective.¹

International engagement—and best practice

At a European level, Ireland is an active participant in the [European Commission's Green budgeting Expert Group](#),² and the [OECD Paris Collaborative on Green Budgeting](#),³ and at a wider international level the Minister and Department of Finance officials are active participants in the [Coalition of Finance Ministers for Climate Action](#).⁴ These engagements at a European and wider international level include training and exchanging initiatives relating to green budgeting, with the aim of sharing expertise and learning from good practice elsewhere.

¹ <https://www.gov.ie/en/collection/a92af-green-budgeting/>

² https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-fiscal-frameworks-eu-member-states/green-budgeting-eu_en

³ <https://www.oecd.org/en/topics/green-budgeting.html>

⁴ <https://www.financeministersforclimate.org/>

References

- Department of Finance (2021) *Budget 2022: A Review of Green Budgeting from a Tax Perspective*. <https://www.gov.ie/en/publication/3804c-budget-2022-a-review-of-green-budgeting-from-a-tax-perspective/>.
- Fahy, M. and Brennan, J. (2024) Green Budgeting. In *Budget 2025: Beyond GDP—Quality of Life Assessment*, Chapter 6. <https://www.gov.ie/en/publication/18bf4-budget-2025-beyond-gdp-quality-of-life-assessment/>.