

# Green Fiscal Policy Tools

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## Auditing Green Fiscal Policy Tools: A Starter Kit

Governments worldwide are increasingly using green fiscal policy tools (GFPTs) to address climate change and environmental challenges. As these tools grow in prominence, SAIs play a crucial role in assessing their design, implementation, and impact. Tools include fees, grants and financial awards, loans, public procurement, resource taxes, and tax incentives.

## Key Green Fiscal Policy Tools



### 1. Fees

Fees are typically payments made in exchange for a service, or penalties imposed on an activity. Governments use fees to influence behavior. For example, some levy park access charges or use deposit-refund systems for recycling.

#### Criteria

- EU's [Environmental Liability Directive](#)
- Environment and Climate Change Canada's [Pan-Canadian Framework on Clean Growth and Climate Change](#) and [Working Group on Carbon Pricing Mechanisms: Final Report](#)



### 2. Grants & Financial Awards

Green grants and other financial awards include funds that governments give directly to individuals or organizations for a specific environmental goal. For example, governments may use grants to incentivize homeowners to install solar panels.

#### Criteria

- Targets set by or for programs to achieve
- Institute for European Environmental Policy's [Environmentally Harmful Subsidies: Identification and Assessment](#)
- [U.S.'s Uniform Grant Guidance](#)



### 3. Loans

Loans can support sustainability goals, and they typically offer better terms than a private loan in exchange for the funds being used for a specified outcome. For example, governments can provide loans for projects that contribute to renewable energy.

#### Criteria

- International Capital Market Association's [Green Loan Principles](#)



### 4. Public Procurement

Green procurement aims to reduce environmental impact via government purchasing. For example, the government can support and prioritize the use of low embodied carbon construction materials in public infrastructure projects.

#### Criteria

- [EU's Green Public Procurement Criteria and Requirement](#)

#### Other Resources

- "Green Public Procurement: An Overview of Green Reforms in Country Procurement Systems," World Bank



### 5. Resource Taxes

Resource taxes include all environment- and energy-related taxes, excises, and state fees that are recorded as taxes in national accounts. An example is a tax on water use to incentivize water conservation.

#### Criteria

- Targets set by or for programs to achieve
- Organisation for Economic Co-operation and Development's [Environmental Taxation: A Guide for Policymakers](#)
- UK's [The Green Book: Appraisal and Evaluation in Central Government](#)



### 6. Tax Incentives

Green tax incentives, which reduce the amount of tax owed to the government, can lower the price of goods or services to encourage consumers and producers to meet sustainability goals. For example, governments can set a tax incentive for installing equipment, such as geothermal heat pumps.

#### Criteria

- The Netherlands' [National Climate Agreement](#)
- GAO's [Body of Work on Tax Expenditures](#)