



THE STATE COMPTROLLER
AND OMBUDSMAN OF ISRAEL

2021



Chapter 4

Climate Change Governance - Organizational, Functional and Professional Structures Summary

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Summary

Background

This audit report addresses various aspects of the climate crisis, which are classified in the three previous chapters under the following topics: GHG emissions reduction (mitigation); integrative adaptation and acclimation to sectorial risks related to climate change (adaptation); and the economic and financial effects of climate change. In this concluding chapter, we will examine aspects of organizational, functional, and professional governance, with the aim of identifying the measures that government ministries and public entities should consider to adopt to attain the State of Israel's climate targets. This is necessary because to date, the government addressed these issues at differing levels of intensity, and the planning and functional foundation necessary to achieve the desired change has not yet been established. As of 2021, Israel's government faces the challenge of formulating an effective "climate policy package" under current conditions.

The findings presented in this chapter are based, *inter alia*, on the following: the gaps mentioned in the previous chapters of this audit report; the principles and recommendations presented in the OECD report for the transition process of Israel to a low-carbon economy by 2050; cumulative international knowledge in the climate field; data compiled from the Questionnaire distributed by the State Comptroller to government ministries and supporting units. Pooling, analysis, and weighting of this data enables mapping the deficiencies and the corrections that should be made to manage the systemic challenge that Israel faces and laying a foundation for alternatives for managing it.



Key figures

92%

Of the public entities that responded to the Questionnaire (55 of 60) believe that climate change is relevant or partially relevant to their activity

86%

Of the public entities that responded to the Questionnaire (43 of 50) believe that the adaptation and mitigation aspects of climate change are not managed in an appropriate and comprehensive manner in Israel

87%

Of the public entities that responded to the Questionnaire (45 of 52) believe that climate change exhibits the characteristics of a national crisis, requiring national adaptation

70%

Of the public entities that responded to the Questionnaire (35 of 50) believe that the national handling of climate change issues should not remain within the CCAA

4

Designated government employees (out of 83,000 total) work on climate change issues in Israel

18

Countries (including the US and many in Europe) and 1800 municipalities and local authorities in over 30 countries have declared a state of climate emergency as of early 2021¹

56

Countries have adopted climate framework legislation – a law passed by the legislative branch (not just decisions of the executive branch). Most are developed nations

4%






Public investment by the Israel Innovation Authority in the fields of energy, water, environment, and sustainability in 2018

Key findings



Uncertainty as a barrier: The instruments that serve the government today, for example short and medium-term decision-making based on classic cost-benefit analysis, are insufficient for meeting the climate change challenge. The climate crisis is characterized by built-in uncertainty, which in many cases contributes to difficulty in advancing government action (such as advancing national adaptation actions, consequently not budgeting them and not determining a rate of renewable energy for 2050).

¹ By October 2021, 23 countries have made climate emergency declarations.

-  **Conflicting public considerations:** The main considerations guiding government entities that are relevant for managing climate action, and their public priorities, do not always align with the advancement of climate issues. This is expressed in the relevant government ministries through insufficient allocation of personnel, budgets, or attention paid to climate considerations in comparison to allocations for public targets which are these ministries' main responsibility. A conflict that cannot be solved through inter-ministerial dialogue or agreement will be difficult to solve without a hierarchy among ministries, and without an integrative body with a broad vision and inter-ministerial decision-making authority.
-  **Decentralization of government management and work in segments:** Segmentation in managing a broad systemic issue like climate change, leads to barriers and to many conflicts between ministries – both in the level of ambition to which Israel should aspire in setting climate targets, and in the means of achieving them. This situation makes it more difficult to integrate the considerations of dozens of entities when making decisions on climate targets, and burdens the implementation of government climate actions. Based on the findings of the Questionnaire, 86% of government ministries and public entities believe that climate change issues are not managed adequately.
-  **Improved involvement of government ministries:** The policy tools used by government ministries for routine work have not always led to their sufficient involvement in climate issues, both as part of routine operations and while formulating and implementing the national climate targets. The lack of sufficient involvement of government ministries in the past has led to limited progress in Israel's climate activity since it ratified the UNFCCC treaty.
-  **Scope and form of budgeting:** Climate action is largely based on investment in infrastructure, and it is not budgeted in a designated manner or at the appropriate scope. Examples are the CCAA, which acts without a specifically designated budget and without specifically designated personnel; government decisions on GHG emissions reduction that were not budgeted (except for energy efficiency, which was partially budgeted); and the mechanism for implementing them was not budgeted. The result is that the work model of segmented budgeting (per ministry) and one-time or specific limited budgeting does not enable systemic promotion of the climate action and burdens the process of significant target-setting in adaptation and mitigation.
-  **An integrative budgeting and funding government framework for climate activity:** Throughout the world, a tendency is increasing of promoting integrated frameworks for budget and funding planning for the transition to a net zero carbon or low-carbon economy, which requires significant government investment. Israel lacks a holistic framework for budgeting and funding climate plans (including targets for which the price of achievement is estimated in billions of NIS over several decades)



combined with market solutions. This raises concerns regarding the government's ability to implement its targets for broad transition to a low-carbon economy by 2050, as determined in Government Resolution No. 171 (July 2021), and to carry out climate change adaptation actions in many sectors. In addition, Israel has not yet implemented actions through sustainable financial tools and regulation, such as green bonds and loans, that will aid in the transition to a low-carbon economy, or actions that will support its integration into global processes to attract foreign green investments that will promote sustainable economic growth.



Climate change as a strategic threat and emergency situation: As of July 2021, climate change has not been officially declared a threat or strategic issue that justifies systemic adaptation of public entities in Israel, such as the National Security Council, the defense establishment, NEMA, the National Economic Council, etc. Climate change also has not been declared a "state of emergency". Yet most government entities that responded to the Questionnaire (87%) consider that climate change bears the systemic characteristics of a national crisis.







In 2020, defense bodies in Israel began to study the implications of climate change for defense. The Ministry of Defense defined it as having a "significant effect" on national security, and as including negative potential effects, directly and indirectly, on the defense establishment, on the building and use of military power.

In April 2021, the Ministry of Environmental Protection published the climate law memorandum. As of the date of this audit, this law memorandum has not yet been confirmed.

Key recommendations



The audit recommends adopting changes in the routine operational system used to manage government issues of climate change, to address the problem of segmentation and reduce the gap between responsibility and authority. For this purpose: (a) The audit recommends defining climate action as a core target under government responsibility (of all government ministries), and not just of the Ministry of Environmental Protection. This issue is systemic and involves all ministries, and should be categorized as such; (b) The audit recommends adopting an appropriate platform for managing climate action that will enable well-balanced decisions between conflicting public interests. This platform should facilitate broad, multidimensional study and long-term planning and granting the authority to balance public interests.

-  Climate change is a continuing, long-term challenge, and handling it requires a series of fundamental structural reforms to be implemented at an increasing pace. Therefore, the issue cannot be managed in a topical manner or as an additional task outside the job description of entities whose main field of responsibility is not climate. Considering the integral functional and organizational difficulties that arose in government handling of climate issues, the audit recommends that the government designate the routine handling of this to a permanent entity. This body will have executive authority and decision-making powers, knowledge and understanding in the climate field, and a secure budget. In addition, the audit recommends considering the establishment of an advisory scientific body that will provide the government and the climate management entity with knowledge and scientific data on the climate issue and on additional fields of required expertise, such as economy, ecology, health, and agriculture. Further, the audit recommends upholding the principle that policy setting and decision-making on the issue will be implemented based on knowledge and scientific data.
-  Considering the dimensions of the climate challenge and scope of resources required for managing it, the audit recommends formulating a framework plan for budgeting and funding the transition to a low-carbon economy and adaptation to climate change. The audit proposes that this framework plan be promoted by a central economic entity or inter-ministerial government entity that will coordinate government activity on the issue, with the involvement of the relevant government ministries such as the Ministry of Finance, Environmental Protection, and Economy and Industry, with entities such as the Tax Authority, the Bank of Israel, and the Capital Market Authority. A data foundation (including mapping the funding needs for climate actions, the existing funding sources, and the current set of financial tools) can aid in examining alternatives and policy tools for funding channels for Israel's climate action plan, while favoring action based on a long-term government strategy, with prioritization of targets and pooling of resources.
-  Considering the comprehensive effects of climate change, the audit suggest that the Prime Minister's Office formulate a proposal for a government resolution that will guide each of the entities relevant to the topic, including: NEMA, the Ministry of Defense, the IDF, the National Security Council, the National Economic Council, and the Prime Minister's Office, to consider recognizing the climate crisis as a security or strategic threat or emergency climate situation, and to examine ways to exercise their authorities and the instruments at their disposal. These processes could place climate change at the top of the list of national priorities, direct government attention, and enable allocation of more significant resources to the issue.
-  The audit recommends that the Ministry of Environmental Protection continue promoting the proposed climate law that was publicized in April 2021, while noting: climate legislation in other countries – as of October 2020, 56 adopted such legislation; the principles derived from it, as described in this chapter; and the issues raised in this audit report. Climate legislation provides tools for government management of climate threats






and for managing uncertainty, and grants agility and a regular, stable normative framework for the long term.



For climate change adaptation and GHG emissions reduction to be implemented on a broad scale, the audit recommends integrating and implementing them in the government policy cycle and planning process. Mainstreaming is necessary so climate change becomes the concern of the entire government in routine ministerial activity. As a method of implementation, the audit recommends that the Prime Minister's Office and the Ministry of Environmental Protection complete the integration of climate assessment instruments in the Government Guide to Regulatory Impact Analysis (RIA) and examine the possibility of anchoring the requirement to weigh external costs in government work processes. The audit also proposes that the Prime Minister's Office examine the possibility of integrating principles of the Whole Government Approach, and measures of sustainability and national resilience in the work of government bodies relevant to climate change.

Key Challenges in Government Climate Action

Unique characteristics of the climate crisis

-  A systemic crisis (misclassified as an "environmental" issue)
-  Gap between long-term threat and necessity of action in the present
-  Managing the climate crisis requires decision-making and action under uncertain conditions

Challenges in the government's organizational, functional, and professional governance

-  Decentralization of authority in each layer of climate change
-  Conflict between public targets and considerations of government ministries
-  Built-in gap between responsibility and authority
-  Deficit in scientific, economic, and financial knowledge infrastructure
-  Lack of appropriate, specifically allocated budget for climate action
-  Lack of personnel allocated for this issue and with the required professional expertise
-  Absence of framework for budgeting and funding government climate action from a long-term, integrated perspective
-  No sufficient national prioritization of the issue
-  No mainstreaming of climate considerations in routine government work

The result is an ongoing challenge in GHG emission reduction and delay in national adaptation to climate change



Conclusion

Coping with the effects of climate change is complex and has unique systemic characteristics. It requires cross-ministry cooperation on many issues and follow-up on implementation of their activities, while competing with other public considerations for budgets and the government's attention. It also necessitates long-term management, during which government policy is gradually and periodically updated; setting an ongoing budget that fits the size of the challenge; and performing systemic risk management. Considering these characteristics and challenges, this audit chapter suggests examining a change in perception regarding governance of climate action, the normative and organizational framework for action on the issue, and the policy tools that are used.