



OFFICE OF THE STATE COMPTROLLER
AND OMBUDSMAN OF ISRAEL



2024

Chapter | 4

Climate Change Governance

Organizational, Functional, and Professional Adaptation to Climate Change



Chapter 4 | **Climate Change Governance - Organizational, Functional, and Professional Adaptation to Climate Change**

Background

The systemic nature of the climate issue requires the involvement of all relevant governmental and public bodies in each component of the actions related to handling the crisis. Therefore, addressing the climate crisis necessitates comprehensive government attention—it demands multi-ministerial cooperation on many issues and monitoring the implementation of actions by government ministries, while it competes with other matters for government attention and budget allocation.



Key Figures

69% of government ministries

Believe government handling of the climate issue is not good at all (8 respondents) or not so good (26). This accounts for 34 out of the 49 government offices and public bodies that responded to the questionnaire of the State Comptroller's Office

NIS 3B

Total decided by Israeli governments to designate (cumulatively) to address various issues of the climate crisis in 14 government decisions between 2015-2022

Only 50%

Of the budgets designated in government decisions were actually allocated for dealing with the climate crisis between 2015-2022 (NIS 1.58B out of NIS 3B approved)

Only 32%

Of the total budgets designated by the government to be for dealing with climate change between 2015-2022 (in the 14 decisions it made) were actually utilized (NIS 988M out of a total of NIS 3B)

NIS 32B

Lost revenue to state treasury through support and subsidies of fossil fuels in 2015-2022

33x

The discrepancy between the amount the government waived as revenue to the state treasury through support and subsidies of fossil fuels (NIS 32B) and the budgets used to implement climate policy (NIS 988M) between 2015-2022

42%

Of government decisions addressing climate crisis challenges made in the past 16 years were made in 2021-2022

56 countries (Israel is not among them)


Anchored their policy actions in the climate field in legislation confirmed by the legislative body (as of 2020)



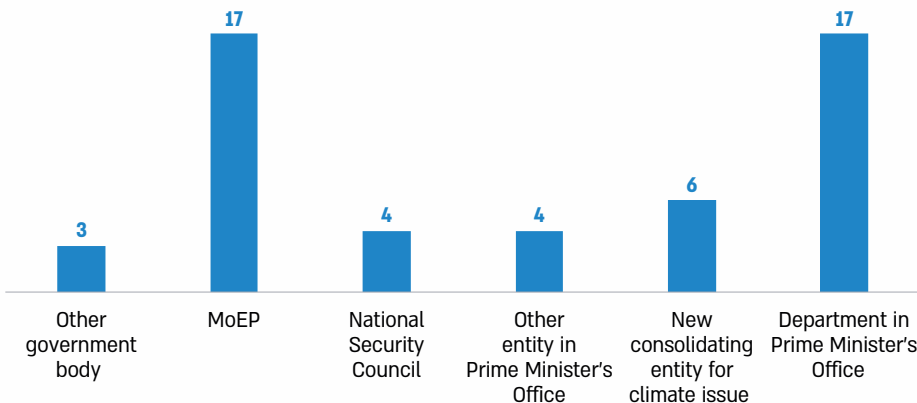
Key Findings




A Single Governmental Entity to Consolidate Climate Action

 **Quality of governmental handling of climate issues** – The previous report indicated that the segmentation of governmental handling of climate action leads to barriers and an increase of conflicts between ministries, complicating the integration of considerations when making decisions. The follow-up audit found that **this deficiency was slightly rectified**. The findings of this follow-up audit and the responses received from the survey distributed by the State Comptroller's Office among government offices indicate that 69% of the respondents believe that the governmental handling of the climate issue is not at all good (8 respondents) or not so good (26). This indicates that the government's action in climate matters is insufficient, and this difficulty continues to persist.


Attitudes of 51 Government Offices and Public Entities on which Body Should Lead the Climate Issue in the Government




 **Ministerial Committee on environmental and Climate Affairs as a leading and integrative Entity** - Government Resolution No. 440 of April 2023 established the Ministerial Committee on Environmental and Climate Affairs headed by the Minister of Environmental Protection. However, it did not include granting explicit authority to resolve disputes between ministers, and it lacks the characteristics required for an integrative entity, particularly on the issue of mitigation, that could lead the extensive




governmental efforts to formulate actionable decisions to resolve disputes and ensure the implementation of all governmental and national policy instruments on climate. Furthermore, the audit noted that as of July 2023, the committee had not yet convened, and no future date had been set for its assembly.

 **Integrative governmental entity for climate issues** – In the previous report, the State Comptroller recommended that the government designate the handling and ongoing management of this issue to a permanent, designated, integrative body with executive powers and the ability to decide between alternatives and in cases of ministerial disputes, which would lead the subject. The follow-up audit found that **this deficiency was slightly rectified** – although various governmental entities are involved in some aspects of integrating climate issues, such as the MoEP, the Ministry of Energy, the Ministerial Committee, and the National Security Council, none have the mentioned characteristics that may assist in effective integration. Furthermore, the audit noted that the absence of such a body is recognized by the government ministries themselves and from the findings of the chapters of this follow-up audit. Continuing to operate based on the dispersed governmental structure, without addressing the existing functional difficulties, fails to address those barriers to implementing the government ministries' climate change policy measures.

Regulation of a Mechanism for Long-Term Climate Policy Budgeting

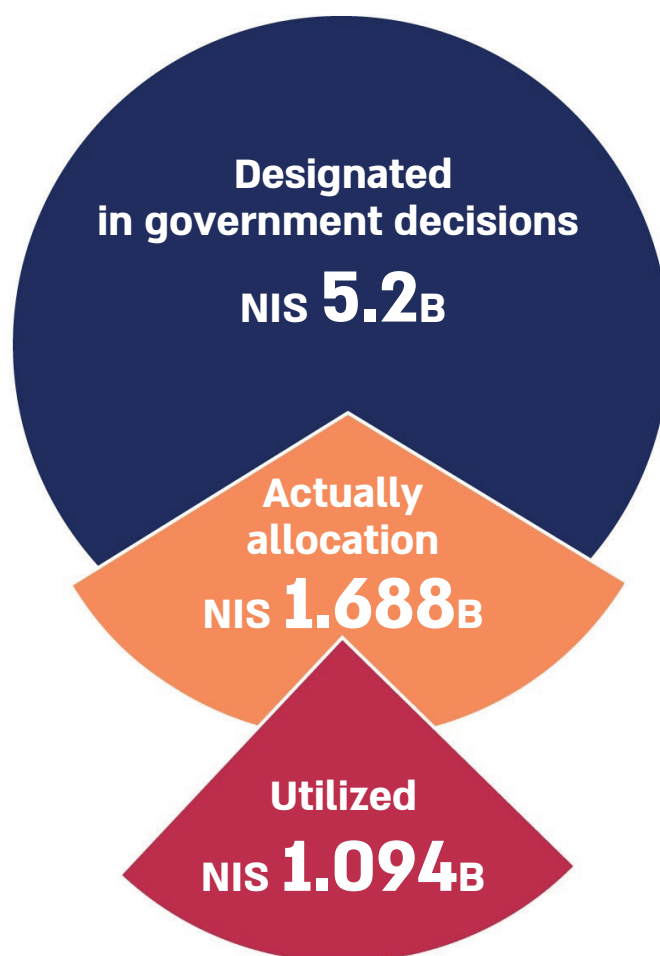
 **Climate action budgeting** – Instructions to ministries regarding climate are not always backed by budget allocations in accordance with government decisions; budget allocations are not fully utilized; there is an inability to create an overview that reflects the real needs, barriers, and duplications in areas of responsibility. Additionally, there are gaps in aspects of oversight, control, and monitoring the use of the said budgets. All these create a situation akin to directionless actions without a leading and integrative entity.

 **Budget designation, allocation, and utilization** – The follow-up audit found that government ministry reporting data (based on responses provided in this audit and documents submitted for the previous report) reflect a low level of budget execution. Out of NIS 5.2B that the government declared it would designate for addressing the climate crisis in all aspects (in 15 different government resolutions), NIS 3.5B were not allocated at all (67%); about NIS 1.688B were allocated (32%); and for NIS 52M (1%) no reporting was received.

The audit further found that out of the total allocated amount (NIS 1.688B), 65% (or NIS 1.094B) were actually used. Therefore, the budget utilization stands at only 21% of the total budget declared for addressing the climate crisis as per the 15 government resolutions examined (totaling NIS 5.2B as mentioned), all from the years 2015 - 2022, except for one resolution from 2010.



Designation, Allocation and Utilization of Budgets for Addressing the Climate Crisis, in Government Resolutions Passed in 2010, 2015 - 2022



Based on data from the MoEP, Ministry of Energy, Transport, and Finance, adapted by the Office of the State Comptroller.

📌 Budgetary control, supervision, and monitoring – In receiving responses from government ministries regarding the actual allocation and utilization of budgets, conflicting reports were found between ministries, gaps in reporting on their budgets, lack of information, and overall lack of clarity that characterized both the executing ministries and the Ministry of Finance as the allocating body that is also supposed to oversee budget implementation. The follow-up audit reveals a serious situation "in the



field", indicating that there is no body in Israel that carries out comprehensive budgetary oversight and control regarding the management of billions of shekels that the government has decided to designate for dealing with the climate change in all government decisions over the years and their allocation.



The need for a climate budgetary framework – The previous report indicated the end result, demonstrating that, a work model of segmented budgeting (divided per action by ministry) and one-time or ad-hoc budgeting does not allow for the systemic advancement of the climate crisis issue. The follow-up audit found that this deficiency was not rectified and reflected this segmentation. In 47 government decisions addressing climate change issues made by the government between 2007 and 2022, which decided to designate approximately NIS 7.B, the government ordered the execution of more than 70 individual budgetary allocations to many government ministries (about 15 in number).

The State Comptroller's Office processed the climate budget allocation and utilization data. This processing reveals a quantifiable realization of the concern regarding the government's ability to achieve its climate crisis objectives without a comprehensive view of resource allocation and practical implementation capabilities. The current manner of budgeting the tasks for addressing climate crisis does not suit its complexity, its many tasks, the dispersion of its management to many agents, and its broad impacts on entire sectors of the economy.



Gaps in resource allocation for climate change – fossil fuels as a test case – The previous report highlighted that addressing the climate crisis, largely reliant on infrastructure investment, is almost never granted an adequate and specific budget. The follow-up audit found that **this deficiency has not been rectified**. From 2015 to 2022, Israeli governments utilized only 32% (NIS 988M) of the funds which were designated to climate issues in those years (NIS 3B¹, of which NIS 1.584B was actually allocated).

This level of utilization does not allow for the effective implementation of established climate policy. This issue is further exacerbated by data indicating that during the same period, the government forfeited state revenues exceeding NIS 32B through supports and subsidies for fossil fuels – 10.6 times the amount planned for climate investment (the decision to allocate about NIS 3B), and 33 times the amount actually invested (budget utilization of NIS 988M). These gaps starkly reflect the priorities of the governments during those years – multiple declarations of setting climate goals without the necessary resource allocation to achieve them, alongside continued funding policies that undermine these goals.

1 The total amount decided to be allocated for climate crisis adaptation in all relevant government decisions from 2007 to 2022 was NIS 7.4B. The State Comptroller's Office examined the extent of actual allocation and utilization of these funds in relation to all government decisions between 2015 to 2022, which are more relevant due to the Paris Agreement (a total of 15 government decisions out of the 47). The amount allocated for this period is NIS 3B.



Creating Normative Standards through Climate Legislation

🔴 Achievement of objectives is limited through government decisions – The previous report noted that the policy tools used in the routine work of government ministries, especially within the framework of government decisions, did not always lead to their engagement with the issue. In addition, the lack of mobilization of government ministries over the years led to limited progress in Israel's climate actions. The follow-up audit found that **this deficiency was not rectified**. In the last 16 years, 47 government decisions related to addressing the challenges of climate change were made, but Israel has not shown significant improvement in achieving its national climate objectives: essential government decisions dealing with the climate were not implemented, were partially implemented, or are only in the initial stages of implementation. For example, 86% (25 out of 29) of the bodies designated in Government Resolution No. 4079 do not have a departmental preparedness plan for climate change. Additionally, the degree of achieving the central objectives in mitigation remains very low: the current pace of government policy implementation will achieve only about a 12% reduction in GHG emissions by 2030 compared to the target set of 27%. The lack of mobilization of government ministries has led to limited progress in climate actions and the implementation of government decisions, indicating a continued lack of effectiveness in using this policy tool.

🔴 Completion of climate legislation – The previous report found that the government had not reached a consensus regarding the climate bill draft published by the MoEP in April 2021. The audit recommended that the ministry continue to promote the draft bill to help address the challenges related to climate threats and deal with uncertainties. The follow-up audit found that **the deficiency was not rectified**. As of September 2023, more than a year after the first climate bill discussed in the previous report was approved by the Knesset in the first reading (vote). Despite the OECD's 2023 recommendation that the tools Israel is using to achieve its climate commitments are insufficient, and that enacting a comprehensive climate law with binding targets would be an important step towards achieving them, the new climate bill proposal was approved by the Ministerial Committee for Legislation. As of the audit completion date (September 2023 for this matter), this proposal is approaching the first reading.

🔴 Lack of consensus among ministries regarding the climate bill – The Ministry of Finance's position on establishing a normative foundation through climate legislation involves several complexities: (a) opposition to giving normative validity to GHG reduction targets in the climate law, preferring instead that the targets be anchored in a government decision; (b) a demand that the targets should not bind the government but only represent goals to aspire to, in order to prevent, as they explain, "judicial authority interference with government decisions." This stance presents a real and fundamental difficulty since effectively the ministry demands unlimited flexibility in changing climate targets, which could allow these targets to be postponed in favor of any other issue that arises. This position could delay and, in some cases, even halt the achievement of Israel's climate goals. It will not create adequate commitment and certainty to address the issue,



especially when it is adopted without taking steps to utilize additional economic tools like green budgeting (see above), intended to minimize the restriction of economic activity and promote its growth alongside carbon neutrality. Therefore, it will lead to a declarative climate law that will serve primarily to present Israel to the world as having a climate law, nothing more.

Indeed, the wording of the new climate bill proposal (approved by the Ministerial Committee for Legislation in September 2023) allows almost unlimited flexibility for the government in a way that could undermine Israel's commitment to meeting its targets.

Furthermore, the government ministries' responses to the draft climate bill reflect their disputes regarding the gap between the targets that the ministries seek to anchor in law and Israel's existing capacity to achieve them under current circumstances. For example, the Ministry of Energy, Ministry of Economy, Budgets Department of the Ministry of Finance, and the National Economic Council agree that there are currently inter-ministerial barriers, such as in the installation of PV facilities; deployment of charging stations for electric vehicles; promotion of policy instruments and economic tools such as carbon tax; and tax support for the transition to a low-carbon economy. Without the removal of these barriers, Israel will not be able to achieve its climate goals. But currently, each entity sets up certain barriers to others, while there is no leading entity who can decide in case of controversies or promote climate issues.



Gaps between provisions of Israel's proposed climate bill and common elements in global climate laws

– The targets set in the proposed climate bill as of September 2023 are largely declarative. Despite the obligations it imposes and the policy tools set forth therein, the bill lacks additional policy instruments that would allow decision-makers to integrate a variety of considerations, promote processes at the operational level, and consequently meet the goals and commitments it establishes. The new bill proposal also lacks a mechanism intended to regulate a framework for long-term budgeting of climate policy and sources for its funding. Further, its language does not bind government agencies and even creates a path for them to retreat from implementing the established targets.² This is primarily due to the absence of supportive policy instruments for achieving the goals, in a manner that does not align with the OECD's recommendation to Israel to anchor such a commitment in law:

- The reference in the law to a target set by government resolution weakens the government's commitment to achieving the target—instead of a long-term national obligation with a high normative level, it offers a governmental commitment that does not create long-term certainty. The new proposed climate law ostensibly protects the target in legal language. However, the government's ability under this proposal to change it, for any reason, by an order with a significantly lower normative level than the law, could weaken the national commitment to the issue.

² Evidence for these shortcomings can be found in the positions of various bodies on the proposed climate law, such as the Ministry of Energy and the Ministry of Economy.



This approach paves a problematic path that could allow the government to retreat from its own set targets in the event of disagreement among government ministries.

- The proposed law did not define in depth the powers, roles, and tools of the bodies established through it (Ministers Committee on Climate, Climate Council, Expert Committee, and Climate Institute) so that in their establishment they would best fulfill the legislator's intention.
- The new bill, although includes tools such as risk management, cost-benefit considerations, obligation to update, monitor, report, and parliamentary oversight and control, lacks additional operational policy tools supporting the achievement of targets, some of which were even noted by government ministries—for example, removing regulatory and planning barriers to increase renewable energy, tools for budgeting climate policy, and carbon taxation. Regarding carbon taxation, it is proposed that, alongside its imposition, mechanisms will be developed to compensate for the expected rise in the cost of living due to this tax, including through the revenues from carbon tax, and also to examine ways to reduce taxes and lower the cost of living in other areas, as proposed by the Third Green Taxation Committee chaired by the Ministry of Finance.



Establishment of the Ministerial Committee on Environmental and Climate Affairs – In April 2023, Government Resolution No. 440 was adopted concerning the establishment of the Ministerial Committee on Environmental and Climate Affairs, which will be headed by the Minister of Environmental Protection.

Key Recommendations



The State Comptroller's Office reiterates its recommendation from the previous report to designate the handling of climate change issues to a permanent, consolidating body that will lead the subject and possess executive powers and the ability to decide between alternatives and in cases of ministerial disputes. Alternatively, the audit suggests endowing one of the existing bodies (such as the MoEP, the Ministry of Energy, the Ministerial Committee, or the National Security Council) with the currently missing characteristics and authorities required. The audit further recommends that given the situation that the issue has not been promoted for years, the MoEP should act to inform the government of the aforementioned obstacles and barriers before for resolution and assistance in providing solutions, with the goal of removing ministerial disputes on focused issues in a way that will allow the promotion of actions required to achieve climate goals.



The audit recommends that the Ministry of Finance develop an operational framework for long-term budgeting of climate policy, in collaboration with the Ministries of Environmental Protection, Energy, Transportation, the Bank of Israel, the National Economic Council, and the National Security Council, and in consultation with the financial regulators. This framework, to be decided upon by the State of Israel, will aid in mapping funding sources, from public funds to other sources such as capital market investments and government bonds. The audit proposes that this framework function as a permanent inter-ministerial mechanism with the capability for long-term vision, which will continuously assess and define the budgetary needs for implementing Israel's climate policy and ensure their actual allocation and utilization over the required timeframes. It will serve as a comprehensive entity for the budgeting and financing of Israel's climate actions, working in synergy with other functions involved in the integration and cross-sectoral coordination of the climate issue.

This step complements the previous chapter's recommendation to the Ministry of Finance regarding the examination of alternatives to subsidies and supports for fossil fuels and a comprehensive process to map out all policy tools in the state's revenue system, including taxes and subsidies that negatively affect the achievement of climate goals. This process is also in line with the recommendations of the Coalition of Finance Ministers for Climate Action and the OECD to adjust "national revenue and expenditure processes" to align with climate goals and the OECD recommendations to Israel for the elimination of benefits on fossil fuels.



The audit recommends that the Ministries of Environmental Protection, Finance, Energy, and other ministries involved in the matter work to strengthen Israel's commitment to fulfilling climate policy, both in the emerging climate law and generally. This includes considering the addition of tools such as anchoring a multi-year budgetary framework and setting rigid and binding targets, as well as providing a range of supporting and complementary policy tools for the initiatives anchored in the climate bill. These tools include necessary economic policy instruments to advance the processes decided upon, including incentives and encouragement of "green" investments; mapping barriers (legal, policy-related, and others) and creating plans for their removal; carbon taxation; and budgetary and financial planning for the transition to a carbon-neutral (or low-carbon) economy ("green financing").

These policy tools are complementary steps for meeting the overarching goals outlined in the bill and have been discussed previously, with their implementation delayed for many years due to governmental disputes. The audit further recommends that these ministries examine and act to remove barriers and to anchor these policy tools in the climate law, in other primary legislation, or through other means that provide them with a binding normative validity. This should also include a mechanism for regulating disparities that hinder the implementation of these tools due to regulatory and legal situations or due to governmental barriers and disputes.



💡 Building on this and in line with the recommendations of the OECD and the actions taken by developed countries around the world, the audit therefore proposes to anchor mandatory governmental targets in law. This would send a clear signal to government ministries, the economy and the market, the public, and local authorities regarding the direction in which the State of Israel is headed on this issue. Additionally, to realize the objectives of the law and its goals, and to ensure that preparations for climate change and the reduction of GHGs are implemented on a wide scale, the audit recommends embedding the national plans for GHG emissions reduction and climate change adaptation more broadly and mandatorily in the activities of all government ministries (mainstreaming). Therefore, it is important that all relevant government ministries (as well as local government) actively participate in the development of these plans.

Climate Budgets Determined in Government Decisions, Their Allocation and Utilization, Compared with Subsidies for Fossil Fuels, 2015 - 2022 (in NIS B)³



Based on data from the Ministries of Finance, Environmental Protection, Transport, and Energy, adapted by the State Comptroller's Office.



³ To create a comparative basis, the State Comptroller's Office examined the actual allocation and utilization of funds in relation to all government decisions between the years 2015 - 2022, amounting to NIS 3B, compared to the revenues that were reduced as a result of support for fossil fuels during the same period.




Level of Correction of the Main Deficiencies Identified in the Previous Report

| Report chapter | Auditing entity | Deficiency in previous report | Level of correction of deficiency as identified in the follow-up report | | | |
|--|-----------------|--|---|--------------------|-------------------------|-----------------|
| | | | Not Rectified | Slightly Rectified | Significantly Rectified | Fully Rectified |
| Quality of governmental handling of climate issues | Government | Segmented governmental handling of climate change leads to barriers and an increase in conflicts between ministries in a way that complicates the integration of considerations when making decisions. | | | | |
| Consolidating governmental entity for integrating climate issues | Government | The previous report recommended that the government designate the leadership and ongoing management of climate issues to a permanent, comprehensive entity with executive powers and the ability to decide between alternatives. | | | | |



| Report chapter | Auditing entity | Deficiency in previous report | Level of correction of deficiency as identified in the follow-up report | | | |
|--|---------------------------------|---|---|--------------------|-------------------------|-----------------|
| | | | Not Rectified | Slightly Rectified | Significantly Rectified | Fully Rectified |
| Need for a budgetary framework | Government | The end result demonstrates that a work model of segmental budgeting (by ministry) and one-time or piecemeal budgeting does not allow for systemic advancement of the climate crisis issue. |  | | | |
| Budgetary deficiency in financing climate change investments in infrastructure | Government, Ministry of Finance | Infrastructure investment is budgeted appropriately or specifically to a very limited extent. |  | | | |



| Report chapter | Auditing entity | Deficiency in previous report | Level of correction of deficiency as identified in the follow-up report | | | |
|---|------------------|---|---|--------------------|-------------------------|-----------------|
| | | | Not Rectified | Slightly Rectified | Significantly Rectified | Fully Rectified |
| Existing normative infrastructure and completion of climate legislation | Government, MoEP | The government has yet to complete legislation of the climate law. The tools used in routine work of the government ministries, especially within the framework of government decisions, do not always lead to their mobilization for the issue, and their lack of engagement over the years has led to limited progress in Israel's climate actions. |  | | | |