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# The Cost of Climate Change – Recommendations for Public Budgets suited to the challenges of the future

*There is no doubt that Belgium will have to contend with extreme weather events and the increasingly severe consequences of climate change. In its opinion, the Federal Council for Sustainable Development calls for greater foresight and better preparedness for climate-related risks when drawing up public budgets.*

The Federal Council for Sustainable Development of Belgium (FRDO-CFDD) issued an own-initiative opinion on climate and central government budget on 9 June 2026. Through this opinion, the Council aims to assist policy-makers by offering recommendations for a rigorously substantiated assessment of climate risks, with a view to ensuring balanced public budgets, which will strengthen Belgium's economic resilience. This opinion was supported by all the members, who represent the whole of civil society, including representatives of employers, employees, the financial sector, environmental organisations and development cooperation organisations.

## The growing economic consequences of climate change

Climate change and climate policies have an impact on the economy as a whole and on public finances. These effects may be favourable or unfavourable for the public budget. Directive (EU) 2024/1265 of 29 April 2024 on the requirements applicable to Member States' budgetary frameworks aims to assess the sustainability of public budgets within the framework of the European Stability and Growth Pact, taking these factors into account.

According to the Federal Planning Bureau and the Centre for Climate Change Risk Analysis (CERAC), the long-term impacts of climate change under a 'business-as-usual' scenario by 2050 are estimated to result in a reduction of approximately 1–5 per cent in Belgium's Gross Domestic Product (GDP), depending on damage function assumptions. The debt-to-GDP ratio could then rise to 105 per cent, i.e. 15 per cent higher than foreseen under the European medium-term structural budgetary plan (90 per cent). This would nullify all the fiscal consolidation efforts undertaken elsewhere.  The annual costs of acute climate-related damage, meanwhile, would amount to 12 per cent of GDP by 2050 in the event of a very adverse year characterised by maximum damage.

Various methodologies exist for estimating the impacts of climate change on GDP, but they all lead to the same qualitative conclusions – namely, that the impacts of climate change on GDP are adverse and will become substantial even before the middle of the century. Furthermore, due to a lack of reliable and comprehensive data, the available figures do not take full account of all the environmental and social risks generated by climate change. It must also be considered that these projections are based on past events, and that the models do not capture radically uncertain phenomena such as tipping points and tail events.

All this means that the actual impacts may turn out to be higher than the estimates the Federal Planning Bureau and CERAC can make on the basis of the available data.

## Forward planning in public budgets

The FRDO-CFDD therefore believes that the costs of inaction -that is, the costs that would result, in particular, from maintaining the status quo of current policies –warrant greater attention from the federal government.  The council calls for:

1° the integration of climate risks into policy and budgetary planning, and

2° the strengthening of current mitigation (reducing greenhouse gasses) and adaptation efforts at global, European and national levels.

The FRDO-CFDD also believes that the capacity-building in research and analysis already underway at the Federal Planning Bureau, CERAC, the High Council of Finance and the National Productivity Council must continue so that Belgium can respond both more comprehensively and more precisely to the information requirements of Directive (EU) 2024/1265.

The FRDO-CFDD considers it essential to strengthen coordination between the levels of government responsible for data, research and policy. Coordination is also essential between the various relevant departments within the same authority. This is necessary both to avoid duplication of effort and the resulting costs, and to ensure the most accurate possible estimates of the macro-budgetary effects of climate change.

The FRDO-CFDD (working group: Financing of the transition)  is continuing its work on this issue and is also exploring other relevant mechanisms for greening the federal budget, like green budgeting. Green budgeting is a process whereby the environmental impacts of budget lines are identified and assessed against specific performance indicators, with a view to better aligning budgetary policies with environmental objectives. Twenty Member States are already implementing the European reference framework for green budgeting, but Belgium is not yet among them.

The opnion is available in French and Dutch via this link.

Federal Council for Sustainable Development
Tour des Finances
Boulevard du Jardin Botanique 50 bte 70
1000 Brussels
Belgium
+32 2 743 31 50
http://www.frdo-cfdd.be

Els Vrindts
Spokesperson
0476256964
els.vrindts@frdo.be