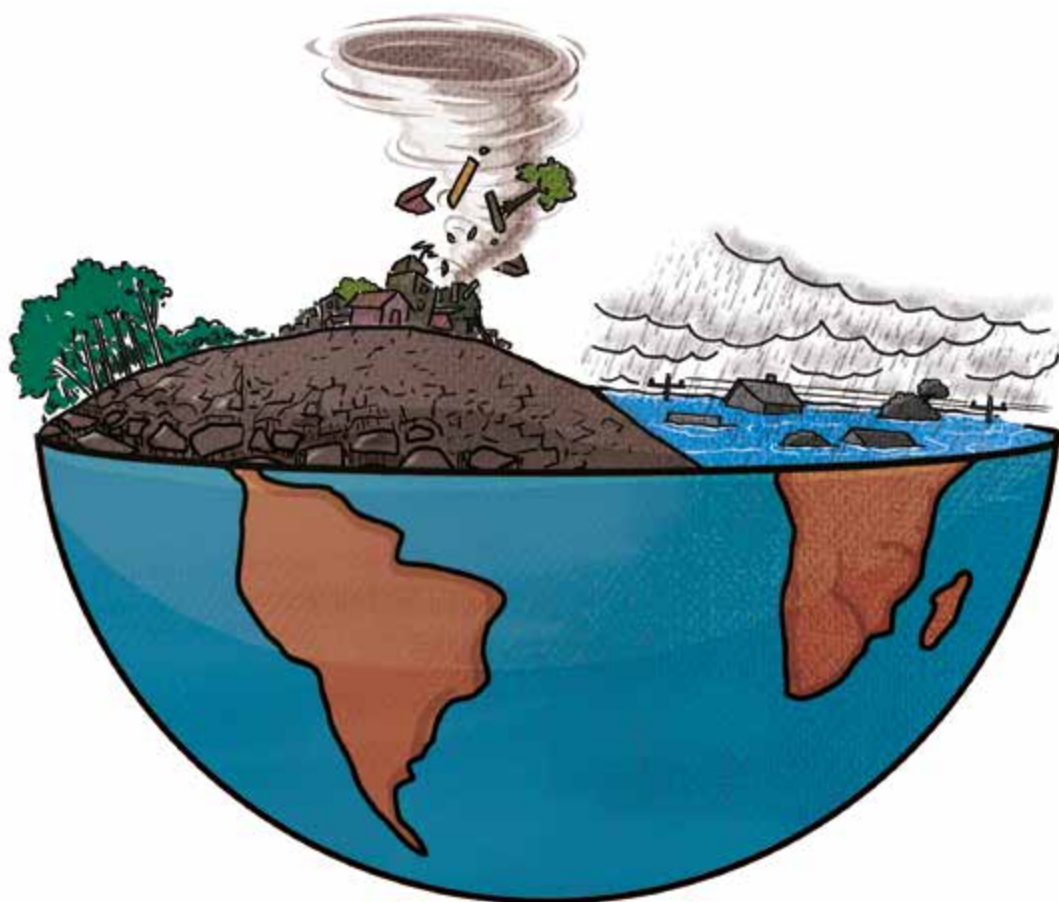




LOSS AND DAMAGE

Estimations of economic, non-economic and ecological losses due to ongoing and future impacts of climate change are termed as loss and damage (L&D)

The world needs to provide L&D finance under the broader climate justice and equity framework



What is Loss and Damage?

Estimations of economic, non-economic and ecological losses due to ongoing and future impacts of climate change – taken together – are termed as loss and damage (L&D). This includes losses and damages due to rapid onset extreme weather events such as floods and tropical cyclones and slow onset changes such as sea level rise and droughts.

All climate change impacts that are currently occurring are a result of greenhouse gas emissions that are already in the atmosphere and were mostly emitted by countries that led the era of the industrial revolution. The US alone is responsible for 25 per cent of these historical emissions. The World Weather Attribution (WWA), a global consortium of climate scientists who work to assess the role climate change plays in the intensity and frequency of extreme weather events, has already attributed many events in the past few years to climate change. Even though attribution science is established, fixing accountability on historic polluters and calculating compensation remain a challenge.

What should the world do? Money is the obvious requirement. The aim should be to provide L&D finance under the broader climate justice and equity framework.

High impacts will need high money

In 2022 alone, extreme weather events have led to more than 10,000 deaths and affected over 75 million people across the world. The overall L&D to human lives, livelihoods, agricultural production, private and public infrastructure, and social and cultural systems will continue to rise as the frequency and intensity of these events increase. By 2030, the total estimate of L&D for developing countries could be between US \$290 billion and US \$580 billion from all the impacts of climate change. This could increase to US \$1-1.8 trillion by 2050.

The negotiations on L&D

L&D issues are crucial for the developing world which is suffering the worst impacts of climate change. It is a world that is already battling with an arduous economic recovery from COVID-19, a growing debt crisis, and costs of living that are becoming higher.

Article 8 of the Paris Agreement of 2015 acknowledges L&D, stating: "Parties recognise the importance of averting, minimising and addressing loss and damage associated with the adverse effects of climate change". It needs to be clarified that:

"averting" = climate mitigation

"minimising" = climate adaptation

"addressing" = paying for L&D

As of now, paying for L&D remains a key issue, as no financing exists for this under the financial mechanism of the UNFCCC.

COP26: The Glasgow Dialogue

At COP26 in Glasgow, the Group of 77 nations (G77) and China had united in their demand for an L&D finance facility to disburse funding for rebuilding the lives of communities facing the worst impacts of the climate crisis. But their demand was pushed back by developed countries such as the US and Switzerland.

Eventually, the demand was watered down to a compromise: to set up the non-binding Glasgow Dialogue to explore the possible institutional arrangements for addressing L&D in the future.

At the initial Glasgow Dialogues, developed countries had argued that they already provide funds to humanitarian aid agencies such as the International Red Cross, which goes into relief and recovery from extreme weather events – therefore, they cannot be mandated to pay for loss and damage.

Developing countries have always argued – based on the polluter-pays principle – that humanitarian aid is not designed to address loss and damage. Therefore, a mechanism where contributions are mandatory – not voluntary – is needed for finance that represents reparations for victims of climate change.

Developed countries such as the EU say that their citizens will not buy the historical polluter argument today, as they are worried about the crises going on in their own countries.

Developed countries have also raised the question of how to define “most vulnerable”, but such language can be strategically used to narrow the scope of responsibility and eliminate many victim countries from being eligible for finance. Developing countries such as Pakistan that have faced major disasters have raised this issue in negotiations and discussions around L&D.

Other elements that have gotten neglected in the discourse are the impacts of slow-onset events, such as sea level rise; and aid for non-economic losses such as the loss of cultural identity, local knowledge, human health (both physical and mental) and biodiversity.

The Glasgow Dialogue till date has only triggered a series of fragmented discussions on the landscape of issues: it has remained nothing more than a talk shop.

COP27: An L&D Fund and the Transitional Committee

G77 plus China have proposed to let the Glasgow Dialogue continue as a parallel process, but also place L&D as a sub-item under Agenda 10 of the COP27. Following this, L&D was included in the provisional agenda for COP27; there is now a consensus on establishing it as a formal agenda item.

Many developing countries are of the view that a fund structured around liability and historical responsibility is an unachievable pipe-dream. Some developing countries are willing to accept a political commitment to establish a facility at COP27, as a starting point.

At COP27 in Sharm El-Sheikh, Egypt, 30 years of discussions and negotiations around the Loss and Damage issue finally saw some results. The world agreed upon a Loss and Damage Fund (LDF) and set it up. The

THE GLASGOW DIALOGUE HAS ONLY TRIGGERED A SERIES OF FRAGMENTED DISCUSSIONS: IT HAS REMAINED NOTHING MORE THAN A TALK SHOP

COP27 presidency of Egypt considered this to be the most significant outcome from the conference.

The Transitional Committee (TC) was established with 14 members from the developing bloc and 10 from among developed countries. It met for the first time in Luxor, Egypt from March 27 to March 29, 2023. In this meeting a work plan for the rest of the year was decided upon, which included the addition of a fourth meeting of the committee to the earlier three.

The members also decided that all the aspects of the LDF, such as the sources of the fund; other funding arrangements outside it; and how these would be delivered to communities/countries in need, would be discussed in each of the meetings.

What the COP27 decision text on L&D said

- Establish a Transitional Committee, with membership from developed and developing countries
- The mandate was to come up with recommendations for COP28 to operationalise the Loss and Damage Fund.
- This included decisions on the governance of the fund and establishment of a board, sources of finance for the fund, eligibility for access to the fund, structure and location of the secretariat of the fund, and other funding arrangements outside of the fund

TC 1 – the first meeting

Members agreed upon most things in principle, though fissures had begun to emerge about the scope and scale of the fund.

They also discussed the importance that should be given to funding arrangements outside the UNFCCC process, such as the Global Shield being led by the V20 group of vulnerable countries and the G7 group of developed countries.

They identified the gaps in current support for L&D “including in terms of speed, cost, scale, scope, access, eligibility, predictability, and sustainability of funding, as well as in terms of the types of events or types of loss and damage covered and the timeframes of support.”

The most important aspects of the LDF were identified as (i) quick disbursement of funds to affected populations and (ii) disbursements needed to be trigger- and needs-based.

Developing countries agreed that the governance of the fund was to be under the UNFCCC, but developed countries argued that this would mean that the setting up of the fund would take more time.

As for sources of funding, both public and innovative sources of funding – such as climate debt swaps and insurance mechanisms – were discussed.

TC 2 – the second meeting

By the second meeting from May 25-27, held in Bonn, Germany, the Transitional Committee seemed clearly divided between the Global North and South on what the character of the fund should be.

Observer/NGO groups talked about ensuring that (i) local communities get access to the fund and funding arrangements; (ii) environmental and social safeguards are put in place; and (iii) role of non-state actors in the activities of the fund is defined.

For direct community access, NGO representatives suggested a dedicated micro/small grant window that would be “comprehensive, timely, accessible, and culturally appropriate” and coordinated by a nationally designated

THE TRANSITIONAL COMMITTEE WAS SET UP WITH 14 MEMBERS FROM THE DEVELOPING BLOC AND 10 FROM AMONG DEVELOPED COUNTRIES

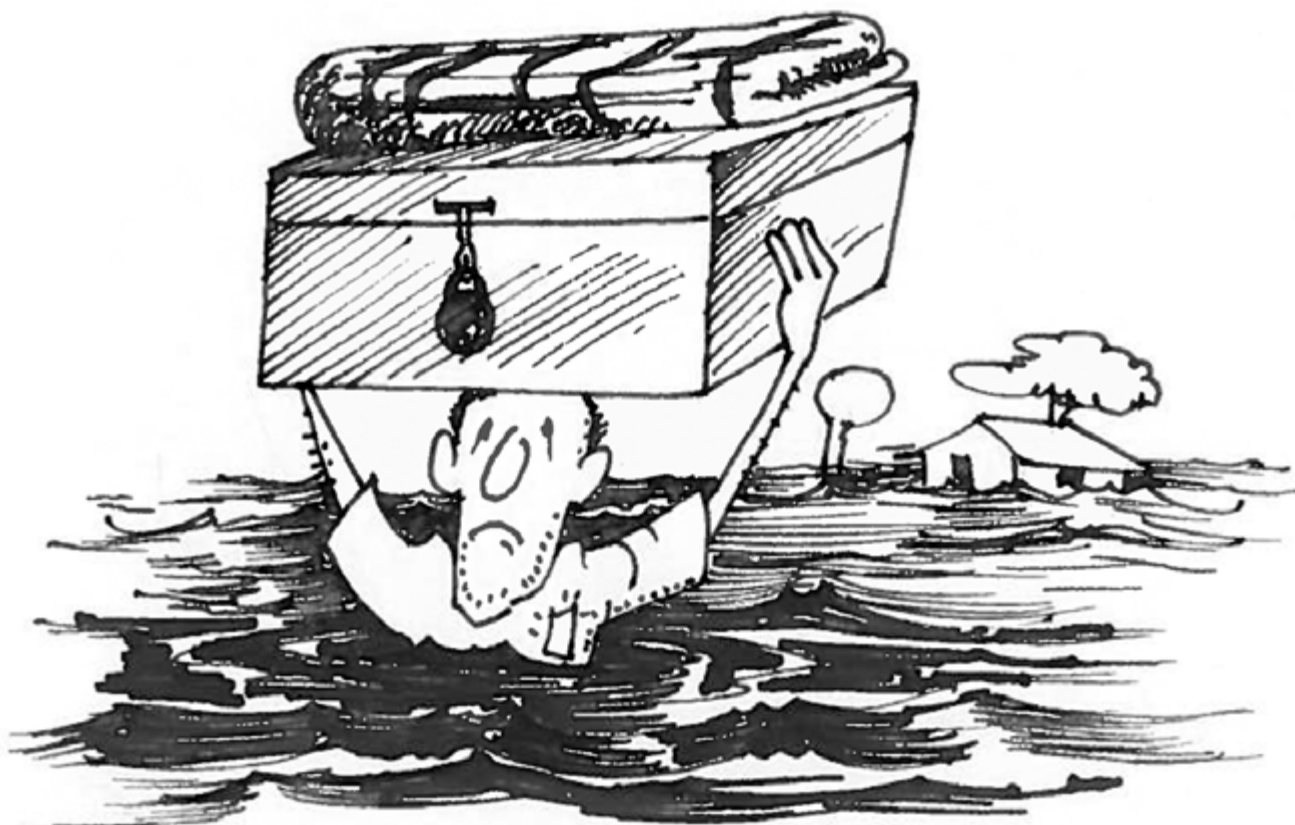
entity. For ensuring safeguards, NGOs highlighted the need for accountability and redress mechanisms.

Parties also identified some gaps in the current mechanisms of addressing L&D:

- Sources and adequacy of funding
- Speed of funding
- Access to funding
- Delivery of funding
- Thematic coverage of funding
- Inclusivity
- Methodological issues
- Data, capacity and knowledge
- Policies
- Structural issues
- Coordination and coherence
- Governance

Some TC members also spoke about addressing the loss of cultural heritage as an additional gap.

The meeting saw some disagreements on the location



of the LDF. The options were establishing a stand-alone institution and reforming an existing one. The possibility of a transitional placement of the fund was also raised, something that was carried into the last TC meeting as well.

Discussions also included legal implications of the fund, constitution of a Board for the fund, organisation of the secretariat, the scope of the fund and funding arrangements.

For funding arrangements outside the UNFCCC and Paris Agreement, members discussed the role of humanitarian agencies and multilateral development banks. Developing countries pointed out that humanitarian agencies are already overstretched, with fatigue setting in for their donors. The scale, speed and access required for LDF, especially in the context of continuous extreme weather events faced by countries, cannot be delivered by relying heavily on humanitarian agencies.

They also highlighted that “new funding arrangements should not create or exacerbate existing debt burdens. Grant-based and concessional funding was therefore noted as an important component.”

TC 3 – the third meeting

Just a couple of weeks before the third Transitional Committee meeting (TC3) in Santo Domingo, Dominican Republic, Libya was hit by devastating floods. The discussions at the meeting on eligibility to access the LDF seemed to be going in a direction where countries like Libya or Pakistan, which too had suffered from devastating floods (in 2022), would not be able to access the fund.

This was because developed countries like the US, Germany and France proposed LDF to be aimed at what they called “particularly vulnerable countries” – essentially the Least Developed Countries (LDC) and Small Island Developing States (SIDS). Libya is not qualified as an LDC by the United Nations; neither is it a SIDS.

**DEVELOPING COUNTRIES HAVE BEEN
CALLING FOR GRANT-BASED AND
CONCESSIONAL FUNDING SO THAT THE
DEBT BURDEN IS KEPT IN CHECK**

To counter this, developing countries unanimously proposed the funds should be accessible to all, and not specifically some country groupings.

Countries like the US and France tried to shift the focus away from their contributions to the LDF as part of their historical responsibility. US said the operationalisation of the LDF should be about cooperation and nobody should be held liable.

Developed countries focused more on funding arrangements, which would mainly come from mechanisms



such as the largely insurance-based Global Shield Initiative being led by Germany and the V20 group of vulnerable countries; climate-debt swaps; voluntary carbon markets; rewriting of debt and other private sources with minimal public funding. The public funding which the US wants to come from all countries “in a position to do so” would be used for addressing loss and damage arising from slow onset events and non-economic losses which hasn’t been done as yet.

Developing countries have wanted to make the LDF the centrepiece of the financing for Loss and Damage; other funding arrangements can only act as additional sources.

TC 4 – the fourth meeting

The fourth and last meeting of the TC (TC4) was held in Aswan, Egypt from October 17-20, 2023.

The TC members failed to reach a consensus on the recommendations to be sent to COP28. Developed country parties including the US, the UK, France, Germany and Australia wanted the World Bank to host the LDF. According to them, the World Bank would be able to quickly operationalise the fund, something that a stand-alone institution may not be able to do.

Developing countries believe that an LDF under the World Bank would create problems of access to developing countries, increase their debt burden, and not cater to their individual context-specific needs. Instead, they wanted the LDF to be an independent entity under UNFCCC, where it will mandatorily uphold the principles of common but differentiated responsibility (CBDR) and equity.

Another key issue in World Bank hosting the LDF was that of the 17 per cent hosting fee that the bank charges. This would reduce the amount of money going to the countries and communities in need.

The US strongly objected to the inclusion of the principles of CBDR in the LDF, as also eligibility of all developing countries to access the fund. It was finally decided that a fifth TC meeting would be held in Abu Dhabi from November 3-4.

TC 5 – the fifth meeting: Heading into COP28

Developing country TC members made what they called a “great compromise” to accept the World Bank as an interim host of the LDF for a few years – but with a clear exit strategy for the fund to become an independent entity under the UNFCCC.

They put forward the following conditions on the hosting of the secretariat of the fund by the World Bank (WB):

- a) Fully consistent with principles of the convention and Paris Agreement, as well as the fund’s governing instrument
- b) Full autonomy of the Board to select ED of the fund in line with the bank’s HR policies
- c) Fund should establish and utilise its eligibility criteria based on guidance from COP/CMA, including where it differs from WB criteria
- d) Provisions and principles of the convention and PA and GI supersedes the policies and definitions and classification of WB in cases where they differ.
- e) Allow developing countries direct access – including subnational, national and regional entities and small grants funding for communities – consistent with policies and procedures to be established by the board of the fund and applicable safeguards and fiduciary standards.
- f) Allow for the use of implementing entities beyond MDBs and UN agencies consistent with policies.
- g) The WB as trustee should invest contributions in capital markets to preserve capital and general investment income in line with due diligence.

The developing countries also put forth the condition that if any of these were not met, then the board of the fund would be authorised to terminate the agreement with the World Bank.

The US wanted the language on clear exit strategy changed to the board assessing and making a recommendation if this should be done after the interim period was over.

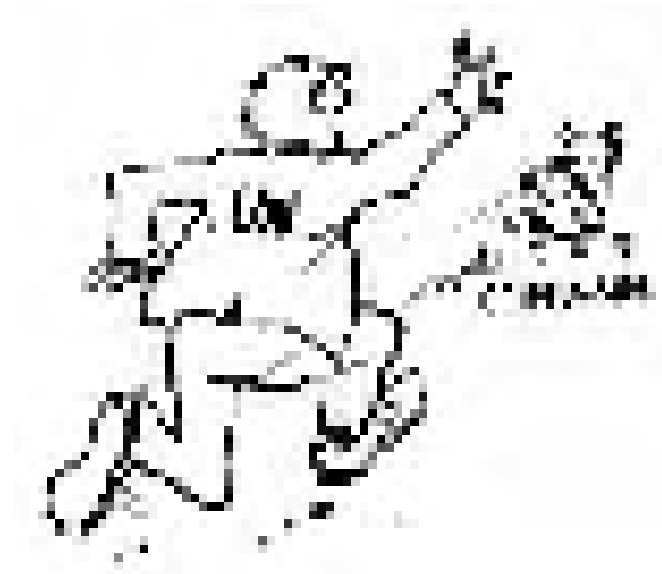
The interim period was decided to be four years. If the World Bank failed to confirm to host the fund with the above

conditions within six months of COP28, then the board was given the authority to select a host country for the fund and operationalise the LDF as an independent institution.

The board would be made up of 26 members with the following composition:

- 12 members from developed countries
- 3 members from the Asia-Pacific states
- 3 members from the African states
- 3 members from the Latin American and the Caribbean states
- 2 members from small island developing states
- 2 members from least developed countries
- 1 member from developing countries not included in the regional groups and constituencies above

From the discussions on the last day of TC 5 it is clear that it is a tenuous agreement that has been reached. The negotiations around it at COP28 are going to remain tense. Any further major disagreements may lead to a failure of adoption of the draft text; as a result, operationalisation of the LDF may be put on hold.



TC 5 ends with a non-consensus

The US has continued to raise its objections over individual paragraphs of the draft text and the governing instruments.

One of its objections was to do with paragraphs in the text on the scale of the fund and the language around obligation. The draft text says: “Urge developed country Parties to continue to provide support and encourage other Parties to provide, or continue to provide support, on a voluntary basis, for activities to address loss and damage; and “Invite financial contributions with developed country Parties continuing to take the lead to provide financial resources for commencing the operationalization of the Fund.”

The US, along with other developed countries, have said they do not want to see anything in the text on the scale of the funding. This was proposed by many developing country members to be around US \$100 billion per year till 2030.

On the final day of TC 5, the members wearily agreed to a consensus – but the US played spoilsport once again. It called for paragraphs on the sources of funding to be bracketed around the obligation of developed countries to pay into the fund. The US TC member refused to accept the consensus.

The US, thus, remains the only TC member which does not agree with the consensus draft – one that anyway no other country was completely happy about in the end.

COP28

DOWNLOAD CSE PUBLICATIONS

FACTSHEETS. REPORTS. ANALYSES. BRIEFS.

FACTSHEET

ARTICLE 6 OF THE PARIS AGREEMENT

While the negotiation carves out further guidance on Article 6, bilateral deals between countries are making Article 6 operational.

Parties need infrastructure and institutional capacities to understand the opportunity cost of trading mitigation outcomes.

Non-market approaches under Article 6 are equally important and require more attention than they currently receive.




FACTSHEET

ADAPTATION GOAL

Even after eight Glasgow Sharm El-Sheikh (GlasS) workshops on the Global Goal for Adaptation (GGA), adoption of the GGA framework at COP 28 may be tricky. The GGA framework has to be in line with the principle of common but differentiated responsibilities and respective capacities.

Grant-based contributions for adaptation finance, especially to the Adaptation Fund, from developed countries have to increase by many times to reduce the Adaptation Finance Gap.




FACTSHEET

CLIMATE FINANCE

In 2009, developed countries committed to providing US \$100 billion in climate finance per year to developing countries from 2020. In 2021, the total climate finance provided by them stood at US \$89.6 billion according to OECD.

Progress on deciding a New Collective Quantified Goal (NCQG) on climate finance by 2025 is slow. Developing countries hope to see discussions on the quality of finance at COP 28.




FACTSHEET

MITIGATION

Climate change mitigation is achieved by limiting or preventing GHG emissions and by enhancing activities that remove these gases from atmosphere.


Current Nationally Determined Contributions (NDCs) are insufficient, with estimates suggesting a temperature rise between 2.1 to 4.0C by 2030 if these pledges are implemented.

Shifting to a low-emission energy mix, tripling renewable energy capacity, and phasing down fossil fuels require addressing regional imbalances, redirecting financial flows to underserved regions, and incentivizing renewable adoption in developing nations.



FACTSHEET

METHANE IS ALL THE TALK ACCOMPANIED BY A WALK?



The Global Methane Pledge, announced in 2021, has now been signed by 149 countries. Many countries have announced methane policies, but they lack depth and specificity, and reporting rigour.


Oil and gas companies have set methane intensity targets but continue to expand production.

FACTSHEET

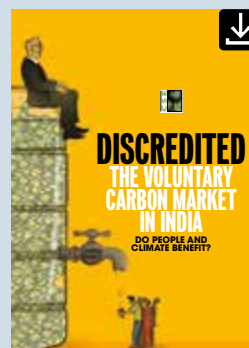
LOSS AND DAMAGE

Estimations of economic, non-economic and ecological losses due to ongoing and future impacts of climate change are termed as loss and damage (L&D).

The world needs to provide L&D finance under the broader climate justice and equity framework.



SCAN TO DOWNLOAD



Scan the QR code to Download CSE's report



Centre for Science and Environment

41, Tughlakabad Institutional Area, New Delhi 110 062

Phones: 91-11-40616000 Fax: 91-11-29955879

E-mail: cseindia@cseindia.org Website: www.cseindia.org