

The Formation of the Loss and Damage Fund

NEGOTIATORS MUST ADVANCE OPERATIONALIZATION EFFORTS TO MEET THE NEEDS OF THOSE WHO ARE MOST VULNERABLE TO THE IMPACTS OF CLIMATE CHANGE

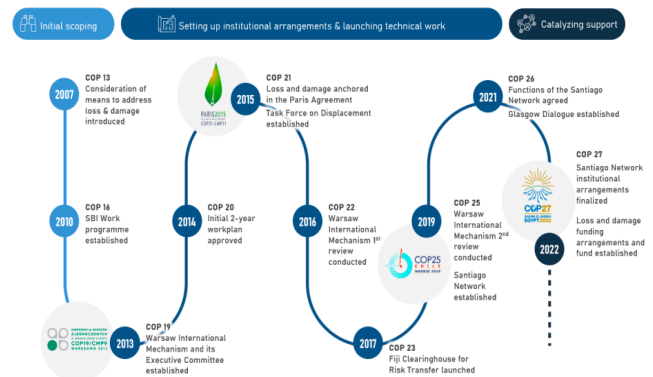
- **Loss and damages** exist because of natural disasters and slow onset impacts that arise from climate change.
- **Economic and non-economic** loss and damages must both be included in the conversation.
- **Climate equity is non-negotiable** in understanding how finance can be a mechanism for responding to climate change.
- **Formation of the Loss and Damage Fund** was set in motion at COP27 and adopted on the first day of COP28.
- **Funding must be fair and just** by being filled in a way that matches the demonstrated need; \$700m is not enough.
- **No one should be left behind** with the work of this fund.

What's the issue?

Loss and damage was introduced as a term at COP13 surrounding the topic of enhanced adaptation actions and a work program was established at COP16. Loss and damages are seen as impacts caused by the climate crisis that could not, or would not, be avoided or reduced through mitigation or adaptation actions. They are categorized as either being economic (i.e. something that can be assigned a monetary value such as rebuilding infrastructure after flooding) or non-economic (i.e. something that cannot be assigned a monetary value such as a community being displaced or the loss of traditional knowledge or culture).

From this initial technical work, the Warsaw International Mechanism for Loss and Damage (WIM) was established at COP19. This defined three functions of the Loss and Damage Mechanism including enhancing knowledge, strengthening the dialogue by engaging relevant stakeholders, and providing support to enhance action through finance, technology, and capacity-building. With the adoption of the Paris Agreement in 2016, loss and damages were incorporated into Article 8. Workplans and task forces were developed starting after COP21 and were bolstered by technical assistance provided by the Santiago Network.

COP27/CMA4 marked the shift in addressing loss and damage by establishing funding arrangements designed to assist developing countries in responding to loss and damage through the establishment of the Transitional Committee. The objective of the Transitional Committee is to operationalize the new funding arrangements for the fund and to make recommendations previous to COP28/CM5. This was done through five scheduled meetings consisting of 24 members and two co-chairs to establish the institutional arrangements, modalities, structure, governance, and terms of reference for the fund. The issue is that much work must be done to ensure the successful implementation of a Loss and Damage Fund. Work undertaken by the Transitional Committee set the stage for developments early into COP28.



Source: United Nations Climate Change

Why is this important?

If loss and damages are not addressed adequately, then countries that are most vulnerable to the impacts of climate change are not able to recover properly despite contributing the least to global emissions. A fund for loss and damages is necessary to provide compensation to those who have suffered significant harm to the point where adaptation efforts exceed their capacity. Addressing loss and damage requires activities such as rebuilding, relocation, reinvigorating livelihoods, ecosystem restoration, and community healing. Recognizing the importance of loss and damages illuminates that countries in the Global North must pay their share by addressing the emission levels they create. Alleviating the burden faced by developing countries that undergo these losses and damages needs to be addressed through a lens of both climate finance and climate equity. Figuring out how to define which countries should receive reparations, for how much, and the mechanism for payment is still up for debate at COP28 along with the third Glasgow Dialogue in 2024. Loss and damages are expected to rise with the progression of climate change and not addressed comprehensively to meet financial and governance demands. Implications if this issue is not resolved include the displacement of entire communities, economic and non-economic losses, and an increase in unequally distributed effects on developing countries and vulnerable groups.

What happened at COP28 on this issue? On Thursday, November 30th, the Loss and Damage Fund was adopted during the opening agreements of COP28. This marks the first time a decision has been adopted on day one of a COP and was followed by Parties pledging specific amounts to the fund. Work from the Transitional Committee resulted in the draft decision text on the operationalization of this fund which designates the fund to be serviced under the CDM and CMA, invites the World Bank to operationalize it as the intermediary, construct a board with specific obligations, and to encourage financial contributions from Parties. Draft decision -/CP.28-/CMA.5 on matters relating to finance, calls for be scaling up in initiating these funding arrangements. After two weeks of COP28, an estimated \$700 million is pledged to the Loss and Damage Fund including \$100m by the UAE, \$100m by Germany, \$100m by Italy and France, \$75 by the UK, \$50m by Denmark, \$40m by the Netherlands, \$27m by Ireland and the EU, \$25m by Norway, \$20m by Spain, \$17.5m by the US, \$16m by Canada, \$10m by Japan, and \$5m by Portugal, \$1.5 by Slovenia. While these are significant contributions, they only account for 0.2% of the estimated amount of economic and non-economic loss and damages owed. President Sultan Al Jaber made remarks during this opening plenary regarding making finance available and accessible so that it meets the magnitude of the moment. He stated that over \$100bn is owed and due for loss and damages but this level was not reached while at COP28.

Surrounding the issue of loss and damage, negotiation meetings took place in collaboration with the Standing Committee on Finance (SCF) and the Santiago Network under the WIM following the progress made on day one at the COP with the draft decision proposal. Each of these dialogues mentioned that developing countries need to have a more significant position in drafting texts and that future work should include domestic policy frameworks, nationally determined work, and capacity building. On the last day of COP28, December 12, the draft decision -/CP.28-/CMA.5 on the WIM for loss and damage associated with climate change impacts was adopted to host a Santiago Network secretariat to further assist developing countries that are determined as vulnerable. After the closing plenary on December 13, the draft decision -/CMA.5 on the outcome of the first global stocktake included a section on the topic of loss and damage. Recognizing its importance, the text called for the advancement of both international and national response efforts along with acknowledging that there are still gaps to be bridged with financing. Youth forums were held on both the topics of loss and damage and finance in collaboration with YOUNGO. Both forums suggested that demands must raise over accelerating the operationalization of the fund, prioritizing grant-based funding, and finalizing climate finance objectives. A multitude of side events also focused on the topic of loss and damage this year such as “Loss and damage, human rights, and state and corporate accountability”, “Policy to practice: ethical considerations and human rights implications for loss and damage funding”, and “Climate finance: how can the new Loss and Damage Fund be an effective tool to support indigenous climate solutions?” Each of these highlighted that the development of this fund is not over despite its adoption and that the conversation must include restorative justice and ground-up approaches in future dialogues. The conclusion of COP28 marks significant progress in setting arrangements in text for the advancement of the Loss and Damage Fund.

Policy recommendations

1) Increase commitments to the fund from developed countries.

The mobilization of the funds being just must be called to attention. Those who contribute the most have committed significantly less than they should. Participation in the fund is not mandatory but should urge countries to be held accountable and to match an accurate scale of financial need.

2) Establish the Board of the fund efficiently, equitably, and decisively.

Supervision of the fund shall be held by a decision-making body constituted by a Board of 26 members (12 from developed countries, 3 from Asia-Pacific States, 3 from African States, 3 from Latin American and Caribbean States, 2 from SIDs, 2 from LDCs, and 1 from a developing country not included in these groups). The people who should be here are not in current meetings when there should be an increased percentage of developing country groups on the Board to reflect the majority of those who are affected by encouraging their interventions on the fund.

3) Place more emphasis on adopting a local approach to the continuation of the fund.

Issues felt on a local level can be addressed through a local approach. For the fund to be successful, policies must be considered in the homes where the issue is felt first to visualize how it can properly meet the needs of the goals it aims to meet. This includes insisting that there is local involvement in the allocation of the funds.

References

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2. Decision 2/CP.27- Funding arrangements for responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage, 17 March 2023.
3. Report by the Transitional Committee- Operationalization of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 of decisions 2/CP.27 and 2/CMA.4, 28 November 2023.
4. Draft decision -/CP.28 -/CMA.5- “Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4”, 29 November 2023.
5. Summary Report of the 2nd Glasgow Dialogue, July 2023.
6. United Nations Climate Change. 2023. “Loss and Damage Chronology.”
7. The Loss and Damage Collaboration. 2023. “Santiago Network Project.”