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Loss and damage finance negotiations at COP27

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Loss and damage is already a lived reality

Key messages of IPCC SPM:

•Human-induced climate change has already caused losses and damages to both nature and people

•Losses and damages are unequally distributed across systems, regions and sectors and are not comprehensively addressed by current financial, governance and institutional arrangements, particularly in vulnerable developing countries

•Losses and damages escalate with every increment of global warming

•Near-term action that would limit global warming to 1.5°C would reduce future losses and damages but cannot eliminate them all

•Even effective adaptation cannot prevent all losses and damages

- By 2030, the economic costs in developing countries are expected to reach **US$200–580 billion per year** (Markandya and González-Eguino 2019; Richards and Schalatek 2017).
- **Poor and vulnerable communities,** who are least responsible for climate change, are already facing the brunt of its impacts and urgently need finance to recover from extreme events, build new livelihoods, and be proactive in responding to slow-onset but unavoidable impacts.

Glasgow Dialogue instead of finance facility

73. *Decides* to establish the Glasgow Dialogue between Parties, relevant organizations and stakeholders to discuss the arrangements for the funding of activities to avert, minimize and address loss and damage associated with the adverse impacts of climate change, to take place each year at the first session of the Subsidiary Body for Implementation until it is concluded at its sixtieth session (June 2024);

74. *Requests* the Subsidiary Body for Implementation to organize the Glasgow Dialogue in cooperation with the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts;

Outcomes of the Glasgow Dialogue

- Disagreements over the need to focus specifically on addressing loss and damage
- No concrete outcome or report summarizing discussions to feed into COP/CMA
- General agreement on the gaps in the existing finance architecture, but disagreements on the way forward
- Focus on discussing existing mechanisms rather than the role, structure or modalities on a new loss and damage finance facility

L&D finance now on the agenda

(f) Matters relating to funding arrangements responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage.[2]

Footnote: “This item and the outcomes thereof are without prejudice to the consideration of similar issues in the future.”

Read out by Presidency – it is understood that:

- The outcomes of this agenda item are based on cooperation and facilitation and do not involve liability or compensation.
- This agenda item will launch a process with a view to adopting a conclusive decision no later than 2024.

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Differences between developing and developed countries

Decision of agenda item

Developing countries:

- Acknowledgement of the gap in finance for loss and damage
- Commitment to provide new, additional, adequate and predictable finance
- Agreement to establish a loss and damage finance facility as a new operating entity of the UNFCCC financial mechanism
- Open a series of conversations to discuss details of that operating entity

Developed countries:

- Acknowledgement of the gap in finance for loss and damage
- Agreement on a process for how to move forward (including a timeline, workplan and clarity of modalities for discussion and input)
- Decision to reset the Glasgow Dialogue to feed into this agenda item

Timeline

Developing countries:

- Decision to establish a loss and damage finance facility at this COP
- Agree on TORs that would be the basis of the work for the next couple of years
- Fund fully operational by 2024

Developed countries:

- Set out process/work programme and role of Glasgow Dialogue at this COP
- Utilise upcoming Glagsow Dialogue sessions for technical discussions, with report on outcome drafted and presented to chair of COP/CMA
- Consider recommendations from Glasgow Dialogue at COP29 and make a decision on funding arrangements

Best way forward

Developing countries:

- Discussion on operationalization following decision on establishing facility
- Standing agenda item that goes beyond 2024 to align with NCQZ negotiations
- Meeting both sessionally and in the intersessionals
- Report from SBI chair on Glasgow Dialogue discussions
- Clarify thematic focus and timeline in TOR

Developed countries:

- Gap analysis of priorities and what solutions would be needed
- Technical paper on current landscape of institutions supporting and funding L&D measures and gaps
- Inputs and submissions from parties, CSOs, vulnerable communities and also UN agencies, MDBs, bilaterals etc – on speed, scope and scale of funding, barriers and limitations, potential options to address them
- Request secretariat to prepare annual report
- Regional meetings, workshops, or set up a lean technical committee to conduct research and analysis and provide recommendations and options to consider

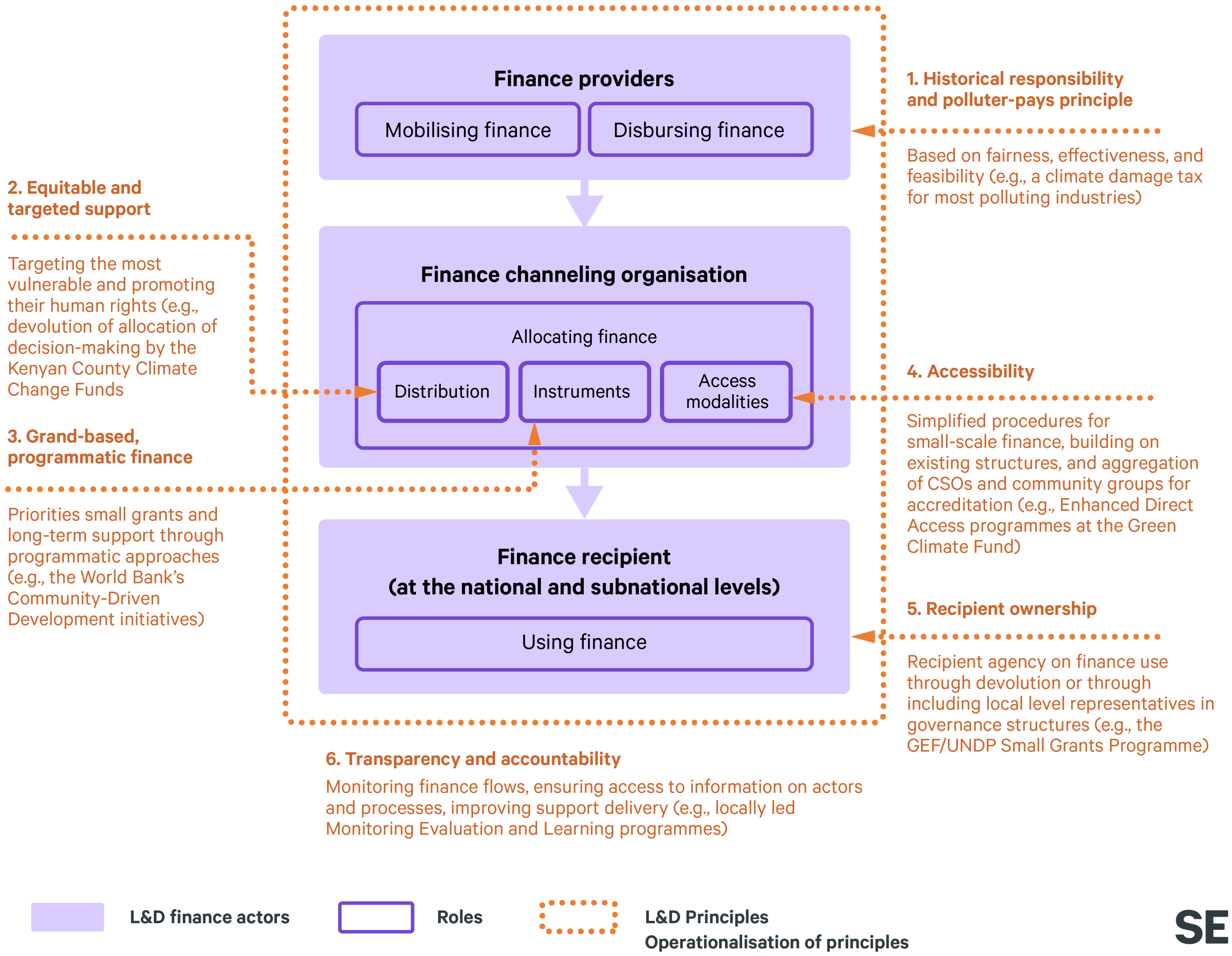
Components of loss and damage finance

Developing countries:

- Fit for purpose, multilateral response fund within the UNFCCC, with the following key elements:
  - New, additional, adequate and predictable
  - Eligibility to include all developing countries
  - Accessible to vulnerable countries
  - Public and grants based
  - Majority developing countries on board
  - Quick dissemination (24-48 hours)
- Funding outside the UNFCCC, but with guidance from the UNFCCC regime
- Innovative sources of finance and funding arrangements

Developed countries:

- Agree on need for predictability, accessibility and availability of funds
- Need for demand driven and locally led finance that reaches vulnerable communities
- Involve actors outside the UNFCCC (humanitarian assistance, bilateral aid, MDBs, IFIs, IMF)
- Special need to focus on slow onset events and non-economic losses and damages
- Need for ex ante action
- Need mosaic of solutions, including innovative sources of finance


Finance providers
Mobilising finance
Disbursing finance
Finance channeling organisation
Allocating finance
Distribution
Instruments
Access modalities
Finance recipient (at the national and subnational levels)
Using finance
1. Historical responsibility and polluter-pays principle
Based on fairness, effectiveness, and feasibility (e.g., a climate damage tax for most polluting industries)
2. Equitable and targeted support
Targeting the most vulnerable and promoting their human rights (e.g., devolution of allocation of decision-making by the Kenyan County Climate Change Funds
3. Grand-based, programmatic finance
Priorities small grants and long-term support through programmatic approaches (e.g., the World Bank's Community-Driven Development initiatives)
4. Accessibility
Simplified procedures for small-scale finance, building on existing structures, and aggregation of CSOs and community groups for accreditation (e.g., Enhanced Direct Access programmes at the Green Climate Fund)
5. Recipient ownership
Recipient agency on finance use through devolution or through including local level representatives in governance structures (e.g., the GEF/UNDP Small Grants Programme)
6. Transparency and accountability
Monitoring finance flows, ensuring access to information on actors and processes, improving support delivery (e.g., locally led Monitoring Evaluation and Learning programmes)
L&D finance actors
Roles
L&D Principles
Operationalisation of principles

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Thank you!

Read the report:
https://www.sei.org/publications/finance-loss-damage-principles-modalities/

Listen to the podcast:
https://open.spotify.com/episode/1sgSgMqjHKr2Ik06CgHBPt

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