



L&DC

THE LOSS AND DAMAGE COLLABORATION

*MAKING LOSS AND DAMAGE FINANCE THE THIRD
PILLAR OF THE NEW COLLECTIVE QUANTIFIED GOAL
ON CLIMATE FINANCE*



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The Loss and Damage Collaboration (L&DC): *an informal network of decision makers and researchers from both the global South and North working to ensure that developing countries and the vulnerable people and communities within them have the support they need to address loss and damage.*

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INTRODUCTION

Climate change induced loss and damage is accelerating and derailing gains made in poverty eradication, access to education, opportunities for women and girls and many more sustainable development aims. Additionally, loss and damage is contributing to human and community displacement, is impacting livelihoods including as a result of increased soil salinisation, and destroyed harvests, and is threatening cultural heritage. Loss and Damage overwhelmingly impacts developing countries and communities and population groups in the global south that have historically contributed the least to climate change¹, yet are disproportionately impacted by climate change the most, and additionally often have the least resources to tackle climate change. Such climate impacts and loss and damage are set to continue and worsen unless urgent action is taken² to tackle climate change, and address the underlying vulnerabilities that many developing countries face.

It is therefore essential that all countries have the ability to fulfil their commitments to contribute to achieving the global temperature rise limit of 1.5°C. However, the 2021 NDC

¹ Climate Action Tracker.

<https://climateactiontracker.org/data-portal/?country=US&country=GM&country=ET&country=CA&country=AF&country=NZ§or=Macro&indicator=Emissions%20per%20capita&scenario=historic&mode=countries>

² IPCC 2022. <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/>



Synthesis report³ clearly shows that developing countries do not currently have the financial ability or capacity to carry out measures to address climate change at a sufficient scale. Thus, additional, adequate financial support is required. Particularly as financing needs to address loss and damage in developing countries are conservatively estimated at between 290 billion and 580 billion USD by 2030⁴. Yet the existing global climate finance goal of US\$100 billion per year is predicted to not be met until 2023 and is not predicted to be surpassed until 2024⁵.

THE DIFFERING NEEDS OF LOSS AND DAMAGE AND ADAPTATION WARRANT SEPARATE AND ADDITIONAL FINANCING STREAMS

Developing countries have made it clear that they need finance to address loss and damage in addition to adaptation finance. Under both the Paris climate Agreement⁶ and UNFCCC Convention⁷ it is the responsibility of developed, rich nations to provide public climate finance. Yet there is a clear global climate finance gap between climate finance provided and the actual needs of addressing climate change. All of which is preventing developing countries from tackling climate change, as well as efforts to address ongoing loss and damage, and to carry-out adaptation measures.

The Paris Agreement recognises the need for averting, minimising and addressing loss and damage⁸. Since averting and minimising loss and damage can be achieved through mitigation and adaptation, there is a need for finance, policy measures, and technical support to carry-out the critical work of **addressing** loss and damage.

Adaptation and loss and damage serve distinct purposes, and as such have distinct challenges and aims. Whilst mutually reinforcing, the solutions and measures used to achieve their aims are also distinct⁹. The measures to address loss and damage, and to carry-out adaptation efforts are both necessary, but serve different needs within a community.

Adaptation measures	Loss and Damage measures
Adaptation measures are designed to increase a community's resilience to predictable climate impacts. For instance, afforestation to prevent erosion and reduce flooding caused by storms, retrofitting buildings to reduce their footprint, as well as ensuring that new buildings are resilient to extreme climatic events and have a low carbon footprint.	Loss and damage measures include being able to adequately plan for responding to occurring climate impacts, thereby ensuring that countries are able to uphold the human rights of displaced communities through climate change risk management response systems. Loss and damage measures also include active response measures, such as systems to deliver financial payouts to harmed peoples and communities for rehabilitation and rebuilding etc. As well as ensuring that after either extreme or slow onset climatic impact(s), countries can continue

³ UNFCCC, 2021.

<https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs/nationally-determined-contributions-ndcs/ndc-synthesis-report#eq-9>

⁴ Markandya A., González-Eguino M., 2019. https://doi.org/10.1007/978-3-319-72026-5_14

⁵ UK COP26, 2021. <https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf>

⁶ UNFCCC, 2015. <https://unfccc.int/documents/9097>

⁷ UNFCCC, 1992.

https://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf

⁸ UNFCCC, 2015. <https://unfccc.int/documents/9097>

⁹ Heinrich Boll Stiftung et al.

<https://us.boell.org/sites/default/files/2021-05/Spotlighting%20the%20Finance%20Gap%20-%20Loss%20and%20Damage%20brief%203.pdf>



	pursuing a long-term sustainable development pathway.
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When framed in this context, it is clear to see that they each have their own financing needs, and so both financing streams are essential to ensure that no country is left behind in the journey to tackle global climate change. Any conflation between these two financing streams risks impacting developing countries and climate vulnerable communities' ability to access adequate, and necessary financial support for either purpose. As such, it is crucial that climate financing needs for loss and damage are not conflated with financing needs for adaptation finance. This does not rule out integrated approaches at the local, practical level, where there can be synergies between adaptation and loss and damage measures. However, loss and damage measures cannot be implemented by diverting promised or available resources for implementing adaptation measures.

THE PROBLEM OF CONFLATING FINANCE TO ADDRESS LOSS AND DAMAGE, AND ADAPTATION FINANCE

Despite the clarity on what the needs are, loss and damage needs are often still conflated with adaptation needs. This is despite the decision that established the Warsaw International Mechanism on Loss and Damage (WIM) acknowledging that, "loss and damage associated with the adverse effects of climate change, includes, and in some cases involves more than, that which can be reduced by adaptation"¹⁰.

Conflating the financial support needs of these two issues is not a useful way to ensure that these issues can be adequately addressed. Particularly not when adaptation measures are already severely underfunded. 2019 adaptation finance accounted for 25 per cent or \$USD 20.1 billion of climate finance provided and mobilised by developed countries for developing countries¹¹. As such, assuming that Loss and Damage finance needs can be addressed under existing adaptation-focused finance channels risks reducing the amount of available overall adaptation finance, which then risks reducing the amount of adaptation measures that can be carried out, and the overall quality of adaptation efforts. Instead, these two issues should be addressed in addition to each other and with additional finance provided, in order to ensure that these critical agendas can be achieved. **Constructive engagement with finance to address Loss and Damage means not conflating loss and damage, with adaptation needs and finance. Instead additional designated finance for Loss and Damage must be provided.**

SETTING A NEW GLOBAL, QUANTIFIED, CLIMATE FINANCE GOAL THAT ADDITIONALLY ADDRESSES LOSS AND DAMAGE

One of the main outcomes of COP26 is the setting off the process to set a new collective quantified climate finance goal¹². The last climate finance goal was a political agreement amongst developed countries, that was not based on the needs of developing countries. So it was imperative that at the UN Climate Conference COP26 in 2021, a process was set into motion ensuring that the deliberations for a new goal were based on transparency and included the most climate impacted and climate vulnerable countries.

¹⁰ UNFCCC, 2014:6

¹¹ OECD 2021.

https://www.oecd-ilibrary.org/finance-and-investment/climate-finance-provided-and-mobilised-by-developed-countries-aggregate-trends-updated-with-2019-data_03590fb7-en

¹² UNFCCC 2021. <https://unfccc.int/documents/460952>



At COP26 countries agreed on a process to determine the scope and substance of what the new goal should be. As part of this, it was decided to establish an ad hoc work programme that would run from 2022 to 2024, with an ultimate aim to set a new collective quantified climate finance goal by 2024. Additionally at COP26, the initially proposed Glasgow Loss and Damage [finance] Facility was watered down to a Glasgow Dialogue on Loss and Damage¹³. Those a part of the Dialogue (Parties, observers and other relevant stakeholders) will discuss “the arrangements for the funding of activities to avert, minimize and address loss and damage”.

Whilst both the UNFCCC Convention and Paris Agreement recognise that in order for developing countries to contribute to the global effort to tackle climate change they will need access to finance, there is no agreed definition on climate finance. However, the current climate finance article in the Paris Agreement states that “developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention”¹⁴. This is despite Decision 3/CP.18 from COP18 in 2011, which “acknowledges the need to enhance support, including finance, technology and capacity-building, for relevant actions”¹⁵ related to loss and damage. Usefully, mechanism three of the Warsaw International Mechanism on Loss and Damage (WIM) is to enhance action and support on loss and damage, including finance, technology, and capacity building¹⁶. However, the WIM mechanisms have not yet been enough to ensure that finance to address loss and damage is provided.

In the absence of a multilaterally agreed comprehensive definition on what climate finance is and what it is needed for, climate finance should be based on the needs of developing countries, which include a need for new and additional finance to address loss and damage.

RECOMMENDATIONS

This November (2022) the UN Climate Conference, COP 27 will take place in Egypt, and it is already being billed as the ‘climate finance and climate impacts COP’. It is an opportunity to see much needed action on climate finance that serves the needs of developing countries and climate vulnerable communities.

Ahead of the COP27, there will be several technical and expert working meetings on both climate finance, and on loss and damage. In March 2022, the first Technical Expert Dialogue under the Ad hoc Work Programme on the New Collective Quantified Goal on Climate Finance¹⁷ will take place. This is the first formal opportunity to ensure that finance to address loss and damage is recognised as an equal part of the new climate finance goal, specifically as the third pillar. Ahead of these opportunities, this paper makes the following recommendations:

- **The new collective goal must include separate goals for finance to address loss and damage, adaptation, and mitigation.** It’s crucial that there are balanced provisions for these issues, and that finance is not taken from one to fulfil commitments to the other. Doing so will ensure that these issues can all be addressed equitably within a set timeframe.
- The ad-hoc work programme on the new climate finance goal **must allow for inclusive meaningful participation of all relevant stakeholders**, and civil society must have

¹³ UNFCCC 2021. <https://unfccc.int/documents/460950>

¹⁴ UNFCCC 2021. <https://unfccc.int/documents/9097>

¹⁵ UNFCCC, 2012. <https://unfccc.int/sites/default/files/resource/docs/2012/cop18/eng/08a01.pdf>

¹⁶ UNFCCC.

<https://unfccc.int/topics/adaptation-and-resilience/workstreams/loss-and-damage/warsaw-international-mechanism>

¹⁷ UNFCCC 2022.

<https://unfccc.int/event/first-technical-expert-dialogue-under-the-ad-hoc-work-programme-on-the-new-collective-quantified>



adequate access to all processes and activities under the ad-hoc programme, including by having a seat at the table during the Technical Expert Dialogues (TEDs).

- **The Glasgow Dialogue on Loss and Damage must be outcome-oriented and lead to the establishment of a financing Facility by COP27**, and developed countries (not just sub-governments and philanthropies) must start providing finance to address loss and damage, and ensure that there are pre-arranged systems in place to ensure that in the wake of an extreme climatic event that finance can be disbursed as needed.
- **Climate finance must be new and additional** to existing finance commitments e.g. development finance and humanitarian aid, since climate change is an additional burden that climate vulnerable communities face, despite having historically contributed to it the least.
- **Significantly improved and simplified access to climate finance is needed:** Mechanisms and modalities must be established, improved and simplified and implemented to ensure that developing countries, regional and local stakeholders, civil society organisations, and indigenous communities have greater and more direct access to climate finance so they can carry-out country- and locally-owned climate actions.
- **Grants must be prioritised over debt generating instruments** as a matter of equity and climate justice to ensure that a country's overall debt levels do not increase as a result of loan repayments, surcharges and other related loan fees. Developing countries must be able to retain their fiscal space, as well as be able to address their vulnerabilities, build resilience, and address ongoing losses and damages.
- **In addition to urgently provided climate finance, debt cancellation must be granted** in the wake of extreme climatic events to ensure that countries are not forced to make loan repayments, but can instead use their money to support their residents after extreme climatic events.
- **The cycle for reviewing and updating the new goal must be aligned with the Global Stocktake (GST)** to ensure that the goal is in line with the latest available science, and the latest developments in climate action.
- **An annual loss and damage gap report must be established** to identify needs and capacity gaps, including financial needs, on addressing loss and damage.
- **Climate finance must be responsive to the needs and rights** of marginalised and victimised members of society, including women, non-binary and gender-nonconforming communities, racialised communities, indigenous and minority ethnic groups, and the disabled community.