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Loss and Damage finance in the climate negotiations

Key challenges and next steps

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Summary

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- The impacts of climate change are wreaking destruction across the world, causing loss and damage that adversely affects livelihoods, human health, ecosystems and cultural heritage. Many of the countries and communities experiencing severe loss and damage have contributed little to human-induced climate change, and typically have low technical and financial capacity to address loss and damage – raising the critical question of how their financing needs should be met.
 - The provision and mobilization of what is termed ‘Loss and Damage’ finance is a key issue in the UN climate negotiations. While progress has been made in recent years, the topic remains contentious, emotive and complex. Drawing on 26 closed-door interviews with representatives from Least Developed Countries, Small Island Developing States, emerging economies and developed countries, this research paper aims to enhance understanding of different countries’ perspectives on Loss and Damage finance, as well as identify pragmatic and politically realistic steps that could be taken in the near term to start building a shared vision among governments on a way forward.
 - The paper shows that Loss and Damage is recognized as an increasingly important and urgent issue by developing and developed countries alike. Many developing countries consider loss and damage to be a ‘life or death issue’ and several consider the financing of policies and plans addressing the problem to be the ‘third pillar’ of climate action under the Paris Agreement, alongside climate change mitigation and adaptation. Many developing-country governments stress the scale of loss and damage which they currently suffer and are expected to suffer in the future, as well as the urgent need for financial support. Many developed-country interviewees express willingness in principle to help address loss and damage-related needs. In September 2022, Denmark became the first UN member state to pledge dedicated Loss and Damage finance, and members of the G7 are collaborating with the Vulnerable Group of Twenty (V20) of climate-vulnerable nations to launch a new initiative at COP27 to support populations affected by loss and damage.
 - Numerous challenges continue to impede meaningful progress on the Loss and Damage agenda, however. These challenges include confusion around concepts; diverging views on the most appropriate funding arrangements; difficulties in achieving sufficient scale in funding; and a lingering fear among some developed countries that they risk becoming legally liable to provide vast sums in financial compensation.

- Given the challenges and differences in views, it is likely that the most realistic pathway forward in the near term will be to further assess how existing organizations in the climate, development and humanitarian spaces can be reformed to improve their responses to loss and damage, and then for governments to pursue such reforms. Clarifying the mandate of the Glasgow Dialogue process (itself a political outcome of COP26) and putting Loss and Damage finance on the formal COP negotiation agendas – starting at COP27, where the topic is on the provisional agenda, which needs to be adopted at the beginning of the conference – would be important for fostering productive discussions, building trust and enabling formal decision-making.
- Developing more detailed proposals on what form a dedicated ‘Loss and Damage Finance Facility’ could take, what types of activity it could support, and how it could be funded – while bearing in mind the concerns identified in this paper – may help build support for such a facility. The challenge of bringing some developed countries on board should not, however, be underestimated, especially if the preferred shape of the facility were to take the form of a new standalone fund under the United Nations Framework Convention on Climate Change (UNFCCC). It is critical all Parties – including developed-country Parties – bring concrete ideas and proposals on possible Loss and Damage funding arrangements to the table.
- The provision of ‘new and additional’ finance explicitly aimed at addressing Loss and Damage from developed countries could, in addition to providing some relief to those experiencing loss and damage, help elevate the profile of the topic in the climate talks, make Loss and Damage finance a less taboo subject, and instil positive momentum into the discussions. However, in the current political and economic context, the amounts involved are likely to be relatively small. There is thus a need to think creatively about how to reach scale in funding.
- In parallel with the discussions taking place within the UNFCCC, governments can develop national and regional loss and damage disbursement mechanisms which could receive support from local and international partners. Governments may also consider integrating loss and damage considerations in national development and climate plans – and conducting loss and damage needs assessments – to inform planning and investment processes, and to increase awareness among donor governments and organizations of what the concrete needs are.
- Likewise, by sharing case studies of Loss and Damage finance projects, and mandating the Intergovernmental Panel on Climate Change (IPCC) to produce a ‘special report’ – similar to those it has published on other climate topics – on loss and damage specifically, governments can help to clarify the important boundaries between ‘averting’, ‘minimizing’ and ‘addressing’ loss and damage and convey which responses have proved effective to date.

01

Introduction

Finding a pathway forward for the Loss and Damage finance agenda is important for meeting the needs of front-line communities and restoring trust between developed and developing countries. Improving the international response to loss and damage from climate change may also yield security benefits.

Human-induced climate change is already causing severe impacts around the world. In 2022 alone, hundreds of millions of people faced devastating extreme events – including floods in Pakistan, Bangladesh and India and heatwaves in Europe, the US, India, Pakistan, China and South Korea. As global warming increases, climate change impacts will become ever more severe, breaching the ability of communities and ecosystems to adapt, and causing devastating consequences for peoples’ health, livelihoods, culture and security.¹ Commonly understood as ‘loss and damage’, these harms pose a huge challenge for affected communities, and the question of how to deal with them – and how to finance the necessary responses accordingly – constitutes a key issue in the UN climate negotiations.

The term ‘loss and damage’ (see Box 1) covers both economic loss and damage (including harms to property and livelihoods) and non-economic losses (including loss of life, and losses to biodiversity and cultural heritage).² It involves destruction caused by both extreme weather events, such as heatwaves, and slow-onset events, such as sea-level rise.³

¹ Intergovernmental Panel on Climate Change (IPCC) (2022), ‘Summary for Policymakers’, in *Climate Change 2022: Impacts, Adaptation and Vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, Geneva: IPCC, https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf.

² United Nations Framework Convention on Climate Change (UNFCCC) (2015), ‘The Paris Agreement’, <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

³ Ibid.

Box 1. A note on terminology

There is no formally agreed definition of ‘loss and damage’.⁴ ‘Loss and damage’ (with a small ‘l’ and ‘d’) is commonly understood to refer to one of three things: all negative impacts of climate change; harms that occur after limits to adaptation have been reached; or the most critical and irreversible negative impacts of climate change.⁵ However, the most commonly accepted use of the term ‘loss and damage’ is in reference to climate change impacts not avoided by climate change mitigation and adaptation.⁶

The phrasing ‘avert, minimize and address loss and damage’ is used in the Paris Agreement, where ‘averting’ is generally understood to refer to mitigation, ‘minimizing’ to adaptation, and ‘addressing’ to efforts taken to respond once loss and damage has occurred.⁷

The Intergovernmental Panel on Climate Change (IPCC) acknowledges that there are ‘hard’ limits to adaptation where risks cannot be avoided despite pursuing best adaptation efforts (such as the rendering uninhabitable of small islands as a consequence of sea-level rise).⁸ Parties have also recognized that loss and damage ‘includes, and in some cases involves more than, that which can be reduced by adaptation.’⁹ The IPCC uses the term ‘losses and damages’ to refer to economic and non-economic ‘harm from (observed) impacts and (projected) risks’.¹⁰ IPCC scientists use this term due to its reportedly ‘different, less political meaning’.¹¹

When ‘L’ and ‘D’ are capitalized, ‘Loss and Damage’ refers to policies and plans aimed at addressing loss and damage as well as the discussions within the climate negotiations on this topic.¹²

Loss and damage is already occurring on a large scale, exacting significant social, ecological and financial costs. Over 40 per cent of the world’s population lives in countries that are ‘highly vulnerable’ to the impacts of climate change (‘climate-vulnerable countries’), with Small Island Developing States

⁴ Vanhala, L., Robertson, M. and Calliari, E. (2021), ‘The knowledge politics of climate change loss and damage across scales of governance’, *Environmental Politics*, 30(1–2), pp. 141–60, <https://doi.org/10.1080/09644016.2020.1840227>.

⁵ Boyd, E. et al. (2017), ‘A typology of loss and damage perspectives’, *Nature Climate Change*, 7, pp. 723–29, <https://doi.org/10.1038/nclimate3389>.

⁶ Roberts, E. and Pelling, M. (2016), ‘Climate change-related loss and damage: translating the global policy agenda for national policy processes’, *Climate and Development*, 10(1), pp. 4–17, <https://doi.org/10.1080/17565529.2016.1184608>.

⁷ Bhandari, P., Warszawski, N., Cogan, D. and Gerholdt, R. (2022), ‘What Is “Loss and Damage” from Climate Change? 6 Key Questions, Answered’, World Resources Institute, 6 April 2022, <https://www.wri.org/insights/loss-damage-climate-change>.

⁸ Intergovernmental Panel on Climate Change (2022), ‘Summary for Policymakers’.

⁹ UNFCCC (2013), ‘Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013 Addendum Part two: Action taken by the Conference of the Parties at its nineteenth session, FCCC/CP/2013/10/Add.1’, Decision 2/CP.19, p. 6, <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=6>.

¹⁰ Intergovernmental Panel on Climate Change (2022), *Working Group II Sixth Assessment Report: Annex II: Glossary*, Geneva: IPCC, p. 2914, https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_Annex-II.pdf.

¹¹ McGrath, M. (2022), ‘IPCC: Climate change report to sound warning on impacts’, BBC News, 22 February 2022, <https://www.bbc.co.uk/news/science-environment-60431081>.

¹² The Loss & Damage Collaboration (2022), ‘What is Loss and Damage?’, <https://www.lossanddamagecollaboration.org/whatislossanddamage>.

(SIDS) and Least Developed Countries (LDCs) being particularly badly affected.¹³ Developed countries are also experiencing increasingly severe climate change impacts – for instance, flooding in western Europe in 2021 killed more than 200 people and caused losses valued at \$45.6 billion.¹⁴

Climate-vulnerable developing countries have contributed little to the emissions causing climate change. Higher-emitting, wealthier industrialized countries are primarily responsible for such emissions.¹⁵ Indeed, despite having only 15 per cent of the global population, wealthy countries are responsible for an estimated 92 per cent of estimated historical greenhouse gas emissions, and 37 per cent of emissions today.¹⁶ Moreover, greenhouse gas emissions by the wealthiest 1 per cent of the global population were more than double the carbon dioxide emitted by the poorest half of the world's people between 1990 and 2015.¹⁷ By comparison, the entire continent of Africa contributes only 3.8 per cent to global emissions but is experiencing faster temperature rises than the rest of the world.¹⁸ The Maldives contributes only 0.03 per cent of global emissions, but its very existence is threatened by sea-level rise.¹⁹

Climate-vulnerable developing countries have contributed little to the emissions causing climate change. Higher-emitting, wealthier industrialized countries are primarily responsible for such emissions.

Developing countries generally have lower technical, technological and financial capacities to address loss and damage. These patterns of vulnerability are partly shaped by history, including colonialism and its continued legacies – adding another element to the historical responsibility of wealthy countries which formerly possessed colonies.²⁰ These inequities raise the important question of how loss and damage-related financing needs of developing countries should be met.

¹³ Ibid. p. 11.

¹⁴ Aon (2022), *2021 Weather, Climate and Catastrophe Insight*, London: Aon, <https://www.aon.com/weather-climate-catastrophe/index.html>.

¹⁵ This is the basis for the UNFCCC's 'common but differentiated responsibilities and respective capabilities' principle (CBDR-RC). However, some developed countries have challenged being assigned full historical responsibility for climate change, citing the significant and growing emissions of emerging economies. Shawoo, Z., Maltais, A., Bakhtaoui, I., and Kartha, S. (2021), *Designing a fair and feasible loss and damage finance mechanism*, Stockholm: Stockholm Environment Institute; Dunne, D. and Gabbatiss, J. (2022), 'Bonn climate talks: Key outcomes from the June 2022 UN climate conference', CarbonBrief, 20 June 2022, <https://www.carbonbrief.org/berlin-climate-talks-key-outcomes-from-the-june-2022-un-climate-conference>.

¹⁶ Carty, T. and Walsh, L. (2022), *Footnote the bill: Fair finance for loss and damage in an era of escalating climate impacts*, Oxford: Oxfam International, <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621382/bp-fair-finance-loss-and-damage-070622-en.pdf>.

¹⁷ Ibid.

¹⁸ Kadiri, M. (2022), 'Africa faces an uphill battle against western emissions to combat climate change', The Conversation, 11 January 2022, <https://theconversation.com/africa-faces-an-uphill-battle-against-western-emissions-to-combat-climate-change-174484>.

¹⁹ Jeffs, N. and Liao, C. (2022), 'Explainer: what is loss and damage?', Chatham House Explainer, 10 August 2022, <https://www.chathamhouse.org/2022/08/what-loss-and-damage#:~:text=What%20does%20loss%20and%20damage,and%20future%20climate%20change%20impacts>.

²⁰ Pörtner, H.-O. et al. (2022) 'Technical Summary', in Pörtner et al. (eds), *Climate Change 2022: Impacts, Adaptation and Vulnerability: Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Cambridge University Press, Cambridge and New York, p. 53.

Though the Loss and Damage finance agenda has gained momentum in recent years, the issue remains one of the most contentious, emotive and complex in the UN climate negotiations. Identifying workable pathways forward on this issue is critical for safeguarding lives and livelihoods as well as sociocultural, environmental and economic systems. Notwithstanding politicized disagreements between countries over the relevance of historical responsibility for climate change to the responsibility for providing Loss and Damage finance, it is manifestly the case that improvements in the international response to loss and damage are in the interests of poor and rich nations alike. Climate change is a threat-multiplier with the potential to exacerbate underlying tensions and grievances in countries of strategic interest to the major powers of the world. The provision of funding and other types of support to address loss and damage in such settings may thus have security benefits for all countries: it could, for instance, mitigate the risk of large and unplanned population movements.²¹ Improving the response to loss and damage may also help restore trust between developed and developing countries in the climate negotiations, and would enable developing countries to devote more resources to reducing their emissions, adapting to climate change impacts and pursuing sustainable development.²²

This research paper maps the political landscape on Loss and Damage finance, with the aim of enhancing understanding of different countries' perspectives and identifying pragmatic, politically realistic, steps that could be taken in the near term to start building a shared vision among governments on a way forward. First, in Chapter 2, the paper traces the history of Loss and Damage in UN climate negotiations. Then, drawing mainly on information gathered through closed-door interviews with country representatives, it explores negotiating signatory Parties'²³ main concerns, priorities and motivations in relation to Loss and Damage finance (Chapter 3). Next, based on themes and messages identified in Chapter 3, it analyses what a possible pathway forward on Loss and Damage finance might look like in the near term. The concluding chapter contains recommendations for governments and other relevant stakeholders.

Methodology

The paper is informed by 26 semi-structured interviews with climate ambassadors, heads of delegation, Loss and Damage negotiators and climate finance negotiators from 21 Parties. The interviews were conducted online and in person between April and October 2022, and some representatives were interviewed multiple times to understand evolving negotiating positions. To enable frank and honest discussions, the names, affiliations and nationalities of interviewees are not disclosed in the paper. Yet it is worth noting that, given the contentious nature

²¹ Dimsdale, T. and Hayes, L. (2022), *Roadmap for progressing on loss and damage: from the G7 summit to COP27*, E3G Briefing Paper, <https://www.e3g.org/publications/roadmap-for-progressing-on-loss-and-damage>.

²² Some of these arguments are elaborated on in Sharma-Kushal, S., Schalatek, L., Singh, H. and White, H. (2022), *The Loss and Damage Finance Facility: Why and How*, Washington, DC: CAN International, Christian Aid and Heinrich-Böll-Stiftung, p. 19, <https://climatenetwork.org/resource/ldff-paper>.

²³ The 'Parties' are the governments which have signed the UNFCCC. See UN Climate Change (2022), 'Parties to the United Nations Framework Convention on Climate Change', <https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states>.

of Loss and Damage negotiations, research participants may have been unwilling or unable to disclose all details of their country or group's interests and negotiating positions. It should also be highlighted that the information generated through the interviews represents views held at a certain point in time: positions of the negotiating Parties may have changed or evolved over the course of just a few months, especially given the high level of attention surrounding the topic. Such shifts may not be fully reflected in the paper.

The interviewees include representatives from four low-income country Parties, five lower-middle-income country Parties, two upper-middle-income country Parties and 10 high-income country Parties.²⁴ Eight of the Parties are classified as 'Annex I'²⁵ (essentially developed-country Parties) under the UNFCCC,²⁶ while 13 are not.²⁷ Five are found on the UN's list of LDCs²⁸ and four on the UN's list of SIDS.²⁹ Five of the non-Annex I country Parties are located in Africa, six in the Asia-Pacific and two in Latin America and the Caribbean. The geographical locations of the Annex I Parties are not revealed, as this may compromise the anonymity of interviewees. There is an overrepresentation of interviewees from developed countries in the sample. A focus on better understanding the perspectives, motivations and concerns of such countries was considered strategic, given that they are often regarded as 'blockers' on Loss and Damage finance. It should also be noted that the sample includes few representatives from emerging economies, and that its overall size is relatively small.

Acknowledging that the insights obtained through the discussions with country representatives do not represent a complete or perfect overview of country perspectives, the authors complemented the interviews by reviewing and incorporating information found in Party statements and submissions. They also spoke to experts from civil society and international organizations (two of whom serve as advisers to climate-vulnerable developing countries) for further background and analysis and, where relevant, integrated findings from the wider literature. An extensive peer-review process was conducted, and, to gain additional perspectives, the researchers worked with the African Group of Negotiators Experts Support System (AGNES) on the paper's analysis and recommendations.

²⁴ The World Bank's classification system has been used to define a Party's level of income. Hamadeh, N., van Rompaey, C., Metreau, E. and Eapen, S. G. (2022), 'New World Bank country classifications by income level: 2022–2023', World Bank Blog, <https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2022-2023>.

²⁵ UN Climate Change (2022), 'Parties to the United Nations Framework on Climate Change'.

²⁶ According to the UNFCCC Secretariat, 'Annex I' Parties include 'the industrialized countries that were members of the OECD (Organisation for Economic Cooperation and Development) in 1992, plus countries with economies in transition (the EIT Parties), including the Russian Federation, the Baltic States, and several Central and Eastern European States'. UN Climate Change (2022), 'Parties & Observers', <https://unfccc.int/parties-observers>. In this paper they are generally referred to as 'developed-country Parties'.

²⁷ UN Climate Change (2022), 'Parties to the United Nations Framework on Climate Change'.

²⁸ United Nations Committee for Development Policy (2022), 'List of Least Developed Countries (as of 24 November 2021)', https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf.

²⁹ United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (2022), 'List of SIDS', <https://www.un.org/ohrrls/content/list-sids>.

The authors also participated in the first Glasgow Dialogue³⁰ (which took place during the June 2022 Subsidiary Bodies meetings in Bonn) and attended numerous events and workshops on Loss and Damage finance.

The paper's analysis and recommendations have been informed by the interviews and desk-based research, but have not been negotiated or endorsed by Parties: they represent the views of the authors alone.

³⁰ The Glasgow Dialogue, agreed at COP26, brings together Parties and other relevant 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'. Recordings from the first Glasgow Dialogue, held in June 2022, can be found here: <https://unfccc.int/event/glasgow-dialogue>.

02

Loss and Damage in the UN climate negotiations

Loss and Damage was introduced to the climate negotiations more than three decades ago, and the topic has gained increased political traction in recent years. However, the issue of how to mobilize finance remains unresolved – and disputed.

Loss and Damage was introduced to the UN climate change negotiations in 1991, when the Alliance of Small Island States (AOSIS) called for the creation of an international insurance pool to ‘compensate the most vulnerable island and low-lying coastal developing countries’ for loss and damage caused by sea level rise.³¹ Over the years, Loss and Damage has gained increasing prominence in climate negotiations, but it has been controversial.³² This is largely because of the topic’s association with the historical responsibility of developed countries for causing climate change, and with linked calls for them to provide compensation to developing countries. Developed countries have feared that they may become liable to provide vast sums in compensation for loss and damage.³³

³¹ Government of Vanuatu (1991), ‘Submission on Behalf of AOSIS: Draft Annex Relating to Article 23 (Insurance) for Inclusion in the Revised Single Text on Elements Relating to Mechanisms’, p. 2, <https://unfccc.int/resource/docs/a/wg2crp08.pdf>.

³² Calliari, E., Serdeczny, O. and Vanhala, L. (2020), ‘Making sense of the politics in the climate change loss & damage debate’, *Global Environmental Change*, 64 (102133), <https://doi.org/10.1016/j.gloenvcha.2020.102133>.

³³ Pill, M. (2022), ‘Towards a funding mechanism for loss and damage from climate change impacts’, *Climate Risk Management*, 35, 100391, <https://doi.org/10.1016/j.crm.2021.100391>; Kreienkamp, J. and Vanhala, L. (2017), *Climate Change Loss and Damage*, London: Global Governance Institute, <https://www.ucl.ac.uk/global-governance/sites/global-governance/files/policy-brief-loss-and-damage.pdf>; The Loss & Damage Collaboration (2022), ‘Loss and Damage FAQ’, <https://www.lossanddamagecollaboration.org/loss-and-damage-faq>.

The 2007 Bali Action Plan³⁴ was the first UN climate text in which the term ‘loss and damage’ appeared. In an important breakthrough, Parties agreed in 2013 to establish the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM).³⁵ The WIM is intended to support countries most affected by loss and damage by facilitating dialogue and coordination among stakeholders, enhancing knowledge of comprehensive risk management approaches, and enhancing action and support to address loss and damage – including through finance, capacity-building and technology.³⁶

The Paris Agreement

To enable the adoption of the Paris Agreement³⁷ at COP21 in 2015, developing and developed countries compromised on the issue of Loss and Damage.³⁸ In Article 8 of the Paris Agreement, Parties agreed to ‘recognize the importance of averting, minimizing and addressing loss and damage associated with the adverse effects of climate change’³⁹ – which, to many, reflected the increased importance attached to the issue and a differentiation of Loss and Damage from adaptation. However, Paragraph 51 of the Paris Decision text states that Article 8 ‘does not involve or provide a basis for any liability or compensation’.⁴⁰

It is generally understood that Paragraph 51 in the Paris Decision text does not prevent communities from seeking compensation for loss and damage in national and international courts⁴¹ – as indeed the Commission of Small Island States on Climate Change and International Law, established in 2021 by Tuvalu and Antigua and Barbuda, aims to do.⁴² Vanuatu is also leading a campaign to ask the International Court of Justice for an advisory opinion on climate change and international law, with a view to supporting litigation on loss and damage in domestic and international courts.⁴³ Vanuatu and the Maldives have also called for the International Criminal Court to criminalize ecocide (widespread destruction of the environment).⁴⁴

³⁴ UNFCCC (2007), ‘Decision -/CP.13: Bali Action Plan’, https://unfccc.int/files/meetings/cop_13/application/pdf/cp_bali_action.pdf.

³⁵ Jeffs and Liao (2022), ‘Explainer: What is loss and damage?’.

³⁶ UNFCCC (2013), ‘Approaches to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change to enhance adaptive capacity: Decision 3/CP.18’.

³⁷ The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties (countries). The agreement aims to keep global heating to well below 2°C, and preferably below 1.5°C, compared to pre-industrial levels.

³⁸ Kreienkamp and Vanhala (2017), *Climate Change Loss and Damage*.

³⁹ UNFCCC (2015), ‘The Paris Agreement’, Article 8(1), p. 12.

⁴⁰ UNFCCC (2015), ‘Adoption of the Paris Agreement: Decision 1/CP.21’, Article 8, Paragraph 51, <https://unfccc.int/sites/default/files/resource/docs/2015/cop21/eng/10a01.pdf>. Some legal scholars argue that Paragraph 51 does not rule out compensation and liability in the climate regime. See Mace, M. J. and Verheyen, R. (2016), ‘Loss, Damage and Responsibility after COP21: All Options Open for the Paris Agreement’, *Review of European, Comparative & International Environmental Law*, 25(2), pp. 197–214, <https://doi.org/10.1111/reel.12172>.

⁴¹ Some claimants have successfully done so. See Toussaint, P. (2021), ‘Loss and damage and climate litigation: the case for greater interlinkage’, *Review of European, Comparative & International Environmental Law*, 30(1), pp. 16–33, <https://doi.org/10.1111/reel.12335>.

⁴² Government of Antigua and Barbuda and Government of Tuvalu (2021), *Agreement for the Establishment of the Commission of Small Island States on Climate Change and International Law*, 31 October 2021, <https://commonwealthfoundation.com/wp-content/uploads/2021/12/Commission-of-Small-Island-States-on-Climate-Change-and-International-Law.pdf>.

⁴³ Lyons, K. (2022), ‘From Vanuatu law school to the Hague: the fight to recognise climate harm in international law’, *Guardian*, 19 June 2022, <https://www.theguardian.com/world/2022/jun/20/from-vanuatu-law-school-to-the-hague-the-fight-to-recognise-climate-harm-in-international-law>.

⁴⁴ Kusnetz, N., Surma, K. and Talmazan, Y. (2021), ‘As the Climate Crisis Grows, a Movement Gathers to Make ‘Ecocide’ an International Crime Against the Environment’, *Inside Climate News*, 7 April 2021, <https://insideclimatenews.org/news/07042021/climate-crisis-ecocide-vanuatu-the-fifth-crime>.

The Santiago Network

In 2019, Parties agreed to establish the Santiago Network to catalyse technical assistance related to loss and damage.⁴⁵ In short, the network is intended to facilitate the provision of demand-driven technical assistance related to loss and damage by connecting developing-country governments with appropriate organizations, networks and experts.⁴⁶ It is also meant to facilitate the development and dissemination of information on loss and damage, and enhance coordination among experts and organizations working on the topic.⁴⁷

As yet, the Santiago Network has not been fully operationalized – its existence is currently limited to a website – and its governance arrangements and institutional structure are still to be resolved.^{48, 49} Negotiations on the Santiago Network will continue at COP27 in Sharm El-Sheikh, Egypt, in November 2022.⁵⁰

COP26

The provision and mobilization of Loss and Damage finance was a core priority for many developing countries at COP26 in Glasgow in 2021, and the topic received much attention in the media. Towards the end of the summit, the G77 plus China⁵¹

⁴⁵ UNFCCC (2019), 'Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts and its 2019 review: Draft Decision -/CMA.2', https://unfccc.int/sites/default/files/resource/cma2_auv_6_WIM.pdf.

⁴⁶ The functions of the Santiago Network were agreed at COP26 in Glasgow. UNFCCC (2021), 'Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts', Draft decision -/CMA.3, https://unfccc.int/sites/default/files/resource/cma2021_L02E.pdf.

⁴⁷ Ibid.

⁴⁸ Åberg, A. et al. (2021), *COP26: What happened, what does this mean, and what happens next?*, Briefing, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/11/cop26-what-happened-what-does-mean-and-what-happens-next?>; Shawoo, Maltais, Bakhtaoui and Kartha (2021), *Designing a fair and feasible loss and damage finance mechanism*.

⁴⁹ Firstly, while there is consensus on the need to establish an advisory board, Parties disagree on whether a distinct structure is needed, or whether the WIM Executive Committee (ExCom) could fulfil this role. The ExCom is made up of 20 expert members from Parties and guides the implementation of the functions of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM). It also has thematic expert groups including on slow-onset events, non-economic losses, and action and support. Secondly, there is agreement on the need for a secretariat, funded by its host organization, and technical assistance, funded by dedicated finance provided to the Santiago Network. However, Parties have differing views on the appropriate sources of finance for technical assistance (including whether and how finance outside the Santiago Network can be accessed) and how funding will be managed and disbursed. Thirdly, Parties have divergent views as to the extent to which the Santiago Network will facilitate Loss and Damage needs assessments to support developing countries to identify their needs for technical assistance, and if so, how it would do so. See Niyitegeka, H. and White, H. (2022), *Current Areas of Convergence and Divergence on the Santiago Network for Loss and Damage*, The Loss & Damage Collaboration, <https://www.lossanddamagecollaboration.org/publication/current-areas-of-convergence-and-divergence-on-the-santiago-network-for-loss-and-damage>; United States of America (2022), 'Submission of the United States of America: Santiago Network', <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203141908---Santiago%20Network%20Submission%20US.pdf>; Alliance of Small Island States (AOSIS) (2022), 'Submission by Antigua and Barbuda on behalf of the Alliance of Small Island States on the Santiago Network for Loss and Damage', <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202205310932---AOSIS%20-%20Submission%20-%20Santiago%20Network%20-%202022-05-31.pdf>; Niyitegeka, H. and White, H. (2022), *Views and perspectives on the Santiago Network for Loss and Damage: A technical paper to inform discussions during SB 56*, Washington, DC: The Loss & Damage Collaboration and Heinrich-Böll-Stiftung, https://uploads-ssl.webflow.com/605869242b205050a0579e87/62973ab66637ef2c62881eea_1%26DC_Views_%26_Perspectives_On_The_Santiago_Network_to_inform_discussions_during_SB56.pdf; African Group of Negotiators (AGN) (2022), 'Submission by the Republic of Zambia on behalf of the African Group of Negotiators (AGN) on the Institutional Arrangements for Operationalizing the Santiago Network on Loss and damage', <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202206011050---AGN%20Submission%20by%20the%20Republic%20of%20Zambia%20on%20SNLD.pdf>; and LDC Group (2022), 'Submission by the Senegal on behalf of the Least Developed Countries (LDCs) Group on the Santiago Network for Averting, Minimizing and Addressing Loss and Damage Associated with the Adverse Effects of Climate Change', <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202204220938---LDC%20Submission-SNLD.pdf>.

⁵⁰ Dunne and Gabbatiss (2022), 'Bonn climate talks'.

⁵¹ The G77 plus China is the largest negotiating group representing the interests of developing countries in UNFCCC talks.

coalesced around a call to establish a ‘Loss and Damage financing facility’. However, the proposal did not gain sufficient support among developed countries and was not included in the Glasgow Climate Pact,⁵² the key political outcome of the conference. As a compromise, Parties agreed to establish the Glasgow Dialogue, a two-year process to ‘discuss arrangements for the funding of activities to avert, minimize and address loss and damage’.⁵³ Some developing countries expressed criticism, saying the Dialogue was a delaying tactic, and made it clear that they expected the Dialogue to conclude with the establishment of a dedicated financing facility.⁵⁴

The Glasgow Climate Pact includes a specific section on Loss and Damage, and urges governments and other stakeholders to provide ‘enhanced and additional support’ for activities addressing loss and damage.

The Glasgow Climate Pact includes a specific section on Loss and Damage, and urges governments and other stakeholders to provide ‘enhanced and additional support’ for activities addressing loss and damage. It also states that the Santiago Network should be provided with funds.⁵⁵ Since COP26, European Union member states have pledged contributions totalling approximately €25 million in support of the network.⁵⁶ At the Glasgow conference, Scotland and the Belgian region of Wallonia pledged £2 million (\$2.3 million) and €1 million (\$989,600) respectively in dedicated Loss and Damage finance.⁵⁷ Five philanthropic organizations also demonstrated support by contributing \$3 million in start-up assistance to support the objectives of the facility.⁵⁸

⁵² Worland, J. (2022), ‘Moral Obligation.’ John Kerry Says Developed Countries Need to Ramp Up Help for Growing Climate Losses’, *Time*, 28 October 2022, <https://time.com/6225834/john-kerry-loss-and-damage-climate-interview>.

⁵³ UNFCCC (2021), ‘Glasgow Climate Pact’, FCCC/PA/CMA/2021/L.16, https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf.

⁵⁴ Addison, S. et al. (2022), *Addressing loss and damage: practical insights for tackling multidimensional risks in LDCs and SIDS*, London: International Institute for Environment and Development, <https://pubs.iied.org/21046iied>; UNFCCC (2021), ‘Informal stocktaking plenary by the President’, (0:08:45, 1:09:10), <https://unfccc-cop26.streamworld.de/webcast/informal-stocktaking-plenary-by-the-president-6>.

⁵⁵ UNFCCC (2021), ‘Glasgow Climate Pact’, FCCC/PA/CMA/2021/L.16.

⁵⁶ French Presidency of the Council of the European Union (2022), ‘Submission by France and the European Commission on behalf of the European Union and its Member States’, 15 March 2022, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203151454--FR-2022-03-15%20Soumission%20UE%20R%C3%A9seau%20de%20Santiago.pdf>.

⁵⁷ Scottish Government (2022), *Scottish Government at COP26: What was achieved?*, <https://www.gov.scot/publications/scottish-government-cop26-achieved/pages/15/#:~:text=Scotland%E2%80%99s%20leadership%20encouraged%20others%20to%20commit%20funding%20explicitly,a%20region%20of%20Belgium%2C%20which%20committed%20%E2%82%AC1%20million>.

⁵⁸ Children’s Investment Fund Foundation (2021), ‘Philanthropies offer kick-start funds for prospective Glasgow Loss & Damage Facility to support vulnerable countries suffering from climate change’, 12 November 2021, <https://ciff.org/news/philanthropies-offer-kick-start-funds-for-prospective-glasgow-loss-damage-facility-to-support-vulnerable-countries-suffering-from-climate-change>.

The Glasgow Dialogue

The Glasgow Dialogue is scheduled to run until 2024, with sessions taking place each year at the Subsidiary Bodies meetings in Bonn.⁵⁹ The first session of the Dialogue took place in June 2022. It focused on enhancing understanding of financing needs as well as the coverage of, and gaps remaining in, the existing international finance architecture. Developing countries highlighted gaps in the provision of finance for addressing loss and damage, including finance to address non-economic loss and damage (such as loss of cultural heritage), finance to address loss and damage arising from slow-onset events (such as glacial melt) and finance to fund medium-term rebuilding and recovery activities after extreme weather events. Many developing countries expressed frustration about the lack of an established link between the Dialogue and the formal negotiations, with some labelling it a ‘talk shop’⁶⁰ and highlighting that a similar dialogue (the Suva Dialogue)⁶¹ had been held in 2018.

Ahead of the Bonn conference, Bolivia, on behalf of the Like-Minded Developing Countries (LMDC) bloc, submitted a proposal to put the Glasgow Dialogue on the formal agenda for the meetings of the Subsidiary Body for Implementation (SBI)⁶², but this proposal did not gain sufficient support. The calls for an agenda item re-emerged over the course of the conference, and were formally expressed during coordination meetings of the SBI chairs and the lead national delegation coordinators. As these discussions were in progress, the G77 plus China submitted a letter to the Executive Secretary of the UNFCCC proposing that a sub-agenda item worded as ‘Matters relating to funding arrangements for addressing loss and damage’ be added to the provisional agenda for COP27 under ‘Matters related to finance’.⁶³ This submission was accepted by the UNFCCC Executive Secretary and the item has been included on the provisional agenda for the Sharm El-Sheikh conference.⁶⁴ However, as the agenda needs to be adopted at the start of COP27, there is a possibility that the item could be challenged.

COP27 and beyond

Loss and Damage finance is expected to be a headline issue at COP27. At a speech in July 2022, the UN Climate Change High-level Champion for Egypt stated that COP27 should focus on adaptation and Loss and Damage finance, but predicted

⁵⁹ The Subsidiary Bodies meetings are meetings of the UNFCCC Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA). For more information about the Subsidiary Bodies, see: <https://unfccc.int/process-and-meetings/bodies/the-big-picture/what-are-governing-process-management-subsidiary-constituted-and-concluded-bodies#:~:text=Subsidiaryper cent20bodies,-Subsidiary per cent20Bodyper cent20for&text=Theper cent20SBSTAper cent20assistsper cent20theper cent20governing, Protocolper cent20andper cent20theper cent20Parisper cent20Agreement>.

⁶⁰ Dunne and Gabbatiss (2022), ‘Bonn climate talks’.

⁶¹ More information about the Suva Expert Dialogue can be found at: UNFCCC (2022), ‘Suva expert dialogue’, <https://unfccc.int/topics/adaptation-and-resilience/workstreams/loss-and-damage-ld/executive-committee-of-the-warsaw-international-mechanism-for-loss-and-damage/workshops-meetings/suva-expert-dialogue>.

⁶² UNFCCC (2022), ‘Subsidiary Body for Implementation: Fifty-sixth session, Bonn, 6–16 June 2022, Provisional agenda and annotations’, FCCC/SBI/2022/1/Add.1, https://unfccc.int/sites/default/files/resource/sbi2022_01_add1E.pdf.

⁶³ Dunne and Gabbatiss (2022), ‘Bonn climate talks’.

⁶⁴ UNFCCC (2022), ‘Provisional agenda and annotations. Note by the Executive Secretary’, <https://unfccc.int/documents/603832>.

that the latter would be ‘very controversial’ at the negotiations.⁶⁵ In the run-up to the conference, the incoming COP27 presidency convened informal consultations with heads of Party delegations to gauge views and build consensus around what a possible package of outcomes on Loss and Damage at COP27 could look like. At the consultation convened in Cairo on 10–11 September, there was a ‘general consensus’ among participants that such a package at COP27 could include the following elements: an agenda item (though views differed on its scope, timeline and placement, as well as on issues related to sources of financing and eligibility); further operationalization of the Santiago Network; enhancement of finance for Loss and Damage (including a call for multilateral development banks – MDBs – and financial institutions to scale up such support); providing visibility to relevant initiatives and ongoing work outside the UNFCCC; and giving recognition to work conducted by the WIM.⁶⁶

Outside the remit of the UNFCCC, Loss and Damage finance attracted significant attention in the lead-up to COP27, including at the UN General Assembly (UNGA) in September 2022. During UNGA, Denmark became the first UN member state to pledge dedicated Loss and Damage finance, committing a total of \$13 million.⁶⁷ UN Secretary-General António Guterres called on all developed countries to impose a windfall tax on fossil fuel companies and to distribute the revenues to support vulnerable nations suffering from loss and damage as well as people struggling financially in the face of the international cost-of-living crisis.⁶⁸ Also at UNGA, Barbadian prime minister Mia Mottley launched the Bridgetown Agenda to reform the international financial system so as to free up resources for action on climate change – including Loss and Damage – and for the achievement of the Sustainable Development Goals (SDGs).⁶⁹ Moreover, Loss and Damage has been an area of focus for the G7, whose members, together with finance ministers from the Vulnerable Group of Twenty (V20) climate-vulnerable countries,⁷⁰ are seeking to launch a new initiative at COP27, the Global Shield Against Climate Risks (Global Shield), in order to support those affected by loss and damage.⁷¹

⁶⁵ Murphy, K. (2022), ‘COP27 summit must focus on how world will adapt to climate change, says UN envoy’, *Guardian*, 13 July 2022, <https://www.theguardian.com/australia-news/2022/jul/13/cop27-summit-must-focus-on-how-world-will-adapt-to-climate-change-says-un-envoy>.

⁶⁶ Government of Egypt (2022), ‘Heads of Delegations informal consultations on Loss and Damage, Cairo, Egypt, 10–11 September 2022, Chair’s summary’, <https://unfccc.int/process-and-meetings/conferences/the-road-to-sharm-el-sheikh-informal-consultations-by-the-cop-26-presidency-and-the-cop-27-incoming>.

⁶⁷ Lo, J. (2022), ‘Denmark becomes first country to pledge ‘loss and damage’ finance’, *Climate Home News*, 20 September 2022, <https://climatechangenews.com/2022/09/20/denmark-first-country-pledge-loss-and-damage-finance>.

⁶⁸ Milman, O. and Borger, J. (2022), ‘Polluters must pay’: UN chief calls for windfall tax on fossil fuel companies’, *Guardian*, 20 September 2022, <https://www.theguardian.com/world/2022/sep/20/un-secretary-general-tax-fossil-fuel-companies-climate-crisis>.

⁶⁹ Government of Barbados (2022), ‘Urgent and Decisive Action Required for an Unprecedented Combination of Crises: The 2022 Bridgetown Agenda for the Reform of the Global Financial Architecture’, 23 September 2022, <https://gisbarbados.gov.bb/download/the-2022-barbados-agenda>; Persaud, A. (2022), ‘A Manifesto for Going from Billions to Trillions in Climate Finance Now: Some Highlights of the Bridgetown Initiative’, *Just Money*, 5 October 2022, <https://justmoney.org/a-manifesto-for-going-from-billions-to-trillions-in-climate-finance-now-some-highlights-of-the-bridgetown-initiative>.

⁷⁰ The Vulnerable Group of Twenty (V20) was established in 2015 to strengthen economic and financial responses to climate change in highly vulnerable countries. It comprises ministers of finance of member countries of the Climate Vulnerable Forum.

⁷¹ Scholz, O. (2022), ‘Speech by Olaf Scholz, Chancellor of the Federal Republic of Germany, 77th general debate of the United Nations General Assembly, New York’, 20 September 2022, https://gadebate.un.org/sites/default/files/gastatements/77/de_en.pdf; G7 (2022), ‘G7 Leaders’ Communiqué’, 28 June 2022, <https://www.g7germany.de/resource/blob/974430/2062292/9c213e6b4b36ed1bd687e82480040399/2022-07-14-leaders-communicue-data.pdf?download=1>.

Looking beyond COP27, the Global Stocktake – a two-year process to assess progress on the implementation of the Paris Agreement – is due to conclude at COP28 in the United Arab Emirates in November 2023. The Stocktake will include consideration of Loss and Damage as a cross-cutting issue,⁷² although the extent to which the topic will feature is not yet clear.⁷³ Countries can, however, include loss and damage in their individual nationally determined contributions (NDCs), and thereby report on the issue as part of the Stocktake process.⁷⁴ At the time of writing, 10 of 46 LDCs had integrated loss and damage into their NDCs, with another 35 LDCs making indirect references to loss and damage.⁷⁵ In addition, in submissions ahead of the Global Stocktake, many developing-country groupings have stated that Loss and Damage should be an important element of the Global Stocktake – with AOSIS and the LDC Group stressing that the Stocktake should consider Loss and Damage finance, action and support.⁷⁶

At and beyond COP27, negotiations will continue on the New Collective Quantified Goal on Climate Finance (hereafter ‘new climate finance goal’). The aim of the talks is to set a new climate finance goal for the post-2025 period ‘from a floor of USD100 billion per year, taking into account the needs and priorities of developing countries’.⁷⁷ The process is scheduled to conclude by 2024.⁷⁸ Several developing-country groupings have called for a specific target for Loss and Damage finance to be included in the new climate finance goal.⁷⁹

⁷² The Global Stocktake is a three-stage process involving information collection and preparation, technical assessment and political assessment. Pandit Chhetri, R., Schaefer, L. and Watson, C. (2021), *Exploring loss and damage finance and its place in the Global Stocktake*, Independent Global Stocktake, <https://www.climateworks.org/wp-content/uploads/2022/04/Loss-and-Damage-Finance-iGST.pdf>.

⁷³ Ibid.

⁷⁴ Pill (2022), ‘Towards a funding mechanism for loss and damage from climate change impacts’.

⁷⁵ Bharadwaj, R., Addison, S., Chakravarti, D. and Karthikeyan, N. (2022), *Harnessing Nationally Determined Contributions to tackle loss and damage in Least Developed Countries*, London: International Institute for Environment and Development, <https://pubs.iied.org/sites/default/files/pdfs/2022-08/21081IIED.pdf>.

⁷⁶ Group of 77 (2022), ‘Collective Input to the Global Stocktake: Submission by the Islamic Republic of Pakistan on behalf of the Group of 77 and China’, 25 May 2022, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202206050832---G77%20and%20China%20input%20to%20GST.pdf>; AGN (2022), ‘Submission By the Republic of Zambia on behalf of the African Group of Negotiators (AGN): Views on the Technical Phase of the First Global Stocktake under the Paris Agreement’, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202205181240---AGN%20Submission%20by%20the%20Republic%20of%20Zambia%20on%20GST.pdf>; LDC Group (2022), ‘Submission by the Republic of Senegal on behalf of the Least Developed Countries (LDCs) Group on inputs to the First Global Stocktake’, https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202205061747---LDC%20Submission_GST_20220506.pdf; AOSIS (2022), ‘Global Stocktake – Submission 1’, 8 June 2022, https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202206081618---AOSIS_CC%20GST.pdf; Like-Minded Developing Country (LMDC) Group (2022), ‘Matters Relating to the Global Stocktake referred to in Article 14 of the Paris Agreement: Submission by India – On behalf of the LMDC Group’, <https://unfccc.int/sites/default/files/resource/202205171945---Submission%20by%20India%20on%20behalf%20of%20LMDC%20on%20GST.pdf>.

⁷⁷ UNFCCC (2016), ‘Report of the Conference of the Parties on its twenty-first session, held in Paris from 30 November to 13 December 2015: Addendum Part two: Action taken by the Conference of the Parties at its twenty-first session’, FCCC/CP/2015/10/Add.1, Decision 1/CP.21, p. 2. <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=8>.

⁷⁸ Aragon, I. (2022), ‘On the road to COP27 and a new climate finance goal – next stop: Manila’, International Institute for Environment and Development, 30 August 2022, <https://www.iied.org/road-cop27-new-climate-finance-goal-next-stop-manila>.

⁷⁹ LDC Group (2022), ‘Submission by the Senegal on behalf of the Least Developed Countries (LDCs) on New Collective Quantified Goal’, https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203071355---LDC%20Submission_CC%20Finance_NCQG_20220307.pdf; Argentina, Brasil, Uruguay, Independent Association of Latin America and the Caribbean, and AOSIS (2022), ‘Joint Submission: New Collective Quantified Goal on Climate Finance’, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202206130914---ABU%20AILAC%20AOSIS%20-%20Joint%20Submission.pdf>.

03

Country perspectives

Our interviews with country representatives illustrate that there are diverging perspectives on appropriate Loss and Damage funding arrangements, especially on the question of whether there is a need for a dedicated financing facility. A host of other challenges and concerns also continue to impede meaningful progress.

The previous chapter described the emergence of Loss and Damage as a procedural issue in climate negotiations. This chapter will explore countries' concerns, motivations and priorities in relation to Loss and Damage finance, drawing mainly on insights generated through closed-door interviews with country representatives.

As mentioned, the information obtained through the interviews is not intended to represent a complete or perfect overview of Party perspectives globally. It does, however, provide an indication of where the main challenges in the discussions on Loss and Damage finance lie, and what the key priorities and concerns of different countries are. The interviews are supplemented by information from Party submissions and statements – and articles in the media – as well as findings from previous studies on the politics of Loss and Damage.

Based on the information obtained, six key themes were identified:

1. Loss and Damage is considered to be an increasingly important topic by developed and developing countries alike.
2. There are diverging views on whether Loss and Damage constitutes the 'third pillar' of climate action under the Paris Agreement.
3. There is a lack of clarity on definitional issues.
4. Some developed countries remain apprehensive about liability and compensation.

5. There are different views on what effective financing solutions look like.
6. Reaching sufficient scale in funding is a key challenge.

The chapter is structured in accordance with these six themes. As the aim is to convey positions, views and perceptions as context for the analysis and recommendations in Chapters 4 and 5, the sections are largely descriptive, rather than prescriptive.

An increasingly important issue

Loss and Damage is recognized by developing- and developed-country interviewees as a topic that has risen in salience within the climate negotiations. Many developing-country interviewees referred to it as a key priority or a ‘life or death issue’.⁸⁰ At COP26, developing-country representatives made impassioned calls for support to deal with urgent and escalating climate impacts,⁸¹ and during the first session of the Glasgow Dialogue they highlighted the substantial – and devastating – economic and non-economic costs of loss and damage, emphasizing that these costs are currently being borne by communities with little or no responsibility for human-induced climate change.⁸²

In Chatham House’s interviews, negotiators from developed countries perceived that Loss and Damage – especially Loss and Damage finance – has gained significant traction within the climate talks in recent years, and that the importance of the issue will only increase in the future. Several developed-country negotiators pointed to the fact that climate change impacts are becoming ever more severe as explanation – at least in part – for why the issue of Loss and Damage has risen in salience. In addition, one developed-country negotiator proposed that the increasing importance of Loss and Damage within the climate talks may be partly linked to the fact that many other negotiating items have been concluded, suggesting that Loss and Damage has become an issue which masks other grievances of developing countries.⁸³

Developed-country interviewees generally expressed a willingness to contribute towards addressing concrete needs related to loss and damage in developing countries. A few said that they are facing mounting political pressure – from both developing countries and civil society – to respond, and that they are analysing what possible solutions might look like, indicating they are open to and would welcome

⁸⁰ Information obtained through interviews.

⁸¹ See, for example, the statements by the Prime Minister of Antigua and Barbuda, the Prime Minister of Tuvalu and the Prime Minister of Trinidad and Tobago. Browne, G. (2021), ‘COP26 World Leaders Summit 2021: Statement by the Honourable Gaston Browne, Prime Minister of Antigua and Barbuda and Chair of the Alliance of Small Island States’, 1 November 2021, https://unfccc.int/sites/default/files/resource/ANTIGUA_AND_BARBUDA_cop26cmp16cma3_HLS_EN.pdf; Natano, K. (2021), ‘Tuvalu National Statement for the World Leaders Summit: Honourable Prime Minister Kausea Natano’, 2 November 2021, https://unfccc.int/sites/default/files/resource/TUVALU_cop26cmp16cma3_HLS_EN.pdf; and Rowley, K. (2021), ‘National Statement of Trinidad and Tobago: World Leaders’ Summit at COP26’, 2 November 2021, <https://unfccc.int/documents/367458>.

⁸² Recordings from the first Glasgow Dialogue, held in June 2022, can be found at: <https://unfccc.int/event/glasgow-dialogue>.

⁸³ Information obtained through interviews.

suggestions and ideas. Many stated that they are keen to better understand the needs of developing countries and are upskilling internally, with some governments dedicating new staff to work on Loss and Damage.⁸⁴

When interviewed by *Time* magazine shortly before COP27, the US special presidential envoy for climate, John Kerry, expressed US support for a ‘good dialogue’ on Loss and Damage finance at the Sharm El-Sheikh conference, during which Parties should ‘have a discussion about all aspects of [Loss and Damage], including whatever potential financial arrangements people are thinking are appropriate’. Kerry also stated: ‘Clearly, there is a need by the developed world to step up to deal with the impacts’.⁸⁵

The EU, meanwhile, aims to be a ‘bridge-builder’ on Loss and Damage at COP27,⁸⁶ and the conclusions on climate finance adopted by the Council of the EU ahead of the Sharm El-Sheikh conference underline ‘the need to strengthen the action, support and global coordination for averting, minimising and addressing loss and damage associated with negative impacts of climate change’.⁸⁷

Some countries share a concern that failure, or a perception of failure, to make sufficient progress on the Loss and Damage finance agenda within the UNFCCC may have negative repercussions for the wider climate talks.

Some countries share a concern that failure, or a perception of failure, to make sufficient progress on the Loss and Damage finance agenda within the UNFCCC may have negative repercussions for the wider climate talks. An interviewee from an NGO advising a climate-vulnerable developing country emphasized that trust between developed and developing countries is at rock bottom as a result of the past failure of developed countries to deliver on promises made.⁸⁸

Implications: will a greater sense of urgency help countries find common ground?

The fact that Loss and Damage has risen in political salience in recent years, and that at least some developed countries are feeling increasing political pressure around this issue, suggests that there is a greater sense of urgency across all country groups

⁸⁴ Information obtained through interviews.

⁸⁵ Worland (2022), ‘Moral Obligation.’ John Kerry Says Developed Countries Need to Ramp Up Help for Growing Climate Losses’.

⁸⁶ European Commission (2022), ‘Commission secures ambitious EU negotiating mandate for the COP27 on climate and COP15 on Biodiversity’, press release, 25 October 2022, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_6383.

⁸⁷ Council of the European Union (2022), ‘Climate finance: Council adopted conclusions ahead of COP27’, press release, 4 October 2022, <https://www.consilium.europa.eu/en/press/press-releases/2022/10/04/climate-finance-council-adopted-conclusions-ahead-of-cop27>.

⁸⁸ Information obtained through interviews.

to identify possible funding solutions and arrangements. While this could help countries find common ground, several challenges remain: these are explored in the following sections.

It should be emphasized that for some countries – notably, those for which climate change is an existential threat – the sense of urgency with respect to loss and damage is much greater than for others. While the Loss and Damage finance agenda is gaining momentum, many developing countries express frustration, anger and disappointment that the pace of change is too slow. The decision to establish the Glasgow Dialogue is a case in point. One SIDS representative interviewed for this research paper voiced the opinion that there is no difference between the Glasgow Dialogue and the Suva Expert Dialogue of 2018. Another SIDS negotiator highlighted that it would have been more acceptable if the Glasgow Dialogue had been agreed a few years ago: but their country had been pushing for a facility – as opposed to a dialogue – at COP26.

The ‘third pillar’ of climate action?

Several developing countries and civil society stakeholders consider Loss and Damage to be the ‘third pillar’ of the Paris Agreement, alongside climate change adaptation and mitigation, and/or the third pillar of climate action under the UNFCCC.⁸⁹ However, research by Elisa Calliari and colleagues suggests that some Parties continue to question whether Loss and Damage does constitute the third pillar of climate action, despite the establishment of the WIM and the inclusion of Article 8 in the Paris Agreement.⁹⁰ At least one developed-country negotiator interviewed for this paper argues that the agreement’s pillars are set out in Article 2,⁹¹ where Loss and Damage is not mentioned. According to the negotiator, climate change mitigation and adaptation lie within the UNFCCC’s financial architecture, whereas addressing loss and damage does not.⁹²

Implications: how and where should Loss and Damage be addressed?

The divergence of views on whether Loss and Damage constitutes the ‘third pillar’ of climate action under the UNFCCC/Paris Agreement has implications for discussions around how – and in what forum – the issue should be dealt with. Those

⁸⁹ Gilder, A. and Rumble, O. (2022), *An African Perspective on Loss and Damage*, Policy Insights 130, Johannesburg: South African Institute of International Affairs, <https://saiia.org.za/wp-content/uploads/2022/06/Policy-Insight-130-gilder-rumble.pdf>; Scottish Government (2022), *Scottish Government at COP26: What was achieved?*; The Loss & Damage Collaboration (2022), ‘What is Loss and Damage?’, Bharadwaj, Addison, Chakravarti and Karthikeyan (2022), *Harnessing Nationally Determined Contributions to tackle loss and damage in Least Developed Countries*; and information obtained through interviews.

⁹⁰ Calliari, Serdeczny and Vanhala (2020), ‘Making sense of the politics in the climate change loss & damage debate’.

⁹¹ Article 2 states that the Paris Agreement aims to ‘[...]strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by: (a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; (b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.’ See UNFCCC (2015), ‘The Paris Agreement’.

⁹² Information obtained through an interview.

countries and civil society organizations that do consider Loss and Damage to be the third pillar of climate action sometimes use this as an argument when advocating for the provision of dedicated Loss and Damage finance, for the establishment of a dedicated Loss and Damage financing facility under the UNFCCC,⁹³ and/or for the inclusion of a sub-target on Loss and Damage in the New Collective Quantified Goal on Climate Finance.⁹⁴ In contrast, the above-mentioned negotiator whose developed-country government does not consider Loss and Damage to be the third pillar of the Paris Agreement points to a reluctance in establishing a dedicated Loss and Damage finance facility under the UNFCCC and/or including a sub-target on Loss and Damage finance in the new climate finance goal, at least partly because they believe addressing loss and damage lies outside the remit of the UNFCCC.⁹⁵

Confusion and lack of clarity on definitions

There does not appear to be a shared understanding among Parties of what constitutes loss and damage, and/or Loss and Damage finance. One negotiator acknowledged that their country is not entirely certain what is meant by the term ‘loss and damage’, suggesting that it could mean many different things. The same negotiator emphasized the importance of not focusing too strongly on the language, but rather on defining in concrete terms the activities that need to be funded. One developed-country interviewee stated that they always use the phrase ‘averting, minimizing and addressing’ loss and damage in its entirety (this being the terminology used in the Paris Agreement), and another representative highlighted a need to focus on – and unpack – the provisions of Article 8 in the Paris Agreement with respect to Loss and Damage.⁹⁶ A third developed-country representative stated that their country uses the definition employed by the OECD.⁹⁷ Several developing countries describe loss and damage as occurring when limits to adaptation have been reached.⁹⁸

In Chatham House’s interviews, some representatives of developed countries stated that it is, or can be, difficult to distinguish Loss and Damage finance from adaptation finance, or from some types of development aid and humanitarian assistance.⁹⁹ Several commented that they are, in effect, already providing Loss and Damage finance, but do not label it as such. One representative asked whether it matters what the finance is called, if the needs of affected communities are met,

⁹³ The Loss & Damage Collaboration (2021), *How the Theme of Adaptation and Resilience Marginalizes Loss and Damage and Why We Must Focus on Addressing Loss and Damage*, Brief, <https://www.lossanddamagecollaboration.org/stories/how-the-theme-of-adaptation-and-resilience-marginalizes-loss-and-damage-and-why-we-must-focus-on-addressing-loss-and-damage>.

⁹⁴ LDC Group (2022), ‘Submission by the Senegal on behalf of the Least Developed Countries (LDCs) on New Collective Quantified Goal’.

⁹⁵ Information obtained through an interview.

⁹⁶ UNFCCC (2015), ‘The Paris Agreement’, Article 8.

⁹⁷ ‘In this report, the **risk of losses and damages** [emphasis added] refers to the harm that may result from the interactions of climate-related hazards, exposure and vulnerability. These can be reduced and managed through mitigation and adaptation efforts, as well as other interventions including disaster risk reduction, disaster risk finance and humanitarian assistance.’ OECD (2021), *Managing Climate Risks, Facing Up to Losses and Damages*, Paris: OECD, https://www.oecd-ilibrary.org/environment/managing-climate-risks-facing-up-to-losses-and-damages_55ea1cc9-en.

⁹⁸ Information obtained through interviews.

⁹⁹ For more information on the challenges of distinguishing loss and damage finance from adaptation, development and humanitarian finance, see: Pandit Chhetri, Schaefer and Watson (2021), *Exploring loss and damage finance and its place in the Global Stocktake*. For more on this framing of loss and damage finance, see Calliari, Serdeczny and Vanhala (2020), ‘Making sense of the politics in the climate change loss & damage debate’.

and another speculated whether the issue of providing Loss and Damage finance may, at least to some degree, be a matter of the tagging and labelling of finance. However, a negotiator from a SIDS turned the argument around, wondering why pledges should *not* be framed as relating to Loss and Damage, if the label applied to the finance was unimportant?¹⁰⁰ The same negotiator emphasized that the term ‘Loss and Damage finance’ should be used, specifically because current financing structures do not cater to addressing Loss and Damage-related needs, which are distinct from needs related to adaptation and mitigation.¹⁰¹ Previous research¹⁰² has highlighted the difficulties some Parties face when distinguishing Loss and Damage from adaptation and/or disaster risk management.

In the first session of the Glasgow Dialogue, many developing countries highlighted that there is international funding available, albeit not in sufficient amounts, for mitigation (averting loss and damage) and adaptation (minimizing loss and damage). They argued that international finance for addressing loss and damage is where the main gap lies. Some developing countries claim that no international finance at all is available for addressing loss and damage, while other developing countries state that funding is available for some aspects of addressing loss and damage, but that it is far from sufficient and that important gaps exist. Diverging views on whether certain types of humanitarian assistance can qualify as finance for addressing loss and damage is a case in point: some developing countries believe this to be the case, while others do not.¹⁰³

Some developing-country interviewees highlighted the utility of agreeing on definitions of ‘loss and damage’, or ‘Loss and Damage finance’. However, both developed- and developing-country negotiators point to the challenges – or even the political impossibility – associated with reaching such an agreement. A representative of a SIDS suggested that while it might be difficult to agree on a definition, it would be productive at least to separate discussions on addressing loss and damage from those on averting and minimizing it. One developed-country interviewee highlighted that it remains difficult to determine the role of climate change in causing a specific weather event, and that this is an obvious technical barrier in the discussions on Loss and Damage finance.¹⁰⁴

Implications: fuzziness around concepts may impede progress

Previous research¹⁰⁵ has illustrated how the ambiguity surrounding the term Loss and Damage may have facilitated its institutionalization within the UNFCCC, as this enabled Parties to attach different meanings to the concept. It is possible that ambiguity still serves a purpose in this regard. However, confusion around definitions – and a lack of shared understanding of what constitutes Loss and Damage finance – also creates problems. This is because Parties may, at times,

¹⁰⁰ Information obtained through interviews.

¹⁰¹ Information obtained through interviews.

¹⁰² Boyd et al. (2017), ‘A typology of loss and damage perspectives’; Calliari, Serdeczny and Vanhala (2020), ‘Making sense of the politics in the climate change loss & damage debate’.

¹⁰³ UNFCCC (2022), ‘Glasgow Dialogue’, <https://unfccc.int/event/glasgow-dialogue>; additional information obtained through interviews.

¹⁰⁴ Information obtained through interviews.

¹⁰⁵ Calliari, Serdeczny and Vanhala (2020), ‘Making sense of the politics in the climate change loss & damage debate’.

be speaking about different things, or they may be uncertain about what types of activity need funding. Confusion around definitions might also make it harder for governments and other stakeholders to pledge dedicated Loss and Damage finance, and there is a risk that such pledges could constitute a simple ‘rebadging’ of other types of finance (for example, adaptation finance), as opposed to being ‘new and additional’ and specifically aimed at addressing loss and damage.

‘Averting, minimizing and addressing’ loss and damage encompasses all areas of climate action. As such, this broad term is itself a source of ambiguity. Leia Achampong and Erin Roberts¹⁰⁶ have highlighted that developed countries’ insistence on having ‘averting’ and ‘minimizing’ inserted along with ‘addressing’ loss and damage serves to divert attention away from the latter component. While mitigation and adaptation are crucial, using the term ‘averting, minimizing and addressing’ loss and damage in its entirety, for example within the Glasgow Dialogue, incentivizes broad, and therefore potentially less productive discussions.

Finally, although the attribution science has improved markedly, it is still difficult to say with certainty whether a specific extreme weather event was caused by climate change. This may have implications for the discussions on funding arrangements.

Lingering fears around liability and compensation

Several interviewees expressed the view that the adoption of the Paris Agreement had largely moved the debate around Loss and Damage away from liability and compensation, as the agreement’s decision text rules out compensation claims in the context of Article 8. A developing-country negotiator suggested further that the decision at COP26 to establish the Glasgow Dialogue had contributed to shifting the discourse away from apportioning culpability, and towards an approach focused on countries collaborating to find solutions to the loss and damage challenge.^{107, 108}

For some developed countries there no longer appears to be an evident link between Loss and Damage finance, on the one hand, and liability and compensation on the other. This sentiment came across in interviews, and is epitomized by the

¹⁰⁶ Achampong, L. and Roberts, E. (2022), *Why Words Matter: How to Reflect the Urgency of Addressing Loss and Damage*, The Loss & Damage Collaboration, https://uploads-ssl.webflow.com/605869242b205050a0579e87/629b851ea21198a7a3b7bb66_L%26DC_%20WHY%20WORDS%20MATTER_%20HOW%20TO%20REFLECT%20THE%20URGENCY%20OF%20ADDRESSING%20LOSS%20AND%20DAMAGE.pdf. The Paris Agreement uses the broader wording, ‘averting, minimizing and addressing loss and damage’, which is generally understood to refer to climate change mitigation, adaptation, and addressing loss and damage respectively. However, this does not change agreement by Parties in earlier decisions that the role of the UNFCCC, and the mandate of the WIM, are both to promote ‘the implementation of approaches to address loss and damage’.

¹⁰⁷ The Glasgow Climate Pact cover decision ‘[d]ecides 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 in the first sessional period of each year of the Subsidiary Body for Implementation, concluding at its sixtieth session (June 2024)’. UNFCCC Secretariat (2021), Decision -/CMA.3 Glasgow Climate Pact, <https://unfccc.int/documents/310497>.

¹⁰⁸ Information obtained through interviews.

statement delivered by the Danish minister of development cooperation when he announced his government's loss and damage pledge at the UN General Assembly in September 2022:

'It is not fair that the poorest communities, who have contributed the least to climate change, have to suffer the most from its impact. This new support demonstrates that we are turning words into action and cooperate with civil society, local authorities, private sector and experts to solve one of the greatest challenges of our time. I am not talking about compensation or legal responsibilities. I am talking about finding the right means to help the most vulnerable people who suffer the most from the consequences of climate change.'¹⁰⁹

Nevertheless, certain other developed countries remain concerned about liability and compensation. One developed-country representative commented that Loss and Damage is an extremely sensitive topic, and equated the demands for a dedicated financing facility with compensation claims, stating that such calls go against the nature of the Paris Agreement. A third, when discussing their government's significant concerns around liability and compensation, mentioned that the number of climate litigation cases in their country is rising, possibly implying that discussions within the UNFCCC might have implications domestically. The finding that some developed countries remain concerned about liability and compensation, despite the adoption of the Paris Agreement, is in line with previous research.¹¹⁰ Moreover, an interviewee from an LDC commented that there are economies within the G77 where emissions are growing rapidly. These countries are apprehensive about the topic of Loss and Damage, as they fear they may at some point become obligated to provide support to climate-vulnerable developing countries.¹¹¹

Developing-country negotiators interviewed for this paper appear to take a relatively pragmatic stance. Some stated that they still consider the concepts of liability and compensation to be important – including from a fairness and justice perspective – but that, to enable progress, they are no longer calling for compensation within the UNFCCC. Others went further, saying that they deliberately avoid all reference to the concepts. A few developing-country negotiators stated that while they do not consider the UNFCCC to be the right forum for claiming compensation, they would consider taking legal action against high-emitting countries in international and/or national courts. A negotiator from a SIDS stated that they are in favour of a dedicated Loss and Damage facility through which funding would be provided on a 'cooperative and facilitative'¹¹² basis. Other SIDS negotiators confirmed that resources given or dispersed through such a facility would not need to be framed as compensation.¹¹³

However, some interviewees pointed out that there are G77 members who continue to refer to liability and compensation in the climate talks. Moreover, a previous study¹¹⁴ suggests that there is no clear consensus among developing countries that compensation payments constitute a suitable way of mobilizing Loss and Damage finance, and that compensation is by many seen as 'desirable but unfeasible,

¹⁰⁹ Ministry of Foreign Affairs of Denmark (2022), 'Denmark announces new 100 million DKK support to climate adaptation and concrete activities to avert, minimize and address climate-induced loss and damage for the world's poorest', news release, 22 September 2022.

¹¹⁰ Calliari, Serdeczny and Vanhala (2020), 'Making sense of the politics in the climate change loss & damage debate'.

¹¹¹ Information obtained through interviews.

¹¹² UNFCCC (2015), 'The Paris Agreement', Article 8(1), p. 12.

¹¹³ Information obtained through interviews.

¹¹⁴ Pill (2022), 'Towards a funding mechanism for loss and damage from climate change impacts'.

impractical or impossible'. Another study¹¹⁵ found there are differing interpretations of 'compensation' among developing countries, and that the term is not always used with a legalistic or liability implication in mind. One developing-country interviewee pointed to a discrepancy between the discussions taking place at the technical level within the UNFCCC, where the concepts of liability and compensation are largely absent, and statements made at the political level, where (according to the interviewee) it is not uncommon that calls for compensation are made. The negotiator also mentioned that the term 'compensation' may be used as a rallying call at the national level in some developing countries.¹¹⁶ Moreover, it should be noted that the media often describe Loss and Damage finance in terms of 'compensation' or 'climate reparations': this was the case, for example, in much of the reporting on Denmark's pledge,¹¹⁷ which was explicitly not framed in such terms.

Several developed- and developing-country interviewees cited concerns about liability and compensation as one of the greatest challenges – if not the single greatest – in the discussions around Loss and Damage finance.

A recent example of a reference by the leader of a developing country to the concepts of liability and compensation is to be found in the statement made by Gaston Browne, the prime minister of Antigua and Barbuda, at the high-level segment of COP26: 'Such loss and damage have persisted for decades, but compensation has been neglected by the governments of the worst polluting countries, for far too long. Should no formal mechanism for loss and damage compensation be established, member countries of the United Nations may be prepared to seek justice in the appropriate international bodies.'¹¹⁸ However, the vast majority of developing-country leaders did not refer to liability and/or compensation during the high-level segment of COP26.

Several developed- and developing-country interviewees cited concerns about liability and compensation as one of the greatest challenges – if not the single greatest – in the discussions around Loss and Damage finance. In contrast, one interviewee from a SIDS appeared genuinely surprised that some developed countries remain concerned about these concepts, commenting that fears over liability and compensation are not the main issue – in their view, the key challenge consists of insufficient domestic support for scaling up climate finance or providing Loss and Damage finance in developed countries.¹¹⁹

¹¹⁵ Calliari, Serdeczny and Vanhala (2020), 'Making sense of the politics in the climate change loss & damage debate'.

¹¹⁶ Information obtained through interviews.

¹¹⁷ See, for example, Volcovici, V. (2022), 'Denmark becomes first to offer 'loss and damage' climate funding', Reuters, 20 September 2022, <https://www.reuters.com/world/denmark-becomes-first-offer-loss-damage-climate-funding-2022-09-20>.

¹¹⁸ Browne, G. (2021), 'COP26 World Leaders Summit 2021: Statement by the Honourable Gaston Browne, Prime Minister of Antigua and Barbuda and Chair of the Alliance of Small Island States'.

¹¹⁹ Information obtained through interviews.

One developing-country negotiator said exploring new narratives and framings around Loss and Damage finance – for example solidarity – could help unlock progress. When one representative of a developed country which is relatively more concerned about liability and compensation was asked whether their government might consider providing dedicated Loss and Damage finance if it were not framed as compensation, the representative answered that this was a conversation which had not been had in such terms within their government. Another developed-country negotiator suggested that further building consensus around a narrative that delinks Loss and Damage finance from liability and compensation might help persuade their country to be more open to discussing Loss and Damage finance.¹²⁰ When speaking at Chatham House in October 2022, US Special Presidential Envoy for Climate John Kerry stressed that a focus on liability, compensation or reparations would not advance the dialogue on Loss and Damage finance.¹²¹

Implications: liability and compensation are still a factor in play

While developed countries generally are becoming increasingly less apprehensive about engaging in discussions around Loss and Damage finance, some do remain concerned about liability and compensation, despite the adoption of the Paris Agreement. This fear is one of the factors preventing some developed countries from taking a more ambitious position on Loss and Damage finance. Developing countries interviewed for this paper generally take a pragmatic stance, suggesting that the provision of Loss and Damage finance does not need to be framed as compensation. Within the UNFCCC, it should be possible for governments to work together around funding arrangements on a ‘cooperative and facilitative’ basis, as set out in the Paris Agreement.¹²²

Outside the remit of the UNFCCC, the number of climate litigation cases is rising.¹²³ In addition to the establishment in 2021 of the Commission of Small Island States on Climate Change and International Law (by Tuvalu, together with Antigua and Barbuda), Vanuatu is spearheading a coalition calling for advisory opinion from the International Court of Justice on climate change and international law. Several studies¹²⁴ point to a link between insufficient progress on the Loss and Damage agenda within the UNFCCC and the rising number of climate litigation cases. This is also reflected in statements like that made by Prime Minister Gaston Browne for Antigua and Barbuda at the high-level segment of COP26 (see above).

¹²⁰ Information obtained through interviews.

¹²¹ ‘The road to COP27: In conversation with US Special Presidential Envoy for Climate John Kerry’, Chatham House members event, 27 October 2022.

¹²² UNFCCC (2015), ‘The Paris Agreement’, Article 8(1), p. 12.

¹²³ Setzer, J. and Higham, C. (2022), *Global trends in climate litigation: 2022 snapshot*, Grantham Research Institute on Climate Change and the Environment, <https://www.lse.ac.uk/granthaminstitute/publication/global-trends-in-climate-change-litigation-2022>.

¹²⁴ Toussaint (2021), ‘Loss and damage and climate litigation’; Schäfer, L., Künzel, V. and Bals, C. (2018), *The significance of climate litigation for the political debate on Loss & Damage*, Discussion paper, Germanwatch, <https://www.germanwatch.org/sites/default/files/publication/21699.pdf>.

Diverging perspectives on funding solutions

Views differ across country groups – and sometimes within country groups – on what form effective responses and funding arrangements for Loss and Damage might take.

Leveraging and strengthening existing institutions

In interviews with Chatham House, negotiators representing developed countries emphasized the need to gain a better understanding of how existing organizations – such as the multilateral climate funds, the MDBs and humanitarian organizations – respond to loss and damage at present. They also emphasized the need to identify weaknesses and barriers within the current system, and the need to assess how existing institutions can be reformed and/or strengthened to address gaps. Many developed-country interviewees recognized that the current financing architecture has its shortcomings. For example, they mentioned that humanitarian organizations remain persistently underfunded,¹²⁵ and that multilateral climate funds do not work in an optimal way (citing, among other reasons, that it takes a long time for a project proposal to be approved). They also suggested that there is a need to strengthen cooperation between the humanitarian and development sectors.¹²⁶

Negotiators from both developed and developing countries underlined the need for a ‘multipronged’ or ‘holistic’ approach to the loss and damage challenge. Several among them highlighted that there is scope for the MDBs to do more in this space. Addressing debt issues in developing countries and the strategic deployment of IMF Special Drawing Rights (SDRs, an international reserve asset)¹²⁷ were also referred to as potential – if partial – solutions.¹²⁸ In public forums, the US has highlighted the potential of the MDBs to do more on Loss and Damage, and the utility of addressing debt issues in developing countries.¹²⁹

At the first session of the Glasgow Dialogue in June 2022, many developing countries reported that mapping exercises had already been conducted¹³⁰ and that clear financing gaps – for example in relation to non-economic losses and slow-onset events caused by climate change – had been identified. Antigua and Barbuda,

¹²⁵ Carty and Walsh (2022), *Footing the bill*.

¹²⁶ Information obtained through interviews.

¹²⁷ In 1969, the IMF created SDRs to complement the other reserve assets of the organization’s member states. SDRs can boost liquidity in member states without increasing their debt. For more detail on solutions to debt challenges and strategic deployment of IMF SDRs in climate-vulnerable developing countries, see, for example, Persaud, A. (2021), ‘Debt, natural disasters, and special drawing rights: A modest proposal’, VoxEU Centre for Economic Policy Research.

¹²⁸ Information obtained through interviews.

¹²⁹ Worland (2022), ‘Moral Obligation.’ John Kerry Says Developed Countries Need to Ramp Up Help for Growing Climate Losses; ‘The road to COP27: In conversation with US Special Presidential Envoy for Climate John Kerry’, Chatham House members event, 27 October 2022.

¹³⁰ For instance, UNFCCC (2019), *Elaboration of the sources of and modalities for accessing financial support for addressing loss and damage: Technical paper by the secretariat*, FCCC/TP/2019/1, <https://unfccc.int/documents/196468>; Carty and Walsh (2022), *Footing the bill*; Richards, J.-A. and Schalatek, L. (2017), *Financing Loss and Damage: A Look at Governance and Implementation Options*, Washington, DC: Heinrich-Böll-Stiftung North America, https://www.boell.de/sites/default/files/loss_and_damage_finance_paper_update_16_may_2017.pdf. The WIM Expert Group on Action and Support is also tasked with collaborating with the Green Climate Fund to identify existing funding for loss and damage and assist developing countries to access it: UNFCCC (2021), ‘Annex III Expert group on action and support: rolling plan of action’, FCCC/SB/2021/4, https://unfccc.int/sites/default/files/resource/POA_ASEG.pdf; and Intergovernmental Panel on Climate Change (2022), *Climate Change 2022: Impacts, Adaptation and Vulnerability*, Geneva: IPCC. The SCF also dedicated its 2016 forum to this issue and produced a summary report, including a mapping exercise: UNFCCC (2016), ‘Summary report on and recommendations of the 2016 forum of the Standing Committee on Finance’, FCCC/CP/2016/8, <https://unfccc.int/resource/docs/2016/cop22/eng/08.pdf#page=29>.

speaking on behalf of AOSIS, presented examples of reforms that the alliance had sought to implement within the Green Climate Fund to enhance the latter's ability to address loss and damage, but which had been rejected.¹³¹ The delegates also outlined the challenges and constraints Antigua and Barbuda – and SIDS more widely – face when applying for funding for activities addressing loss and damage from existing organizations, stating, in conclusion, that 'the facility is a manifestation of being ignored and being neglected'.¹³²

In the closing plenary of the Dialogue, the US asserted that many of the reform proposals mentioned during the first session of the Dialogue had 'real merit', and went on to state that the US government was interested in further exploring them. The EU (in the final plenary)¹³³ and the US (in a breakout group discussion)¹³⁴ were among those Parties acknowledging the existence of gaps in current international architecture when it comes to addressing loss and damage.¹³⁵

Establishing a Loss and Damage financing facility

At COP26 and during the June 2022 Subsidiary Body meetings in Bonn, the G77 plus China called for the establishment of a dedicated Loss and Damage financing facility, with some negotiators arguing that such an arrangement could contribute to meeting loss and damage funding needs not covered by existing entities.

Based on interviews with developing-country negotiators, there appear to be different ideas and/or some flexibility around what such a facility could look like. Some interviewees stated that a new standalone fund would be desirable, while others consider a window within an existing entity, such as the Green Climate Fund, to be a better option. A few negotiators highlighted that placing the facility within an existing fund or mechanism could be challenging, as it would probably require wider – and potentially far-reaching – reforms to the entity in question. Obtaining approval for these reforms from the boards of the relevant organizations could prove difficult. A negotiator from an LDC emphasized that they would not want a dedicated 'window' or trust fund for loss and damage under the Adaptation Fund¹³⁶ or LDC Fund,¹³⁷ given the risk that such an arrangement could divert resources away from adaptation objectives.¹³⁸

¹³¹ These included the development of a 'strategic direction' that would focus the Green Climate Fund on enhancing support for activities addressing loss and damage in its strategic plan; a special envelope under the Green Climate Fund's readiness and preparatory support programme, with a special allocation aimed at enabling developing countries to create national loss and damage needs assessments and response plans; an emergency response window; a 'request-for-proposal' focused on parametric insurance; and programmatic policy approaches aimed at addressing the constraints and challenges faced by Small Island Developing States (SIDS) in relation to obtaining funding for activities addressing loss and damage. UNFCCC (2022), 'Glasgow Dialogue breakout group 2', via <https://unfccc.int/event/glasgow-dialogue> (0:25:00).

¹³² Ibid. (01:29:02).

¹³³ UNFCCC (2022) 'Glasgow Dialogue Day 3 (11 June)', via <https://unfccc.int/event/glasgow-dialogue> (2:28:25).

¹³⁴ UNFCCC (2022), 'Glasgow Dialogue breakout group 1', via <https://unfccc.int/event/glasgow-dialogue> (01:15:00).

¹³⁵ UNFCCC (2022), 'Glasgow Dialogue Day 3 (11 June)', (1:27:35, 1:48:50).

¹³⁶ The Adaptation Fund was formally created in 2001, and became operational in 2007. Adaptation Fund (2022), '10 years of the Adaptation Fund', <https://www.adaptation-fund.org/af-10-years>.

¹³⁷ The LDC fund was created in 2001. See UN LDC Portal (undated), [https://www.un.org/ldcportal/content/climate-change#:~:text=The%20Least%20Developed%20Countries%20Fund%20\(LDCF\)%20was%20established%20in%202001,climate%20adaptation%20action%20in%20LDCs](https://www.un.org/ldcportal/content/climate-change#:~:text=The%20Least%20Developed%20Countries%20Fund%20(LDCF)%20was%20established%20in%202001,climate%20adaptation%20action%20in%20LDCs).

¹³⁸ Information obtained through interviews; Farand, C. (2022), 'Vulnerable nations set to pilot loss and damage funding facility', Climate Home News, 25 April 2022, <https://climatechangenews.com/2022/04/25/vulnerable-nations-set-to-design-and-test-loss-and-damage-funding-facility>.

Furthermore, a SIDS negotiator proposed that the facility could potentially encompass a range of funding arrangements: a new fund could be part of the package, along with solutions related to debt cancellation and cash transfers. The same negotiator also mentioned the potential utility of implementing budget swaps, reallocating IMF SDRs and adjusting the MDB's loan criteria, and emphasized that their country is seeking an innovative approach to the Loss and Damage finance challenge.

At COP27, AOSIS is expected to present a proposal for a 'Loss and Damage Response Fund', which could pool and disburse finance from public and private sources to help developing countries rebuild after a climate disaster. The idea would not be to replace humanitarian aid. Instead, the proposed fund would focus on supporting reconstruction efforts after an extreme weather event has occurred, according to a lead negotiator for AOSIS.¹³⁹

Many developed-country representatives stated that they do not see how setting up a new fund would add value, given the multiplicity of existing organizations in the climate, development and humanitarian space.

Some developed-country interviewees indicated that they interpret the term 'facility' as equivalent to a new standalone fund under the UNFCCC, while a few stated that the concept could have multiple meanings. Many developed-country representatives stated that they do not see how setting up a new fund would add value, given the multiplicity of existing organizations in the climate, development and humanitarian space. Several also pointed to the transaction costs of establishing a new fund and highlighted negative experiences with the Green Climate Fund, commenting that it took a long time to set it up, that it continues to suffer from various operational and governance problems, and that it is likely that such challenges would re-emerge if a new fund were to be created.¹⁴⁰

Some developed countries stated that they would not necessarily be opposed to establishing a Loss and Damage facility, if it was clear how such an arrangement could help address the problem (they currently remain unconvinced of the benefits). Many developed-country negotiators – and some representing LDCs – said the Glasgow Dialogue is an important forum for analysing gaps in the current system, and one developed-country representative highlighted that it is possible the Dialogue could end with the conclusion that a dedicated facility is needed. One developed-country representative stressed that their government needs the time and discussion provided by the Glasgow Dialogue to learn about and consider workable solutions. This requirement for time and discussion space has been a point of frustration among some developing countries, which point to the

¹³⁹ Farand, C. (2022), 'Small island states to propose 'response fund' for climate victims at COP27', Climate Home News, 19 October 2022, <https://www.climatechangenews.com/2022/10/19/small-island-states-to-propose-response-fund-for-climate-victims-at-cop27>.

¹⁴⁰ Information obtained through interviews.

urgency of funding needs and which stress that there has already been a dialogue on Loss and Damage finance (the Suva Dialogue) and that several mapping exercises have been conducted.¹⁴¹

However, some developed-country interviewees were more firmly opposed to establishing a dedicated facility, especially if the arrangement were to take the form of a new standalone fund or entity under the UNFCCC. One negotiator acknowledged that SIDS face especially challenging circumstances: they are generally highly vulnerable to the impacts of climate change, but many have strained fiscal positions and are often ineligible for overseas development assistance (ODA). The negotiator said they would prefer to work through institutions like the IMF and the MDBs to address these challenges – or possibly come up with a special funding arrangement for SIDS not eligible for ODA (and other climate-vulnerable developing countries which are similarly not eligible), as opposed to creating a new fund available to all developing countries.¹⁴²

In terms of process, some countries within the G77 – including the members of AOSIS¹⁴³ – are advocating that the decision to establish the dedicated financing facility should be taken at COP27, and that the remaining sessions of the Glasgow Dialogue should be used for discussions on how to operationalize it. A SIDS negotiator interviewed for this paper stated that Parties need to start by agreeing politically on the need for a facility, and expressed scepticism about the Glasgow Dialogue, questioning how it differs from the Suva Dialogue. In contrast, a negotiator from an LDC commented that COP27 is not the right place to discuss Loss and Damage finance, and that discussions should proceed within the Glasgow Dialogue. This interviewee also stated that more analysis on funding arrangements is needed. Another developing-country negotiator explained that their country supports the calls for a facility, but sees a risk in agreeing on a mechanism without knowing what form it would take, how it would be funded or what types of activity it would support. By way of illustration, they pointed to shortcomings in the ways in which the Global Environment Facility and Green Climate Fund operate. The same negotiator suggested that there is a need for numerous funding arrangements, given the scale of the loss and damage challenge.¹⁴⁴

Leveraging the potential of other initiatives

In interviews, several developed-country negotiators referred to the potential of initiatives outside the UNFCCC framework to provide support for loss and damage, specifically mentioning as examples the Climate Risk and Early Warning Systems (CREWS) initiative, the InsuResilience Partnership, the World Meteorological Organization's work to meet the UN Secretary-General's pledge on early warning systems,¹⁴⁵ and the Global Shield.

¹⁴¹ Glasgow Dialogue; and information obtained through interviews.

¹⁴² Information obtained through interviews.

¹⁴³ AOSIS (2022), 'AOSIS: 'Adaptation and Financing to Address Loss and Damage Take Centre Stage at Bonn Climate Change Conference', press release, 6 July 2022, <https://www.aosis.org/aosis-adaptation-and-financing-to-address-loss-and-damage-take-centre-stage-at-bonn-climate-change-conference>.

¹⁴⁴ Information obtained through interviews.

¹⁴⁵ By 2027, every person on the planet should be protected by early warning systems.

The Global Shield will assemble activities on climate risk finance and preparedness under one umbrella initiative¹⁴⁶ to help bridge the financial protection gap for vulnerable and poor people experiencing climate-related loss and damage.¹⁴⁷ In October 2022, the German federal minister for economic cooperation and development, Svenja Schulze, and the Ghanaian finance minister, Kenneth Nana Yaw Ofori-Atta, announced that the G7 (under the German presidency) and the V20 group of finance ministers from climate-vulnerable countries would jointly launch the Global Shield at COP27.¹⁴⁸ In a V20 communiqué released shortly after the announcement, the group's members stated: 'We seek funding commitments into the Global Shield, as part of comprehensive funding arrangements to address mounting loss and damage by responsible nations under the Paris Agreement.'¹⁴⁹ However, the group does not consider that the Global Shield would replace the need for a dedicated financing facility.¹⁵⁰

Climate-vulnerable countries have established a number of further initiatives to mobilize and deploy Loss and Damage finance at national and international levels. The V20 group of climate-vulnerable countries is seeking to launch a pilot Loss and Damage financing facility with the support of two philanthropic foundations, and its members are seeking additional funding, particularly from G7 and G20 countries.¹⁵¹ In addition, Bangladesh is establishing a national mechanism on loss and damage,¹⁵² and Fiji has led the development of a new regional parametric insurance product¹⁵³ for extreme weather events.¹⁵⁴

Including loss and damage in the New Collective Quantified Goal on Climate Finance

Many developing countries are calling for the integration of loss and damage into the new climate finance goal. For example, in their submissions to the UNFCCC on this issue, both the LDC Group and the Independent Association of Latin America

¹⁴⁶ Federal Ministry for Economic Cooperation and Development of Germany (2022), 'Germany's G7 Proposal: Global Shield against Climate Risks', <https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks>.

¹⁴⁷ Vulnerable Group of Twenty and G7 Germany (2022), 'A joint G7 and V20 ambition: Working towards a Global Shield against Climate Risks', <https://www.bmz.de/resource/blob/122148/dd6e2de2c73cc601344b1461cf62042b/global-shield-information-note-v20-g7-data.pdf>.

¹⁴⁸ Vulnerable Group of Twenty and Federal Ministry for Economic Cooperation and Development of Germany (2022), 'V20 and G7 agree on financial protection cooperation, to formally launch Global Shield Against Climate Risks at COP27', press release, 14 October 2022, <https://www.v-20.org/our-voice/news/press-releases/v20-and-g7-agree-on-financial-protection-cooperation-to-formally-launch-global-shield-against-climate-risks-at-cop27>.

¹⁴⁹ Vulnerable Group of Twenty (2022), 'V20 Ministerial Communiqué IX. V20 Ministerial Dialogue IX: "WHEN IS NOW?"', 16 October 2022, <https://www.v-20.org/activities/ministerial/ministerial-dialogue-ix-of-the-vulnerable-twenty-group-16-october-2022>.

¹⁵⁰ Farand, C. (2022), 'EU outlines funding options to help climate victims recover', Climate Home News, 6 October 2022, <https://www.climatechangenews.com/2022/10/06/eu-funding-support-climate-victims-recover-loss-damage-pre-cop>.

¹⁵¹ Farand (2022), 'Vulnerable nations set to pilot loss and damage funding facility'.

¹⁵² Haque, M., Pervin, M., Sultana, S. and Huq, S. (2019), 'Towards Establishing a National Mechanism to Address Losses and Damages: A Case Study from Bangladesh', in Mechler et al. (eds) (2018), *Loss and Damage from Climate Change*.

¹⁵³ Parametric insurance provides payouts after an event based on whether a set of predefined parameters (such as the magnitude of a hurricane) have been met. This enables swifter payments after extreme weather events in comparison with payouts from traditional insurance, which is based on an assessment of actual losses after an event. However, parametric insurance payouts are based on modelled rather than actual losses, and therefore they require careful design. Broberg, M. (2019), 'Parametric loss and damage insurance schemes as a means to enhance climate change resilience in developing countries', *Climate Policy*, 20(6), pp. 693–703, <https://doi.org/10.1080/14693062.2019.1641461>.

¹⁵⁴ UN Development Programme (2021), 'New insurance product to aid fight against climate change in the Pacific', press release, 7 September 2021, <https://reliefweb.int/report/fiji/new-insurance-product-aid-fight-against-climate-change-pacific>.

and the Caribbean (AILAC) have proposed the setting of a specific sub-target on loss and damage in the new goal, alongside similar sub-targets for adaptation and mitigation.¹⁵⁵ Similarly, the submission from AOSIS states that Loss and Damage response should be a ‘main thematic area’ for the new goal; that the sum agreed under this theme should be connected to the cost of addressing loss and damage in developing countries ‘at the worst-case projected temperature scenario’; and that the funds should be ‘public and grant-based’.¹⁵⁶ In the Chatham House interviews, some developing-country negotiators suggested that the new goal could be an important way of mobilizing finance for loss and damage. One negotiator also mentioned that there could be a link between the new climate finance goal and the financing facility proposed by the G77 plus China.¹⁵⁷

The submissions from the EU,¹⁵⁸ the US¹⁵⁹ and Canada¹⁶⁰ on the New Collective Quantified Goal on Climate Finance do not refer to loss and damage, even though mitigation and adaptation are mentioned. Instead, these submissions highlight that the new goal should support the objectives of the Paris Agreement found in Article 2.1 (where loss and damage is not mentioned). New Zealand’s submission states that it is open to discussions on actions for addressing loss and damage and ‘look[s] forward to a constructive resolution’ of loss and damage financing gaps for SIDS and LDCs ‘in the context of the collective goal’.¹⁶¹ Speaking about the new goal during a Chatham House interview, a developed-country negotiator re-emphasized that addressing loss and damage lies outside the UNFCCC’s financial architecture.

Capacity-building and country priorities

Some developed-country interviewees commented that it is important that developing-country governments articulate their loss and damage-related needs. One mentioned that the problem is not a lack of funding globally and that it is crucial that developing-country governments set their own priorities, integrate climate change aspects in relevant budgetary processes, and discuss loss and damage-related needs with donor agencies. In parallel, several countries have

¹⁵⁵ LDC Group (2022), ‘Submission by the Republic of Senegal on behalf of the Least Developed Countries Group (LDCs) on the New Collective Quantified Goal’; Independent Association of Latin America and the Caribbean (2022), ‘Submission by Colombia on Behalf of the AILAC Group of Countries Composed by Chile, Colombia, Costa Rica, Honduras, Guatemala, Panama, Paraguay and Peru: New collective quantified goal on climate finance’, https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202208231116---AILAC%20submission%20on%20the%20new%20goal%20on%20finance_needs%20and%20priorities.pdf.

¹⁵⁶ AOSIS (2022), ‘Alliance of Small Island States Submission: Topic: New Collective Quantified Goal on Climate Finance’, 6 March 2022, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203061139---AOSIS%20-%20CC%20Finance%20-%20NCQG%20on%20Climate%20Finance%20-%20Submission%20-%20Initial%20Views%20-%202022-03-06.pdf>.

¹⁵⁷ Information obtained through interviews.

¹⁵⁸ French Presidency of the Council of the European Union (2022), ‘Submission by France and the European Commission on behalf of the European Union and its Member States: Submission on New Collective Quantified Goal on Climate Finance’, 8 March 2022, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203081700---FR-2022-03-08%20Submission%20EU%20nouvel%20objectif%20financier%20post-2025.pdf>.

¹⁵⁹ United States of America (2022), ‘Submission of the United States of America: New Collective Quantified Goal’, 11 March 2022, https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203131515---03-22-New%20Goal_USA.pdf.

¹⁶⁰ Canada (2022), ‘Submission by Canada: New Collective Quantified Goal on Climate Finance’, February 2022, https://unfccc.int/sites/default/files/resource/Submission%20by%20Canada%20on%20the%20new%20collective%20quantified%20goal%20on%20climate%20finance_EN_18Feb.pdf.

¹⁶¹ The submission refers to financing gaps as identified in the Glasgow Dialogue and by the Santiago Network once it is further operationalized. New Zealand (2022), ‘New Zealand: Submission on the new collective quantified goal on climate finance’, March 2022, p. 4, <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202203181536---New%20Zealand%20submission%20Climate%20finance%20goal%20Final%20March%202022.pdf>.

stressed the importance of national ‘ownership’ of funding. This would facilitate a shift away from primarily project-based funding and towards national and local disbursement to affected communities.¹⁶² However, it is notable that an official from a SIDS told the authors that they felt that the burden of proof of loss and damage was consistently placed on the most badly affected countries – even though those states often have limited financial and technical capacity to conduct this work.¹⁶³ Some countries, such as Fiji, have publicly expressed frustration, stating that they have designed innovative projects to address loss and damage, but have struggled to secure international funding.¹⁶⁴

Work is already under way on the part of countries, academics and civil society groups to assess climate change-related loss and damage in climate-vulnerable communities and countries,¹⁶⁵ and to determine the most appropriate disbursement mechanisms for Loss and Damage finance at national and subnational levels.¹⁶⁶ Some experts recommend subsidiarity in Loss and Damage finance – defined in one study as ‘decision-making and implementation on the most local level possible’¹⁶⁷ – which enables front-line communities to apply their knowledge and experience to the prioritization and design of contextual solutions.¹⁶⁸ It can also support gender-responsive deployment of finance, and access to finance for marginalized population groups, including people with disabilities and Indigenous communities.¹⁶⁹

Some developing countries have expressed their need for support in building capacity to deal with loss and damage, including capacity to conduct national needs assessments and design efficient disbursement mechanisms that can quickly meet the needs of most vulnerable people and communities.¹⁷⁰ A number of developing-country representatives stated in interviews that they would benefit from capacity-building support through the Santiago Network and would be willing to engage in South–South cooperation initiatives.

Implications: are the diverging views unbridgeable?

There are different views on how best to mobilize Loss and Damage finance. This divergence is, for example, notable when it comes to the question of whether or not a dedicated facility is needed. However, while the issue of a facility remains a polarizing topic, our interviews indicate there may be some scope for discussion. There are, for example, some developed-country representatives who indicate that their country is not necessarily opposed to establishing a facility, but that

¹⁶² UNFCCC (2022), ‘Glasgow Dialogue breakout group 1’; and information obtained through interviews.

¹⁶³ Information obtained through interviews.

¹⁶⁴ UNFCCC (2022), ‘Glasgow Dialogue Day 1 (7 June)’, (0:51:05); UNFCCC (2022), ‘Glasgow Dialogue breakout group 2’, via <https://unfccc.int/event/glasgow-dialogue> (1:37:26).

¹⁶⁵ Practical Action (2021), *Assessing and addressing climate-induced loss and damage in Nepal*, Rugby: Practical Action, <https://practicalaction.org/knowledge-centre/resources/assessing-and-addressing-climate-induced-loss-and-damage-in-nepal>; Practical Action (2021), *Assessing and addressing climate-induced loss and damage in Bangladesh*, Rugby: Practical Action, <https://practicalaction.org/knowledge-centre/resources/assessing-and-addressing-climate-induced-loss-and-damage-in-bangladesh>; Bharadwaj, R. and Shakya, C. (eds) (2021), *Loss and damage case studies from the frontline: a resource to support practice and policy*, London: International Institute for Environment and Development, <https://pubs.iied.org/sites/default/files/pdfs/2021-10/20551iied.pdf>.

¹⁶⁶ Haque, Pervin, Sultana and Huq (2019), ‘Towards Establishing a National Mechanism to Address Losses and Damages’.

¹⁶⁷ Sharma-Kushal, Schalatek, Singh and White (2022), *The Loss and Damage Finance Facility*, p. 19.

¹⁶⁸ Ibid.; Carty and Walsh (2022), *Footing the bill*; Addison et al. (2022), *Addressing loss and damage*.

¹⁶⁹ Sharma-Kushal, Schalatek, Singh and White (2022), *The Loss and Damage Finance Facility*.

¹⁷⁰ UNFCCC (2022), ‘Glasgow Dialogue breakout group 1’; and information obtained through interviews.

they currently remain unconvinced of what value it would add. There is, moreover, a perception among some developed countries that ‘facility’ is equivalent to a new fund under the UNFCCC, whereas in fact there appears to be flexibility and/or different ideas among developing countries about the form that the arrangement could take. Further conversations around what shape a facility could take, where it could be located, what types of activity it could support, and how it could be funded could potentially build additional support for a facility. However, the difficulty in obtaining support from some developed countries should not be underestimated.

Developed countries generally favour working through the organizations that already exist. However, it would likely be in the interest of most developing countries too, regardless of their position on a dedicated facility, that the response of the wider system is improved, given the scale and array of needs. There is, however, a frustration among some countries – as highlighted by AOSIS at the first Glasgow Dialogue – that reforms which have been proposed in the past have been rejected. Greater coordination, scrutiny and accountability may help to address this issue.

The challenge of reaching scale and ensuring finance is ‘new and additional’

Achieving sufficient scale in funding for Loss and Damage is a key challenge, acknowledged both by developed and developing countries. The UN’s humanitarian appeals remain underfunded – between 2017 and 2021, such appeals linked to extreme weather events have been only 54 per cent funded, leaving an estimated shortfall of between \$28 billion and \$33 billion over the five-year period.¹⁷¹ Developed countries have so far failed to fully meet their 2009 pledge of mobilizing at least \$100 billion per year to support mitigation and adaptation objectives in developing countries. Meanwhile, cost-of-living crises and economic slowdown in advanced economies¹⁷² pose challenges to scaling up climate finance contributions from such countries.

In interviews, developing countries emphasized that finance for Loss and Damage needs to be ‘new and additional’ to mitigation and adaptation finance. Some developing countries said they fear that Loss and Damage finance could ‘cannibalize’ funds available for adaptation finance.¹⁷³ One developing-country negotiator mentioned that setting up a dedicated facility, and/or agreeing on a definition of Loss and Damage finance, would help to ensure that funding is new and additional.¹⁷⁴

¹⁷¹ Carty and Walsh (2022), *Footing the bill*.

¹⁷² International Monetary Fund (2022), *World Economic Outlook: Countering the cost-of-living crisis*, October 2022, <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>.

¹⁷³ Only 6 per cent of climate finance (for mitigation and adaptation) provided by developed countries between 2011 and 2018 was ‘new and additional’ to their overseas development assistance commitments. Hattle, A. and Nordbo, J. (2022). *That’s Not New Money: Assessing how much public climate finance has been “new and additional” to support for development*, Copenhagen: CARE Denmark, https://careclimatechange.org/wp-content/uploads/2022/06/Thats-Not-New-Money_FULL_16.6.22.pdf.

¹⁷⁴ Information obtained through interviews.

Several developed- and developing-country interviewees referred to the domestic political situations in many developed countries as a key challenge: it is, in many cases, very difficult to prevail on national parliaments to approve enhanced climate finance contributions. A negotiator from a developed country stated that the integrity of the Paris Agreement could be put at risk if promises were made that developed countries are not able to meet, as this could provide some large emerging economies with a reason not to implement their own national emission reduction targets. The negotiator commented that a similar dynamic has played out when developed countries have failed to fully meet the minimum \$100 billion annual target; the negotiator's country regards Loss and Damage finance as a similar issue. Another developed-country representative pointed to the importance of ensuring that discussions around Loss and Damage do not create expectations that developed countries could transfer unlimited financial resources to developing countries to address loss and damage.¹⁷⁵

The challenge of persuading national parliaments to approve the provision of finance for Loss and Damage was highlighted by US Special Climate Envoy John Kerry at a *New York Times* climate event in September 2022, where he commented: 'You think this Republican Congress where we couldn't get one vote for this legislation¹⁷⁶ is going to step up and do loss and damage? Good luck.'¹⁷⁷

Most developing-country representatives interviewed for this paper consider it essential that developed countries contribute public funds towards addressing loss and damage in developing countries.

Most developing-country representatives interviewed for this paper consider it essential that developed countries contribute public funds towards addressing loss and damage in developing countries. This is based on principles of climate justice, as well as of common but differentiated responsibilities and respective capabilities (CBDR-RC). One negotiator suggested that 'the money is out there' but went on to say that it is not being channelled towards addressing loss and damage. The negotiator said that their country had been astounded by the trillions of dollars the international community had been able to mobilize towards the global COVID-19 response – and horrified by the amounts spent globally on military budgets and fossil fuel subsidies.¹⁷⁸

In October 2022, in conjunction with the annual meetings of the IMF and World Bank Group, the V20 finance ministers released a communiqué in which, among other things, they urged 'all major polluting nations and companies to contribute finance to address loss and damage',¹⁷⁹ implying that it was not just developed

¹⁷⁵ Information obtained through interviews.

¹⁷⁶ The legislation Kerry referred to was the US Inflation Reduction Act of 2022.

¹⁷⁷ Kerry, J. F. (2022), 'The Road to COP27: The State of US Climate Ambitions', *New York Times* Climate Forward, 20 September 2022, <https://climate-events.nytimes.com/climate-forward/events/new-york/sessions/the-road-to-cop27>.

¹⁷⁸ Information obtained through interviews.

¹⁷⁹ Vulnerable Group of Twenty (2022), 'V20 Ministerial Communique IX. V20 Ministerial Dialogue IX: "WHEN IS NOW?"'.

countries but all polluting nations and companies that should contribute. In the first session of the Glasgow Dialogue, the US mentioned the need to broaden the base of donors contributing to climate finance, and the relevance of this expansion to Loss and Damage discussions.¹⁸⁰

While underlining how important they consider the provision of public funds by developed countries to be, several developing-country negotiators either expressed their openness towards or strongly emphasized the necessity of exploring how resources from other more innovative sources could be mobilized to meet loss and damage-related needs. When interviewed, a negotiator from a SIDS highlighted a range of proposals for systematic and reliable ways of sourcing new public finance for loss and damage. These included the removal of fossil fuel subsidies and the implementation of carbon taxes, or the establishment of a share-of-proceeds arrangement as provided for under Article 6 of the Paris Agreement.^{181,182}

One developed-country negotiator highlighted the importance of grants by donor countries, but said that the scale of the loss and damage challenge requires thinking outside the box, citing a need to engage with the MDBs, the insurance industry and institutional investors to identify and scale up new financial solutions for Loss and Damage.

A negotiator from a SIDS emphasized the importance of considering power dynamics when involving private sector actors in financing Loss and Damage-related activities, given their profit incentive.¹⁸³

Concerns about debt sustainability were mentioned both by developed- and developing-country interviewees. This was also a prevalent theme during the heads-of-delegations informal consultations on Loss and Damage in September 2022, where many developing countries called for Loss and Damage finance to be provided in the form of grants.¹⁸⁴

Implications: a key challenge to be overcome

The question of how to achieve sufficient scale in funding is perhaps the most critical challenge of all. The financing needs are substantial, and will keep on rising as loss and damage continues to increase in severity. As evidenced above, many developing countries consider it essential that developed countries provide at least some public finance for addressing the increasing loss and damage caused by climate change. At the same time, the domestic political situations in many developed countries are cited as a key constraint. While the financing pledges made in 2021–22 by Denmark, Scotland and the Belgian region of Wallonia are important symbolically, the sums involved are small. Many negotiators from both developed and developing countries emphasized that meeting loss and damage-related needs will require creative thinking around how to mobilize finance from a range of sources.

¹⁸⁰ UNFCCC (2022) 'Glasgow Dialogue Day 3 (11 June)'.

¹⁸¹ UNFCCC (2015), 'The Paris Agreement', Article 6.

¹⁸² Information obtained through interviews.

¹⁸³ Information obtained through interviews.

¹⁸⁴ Government of Egypt (2022), 'Heads of Delegations informal consultations on Loss and Damage, Cairo, Egypt, 10–11 September 2022, Chair's summary'; and additional information obtained through interviews.

04

What next?

Despite the challenges and differences in views, it should be possible for governments to find a way forward on the Loss and Damage finance agenda. In the short term, modifying or working within existing structures – both inside and outside the UNFCCC – seems the most realistic option.

The previous chapter explored countries' concerns, motivations and priorities in relation to Loss and Damage finance. Based on the key themes and messages that emerged, this chapter analyses what a politically realistic pathway forward might look like in the near term.

Momentum is increasing, but challenges prevail

The Loss and Damage agenda is gaining traction, and the topic has become less taboo in recent years. At COP26, governments agreed to establish a process for discussing Loss and Damage funding arrangements, and it appears relatively likely there will be a formal agenda item on the issue at COP27. The G7 is planning to launch an initiative jointly with the V20 at Sharm El-Sheikh to enhance financial protection for people experiencing loss and damage; and in September 2022 Denmark became the first individual UN member state to pledge dedicated financial support. The EU wants to serve as a 'bridge-builder' on Loss and Damage at COP27, while the US is acknowledging in public forums the need to address the issue. These steps are, however, only among the first in what is going to be a long journey. Meanwhile, climate change impacts are causing ever more severe devastation, and, understandably, many worst-affected countries perceive that progress is far too slow.

As the previous chapter showed, numerous challenges stand in the way of significant progress on the Loss and Damage agenda. Firstly, some developed countries remain concerned about liability and compensation, despite the adoption of the Paris Agreement. This is just one factor preventing them from adopting a more ambitious stance. Secondly, a lack of clarity around definitions means that countries appear at times to be speaking about different things, and that some developed countries struggle to see how Loss and Damage finance differs from, for example,

adaptation finance or some forms of humanitarian assistance. Thirdly – and perhaps most importantly – where will the money come from? So far, wealthier nations have not even managed to mobilize the pledged \$100 billion per year in adaptation and mitigation finance, and developing countries consider it essential that Loss and Damage finance is ‘new and additional’ to mitigation and adaptation finance. The prevailing global cost-of-living crisis and the economic slowdown in many advanced economies pose challenges to scaling up climate finance in general. And with climate change impacts wreaking ever more destruction in wealthier nations, politicians in such countries may come under increasing pressure to focus resources on addressing loss and damage at home rather than abroad.

When it comes to Loss and Damage funding arrangements, there are – most notably – diverging views among countries regarding whether or not there is a need for a dedicated facility. Some developing countries, including the members of AOSIS, are calling for a firm decision to establish a facility at COP27, and for Parties to negotiate where the entity will be placed, how it will be funded and what activities it will support afterwards. This is unlikely to happen. In the Chatham House interviews, developed-country representatives stated that they do not see how a facility would add value *vis-à-vis* the funds and entities that already exist, and they often pointed to negative experiences with the Green Climate Fund. They generally highlighted that it is more effective to draw on and, if necessary, to strengthen existing entities rather than to create a new one. There are also some developing countries that see a risk in agreeing to a facility without further clarity on its operational details, and which highlight the need for an array of financing arrangements.

A pathway forward

Given the challenges outlined above, and the differences in views across Parties, the most realistic pathway forward in the near term would probably be to further assess which reforms can be undertaken with respect to existing entities (both within and outside the UNFCCC) to improve their response to loss and damage, and then for governments to pursue such changes. This is the option broadly favoured by developed countries. In the first session of the Glasgow Dialogue, the US – which is a key stakeholder – signalled its interest in exploring these types of operational reforms in more depth. Given the scale and wide range of loss and damage-related needs, it should also be in the interest of developing countries that numerous proposals to reform the wider system are explored. This argument is strengthened by the reality that a dedicated facility, if established, is by itself unlikely to be able to cover all types of need. Adjusting and recalibrating organizational mandates and simplifying procedures to enhance access to finance are examples of reforms that could be explored.

The Glasgow Dialogue provides a forum for discussing Loss and Damage funding arrangements, but its mandate is vague and many developing countries regard it as a mere ‘talk shop’. Further clarifying the mandate of the Dialogue, agreeing on the scope of upcoming sessions, and establishing a link between the Dialogue and the formal negotiations agenda would be important for building trust in the process and enabling action-oriented discussions. Provided that an appropriately framed agenda item on Loss and Damage finance is adopted at the beginning

of COP27, Parties can begin to address these issues in Sharm El-Sheikh, for instance by agreeing on a roadmap – or milestones – for future discussions and negotiations on funding arrangements.

Instilling confidence that reforms will be undertaken is a challenge. As highlighted by AOSIS in the first Glasgow Dialogue, measures to improve existing organizations' response to loss and damage have been proposed in the past, but to little avail. Greater scrutiny and oversight of those reforms that have been proposed, adopted and/or rejected could help promote confidence in them. Civil society organizations have an important role to play in this regard – for example, by mapping which measures have been proposed, which approved and which rejected, as well as by calling out and challenging 'blockers'.

In interviews, many developing-country representatives stated that they consider it essential that developed countries provide at least some public finance for addressing loss and damage. Such pledges from developed-country governments could help raise the profile of Loss and Damage finance in a general sense, build trust among countries, and possibly make the topic less taboo in the eyes of other, more hesitant, developed countries. Senior officials from developed countries emphasizing the need to mobilize Loss and Damage finance in the media and other public forums might, similarly, inject positive momentum into the discussions.

However, given the current political and economic climate, many developed-country governments may find it challenging in the short term to provide significant amounts of 'new and additional' Loss and Damage finance. There is thus a need to think creatively about how to mobilize such finance at scale and to situate the discussions on the topic in wider conversations about how to reform the international financial architecture so that it responds more fully to the climate change challenge. Examples of such reform agendas include the Bridgetown Agenda,¹⁸⁵ which aims to reform the financial system so that it channels more resources towards action on climate change and the SDGs, and ongoing efforts to reform the World Bank, spearheaded by the institution's major shareholders.¹⁸⁶ Moreover, there is a need to develop and explore proposals around innovative sources of financing, such as aviation levies, the removal and redistribution of fossil fuel subsidies, carbon taxes,¹⁸⁷ and taxes on the windfall profits of fossil fuel companies.¹⁸⁸

¹⁸⁵ The agenda is built around three pillars. The first is aimed at preventing a debt crisis in developing countries, partly through the reallocation of SDRs and partly through other measures by IMF shareholders, G20 members, and major issuers of debt to boost the liquidity of borrower countries; the second is aimed at expanding the lending capacity of MDBs by \$1 trillion to build climate resilience and support the achievement of the SDGs; and the third entails establishing a 'global mechanism' for providing reconstruction grants to countries affected by climate disaster, as well as issuing SDRs worth \$650 billion for the low-carbon transition. See also Government of Barbados (2022), 'Urgent and Decisive Action Required for an Unprecedented Combination of Crises: The 2022 Bridgetown Agenda for the Reform of the Global Financial Architecture'.

¹⁸⁶ At the 2022 annual meetings of the IMF and World Bank Group, US Secretary of the Treasury Janet Yellen and German Federal Minister for Economic Cooperation and Development Svenja Schulze requested that the World Bank assess how it could strengthen its approach to address climate change and deliver a roadmap to shareholders before the end of the year. The two ministers also presented proposals for reforms. See also: Federal Ministry for Economic Cooperation and Development of Germany (2022), "World Bank needs to restructure to address global challenges of the future" says Development Minister Schulze, press release, 12 October 2022, <https://www.bmz.de/en/news/press-releases/schulze-world-bank-annual-meetings-2022-125264>; and U.S. Department of the Treasury (2022), 'Joint IMFC and Development Committee Statement by Secretary of the Treasury Janet L. Yellen', press release, 13 October 2022, <https://home.treasury.gov/news/press-releases/jy1018>.

¹⁸⁷ Addison et al. (2022), *Addressing loss and damage*.

¹⁸⁸ Guterres, A. (2022), 'Secretary-General's address to the General Assembly', 20 September 2022, <https://www.un.org/en/content/sg/speeches/2022-09-20/secretary-generals-address-the-general-assembly>.

Having a dedicated and recurring agenda item on Loss and Damage finance within the climate negotiations would also be useful in its own right. Among other functions, it would provide a formal space for discussions, coordination and decisions around the reforms that could be made to the international financial architecture to enhance its response to loss and damage, and the sources from which funding could be mobilized. While many decisions on the operations of organizations outside the remit of the UNFCCC would need to be taken by the governing body of each institution, the UNFCCC can play an important coordinating role – and can trigger actions across the wider system by signalling what is needed. A dedicated and recurring agenda item would also provide a space for holding governments to account and assessing progress made.

In Chatham House interviews, some developed countries stated that they would not necessarily be against establishing a dedicated Loss and Damage financing facility, for example if it were made clear how such an arrangement would add value *vis-à-vis* existing organizations and funds. It would therefore be strategically valuable for the proponents of such a facility to develop more detailed proposals on its placement, scope and resourcing, keeping in mind the concerns identified in this paper. The challenge of bringing some developed-country Parties on board should, however, not be underestimated, especially if the favoured arrangement were to take the form of a standalone fund under the UNFCCC.

Some developing countries, including Bangladesh and the V20 countries, are establishing national or regional Loss and Damage financing mechanisms outside the remit of the UNFCCC. The G7 and V20 are cooperating to launch the Global Shield initiative. Unlike decisions taken within the UNFCCC, these types of measure do not require buy-in from all Parties. More governments could consider developing local or regional funding arrangements for supporting activities addressing loss and damage, which could receive funding from international partners.

More governments could also consider conducting Loss and Damage needs assessments, and more could include loss and damage considerations in NDCs¹⁸⁹ as well as in national long-term strategies and development plans. Such actions can facilitate planning,¹⁹⁰ guide investment, and support the development of funding proposals at the national level. It may also make potential donor governments and organizations more aware of what the concrete loss and damage-related needs in a given country are, and increase the likelihood of such actors providing funding.

Many developing countries have limited capacity when it comes to producing such assessments and plans, and it is therefore crucial that they are provided with appropriate support. Once operationalized, the Santiago Network can play a key role in this regard. It is also important to ensure the ‘readiness programmes’ of the multilateral climate funds are mandated to provide technical assistance related to loss and damage, and that such support can be granted and disbursed in a speedy manner.

¹⁸⁹ For more information on the benefits of integrating Loss and Damage into NDCs, please see Bharadwaj, Addison, Chakravarti and Karthikeyan (2022), *Harnessing Nationally Determined Contributions to tackle loss and damage in Least Developed Countries*.

¹⁹⁰ Calliari, E. and Vanhala, L. (2022), ‘The ‘national turn’ in climate change loss and damage governance research: constructing the L&D policy landscape in Tuvalu’, *Climate Policy*, 22(2), pp. 184–97, <https://doi.org/10.1080/14693062.2022.2027222>.

Agreeing on a definition of ‘Loss and Damage finance’ would facilitate the tracking of such finance and help overcome the challenge of distinguishing Loss and Damage finance from other financial flows. However, findings from Chatham House’s interviews indicate that it would likely be very difficult for Parties to agree on such a definition. A more politically feasible option in the near term may be a clearer separation between discussions on addressing loss and damage and discussions around averting and minimizing it, for example within the Glasgow Dialogue and during discussions on the formal COP agendas. It may also be helpful for Parties to share concrete case studies of what Loss and Damage projects currently look like.

Finally, COP27 could mandate the IPCC to prepare a special report on Loss and Damage, similar to those it has published on other aspects of climate change.¹⁹¹ In the first session of the Glasgow Dialogue in 2022, Ghana advocated on behalf of the Climate Vulnerable Forum for the development of just such a report. IPCC special reports attract considerable attention in the policy world and the media, and can be important for establishing the research basis for future policymaking and setting the terms of the debate. As such, a special report could, among other things, contribute to clarifying the boundaries between ‘averting’, ‘minimizing’ and ‘addressing’ loss and damage and could enhance understanding of what effective responses look like across the world.

¹⁹¹ Dunne and Gabbatiss (2022), ‘Bonn climate talks’.

05

Conclusion and recommendations

A number of steps can be taken in the near term to accelerate action on Loss and Damage and begin building a shared vision around a way forward. These include placing the issue on the formal negotiation agendas, enhancing the Glasgow Dialogue, developing more concrete proposals on funding arrangements and taking action outside the UNFCCC.

While it is unlikely that a Loss and Damage financing facility will be agreed at COP27, Parties need to continue working together to identify and implement appropriate funding arrangements – both in solidarity with those countries that are the worst affected and out of plain self-interest. Loss and damage is already wreaking destruction globally, and as climate change intensifies, it is going to produce ever worse impacts. This is not a problem that is going to go away.

Recommendations

Below, we outline steps that Parties and other stakeholders can take in the near term to start building consensus on a way forward and accelerate action on Loss and Damage, both within and outside the UNFCCC.

- Negotiating Parties should agree to establish a formal space, i.e. an agenda item, to discuss Loss and Damage finance as part of the climate negotiations. Such an agenda item should be introduced – and indeed is anticipated – at COP27 in Sharm El-Sheikh, Egypt, in November 2022 but will need to be formally approved by delegates at the start of the conference. It is also important that a Loss and Damage agenda item be retained at future UN climate change conferences. A dedicated space on the agenda could enable Parties

to discuss, coordinate and make formal decisions on Loss and Damage funding arrangements, and would serve as a recurring ‘checkpoint’ to assess progress made and hold governments to account.

- The scope and mandate of the Glasgow Dialogue need to be clarified, and a link established between the Dialogue and the formal negotiation agenda. Parties can begin to address these issues in Sharm El-Sheikh by agreeing on a roadmap, or milestones, for future discussions and negotiations. It would be appropriate if the second session in the Dialogue had a strong focus on bridging the gaps in the provision of finance for *addressing* loss and damage specifically, as it was made clear in the first session that this is where the main gap lies. It would also be effective if the second and third sessions in the Dialogue featured discussions on which concrete reforms could be implemented to enhance the international response to Loss and Damage, and on what shape any potential new arrangements – including a funding facility – could take.
- All Parties and/or groups of Parties should develop concrete proposals on possible Loss and Damage funding arrangements (whether a facility, or another type of arrangement) for further discussion and co-creation with other Parties ahead of the second Glasgow Dialogue in June 2023. Concerns and challenges highlighted in this research paper should be kept in mind. In August 2022, AOSIS hosted regional workshops with SIDS climate negotiators with the aim of drafting a framework for a facility,¹⁹² and a proposal for a ‘Loss and Damage Response Fund’ is expected to be presented at COP27.¹⁹³ Others could conduct similar exercises and develop their own proposals.
- Civil society actors should convene meetings of relevant stakeholders ahead of the second session in the Glasgow Dialogue, for discussions on Loss and Damage funding arrangements in an informal setting. Civil society and academia also have an important role to play in researching and developing proposals around what a potential facility could look like, and/or around the reforms that could be undertaken to enhance existing organizations’ responses to loss and damage. They can also contribute to holding governments to account by mapping which reforms have been proposed, adopted and/or rejected, as well as by calling out ‘blockers’.
- Where appropriate, governments should include loss and damage considerations in their national emission reduction plans, long-term climate strategies and development plans. Agreeing on the outstanding elements of the Santiago Network on loss and damage – an entity tasked with connecting developing-country governments with providers of technical assistance – is important for supporting capacity-building in developing countries. More developing-country governments could also begin to establish national or regional Loss and Damage funds, which could be open to receiving funding from international partners.

¹⁹² AOSIS (2022), ‘AOSIS pushes progress on Loss and Damage Finance Facility’, Press release, 11 August 2022, <https://www.aosis.org/aosis-pushes-progress-on-loss-and-damage-finance-facility>.

¹⁹³ Farand (2022), ‘Small island states to propose ‘response fund’ for climate victims at COP27’.

- Developed-country governments should provide new and additional finance aimed explicitly at addressing loss and damage. Given the current political and economic context, the amounts involved are likely to be relatively modest in the short to medium term, but they could nevertheless play an important role in raising the profile of Loss and Damage, in making the topic less taboo, and in injecting positive momentum into the discussions – as well as in providing some relief to people and communities experiencing loss and damage. It is important to ensure that finance is new and additional, and that bilateral pledges do not detract from the need to undertake larger reforms to improve the international responses to loss and damage.
- Governments should task the IPCC with producing a special report on loss and damage to contribute to clarifying the boundaries between ‘averting’, ‘minimizing’ and ‘addressing’ loss and damage, and to enhance understanding of what effective responses look like across the world. It would also be useful for governments and other stakeholders to share case studies of Loss and Damage finance projects, for example during dedicated workshops or side events on the margins of COPs, the IMF and World Bank Group annual and spring meetings, and the opening of the UN General Assembly.

Acronyms and abbreviations

AGN	African Group of Negotiators
AGNES	African Group of Negotiators Expert Support System
AILAC	Independent Association of Latin America and the Caribbean
AOSIS	Alliance of Small Island States
CBDR-RC	Common but differentiated responsibilities and respective capabilities
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
CREWS	Climate Risk and Early Warning Systems
ExCom	Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts
G7	Group of 7
G20	Group of 20
G77 plus China	Group of 77 plus China
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
LMDCs	Like-Minded Developing Countries
MDB	Multilateral development bank
NDC	Nationally determined contribution
ODA	Overseas development assistance
OECD	Organisation for Economic Cooperation and Development
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SDG	Sustainable development goal
SDRs	Special Drawing Rights
SIDS	Small Island Developing States
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
V20	Vulnerable Group of Twenty
WIM	Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts

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Cover image: Aerial view of a chimney from a local brick factory flooded by monsoon rains near Savar, Dhaka, Bangladesh, on 16 September 2021.

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