LOSS AND DAMAGE

L&D finance must be provided under the broader climate justice and equity framework

Developed countries must take responsibility for L&D caused by climate change due to their historic emissions

A failure on L&D negotiations at COP 27 could lead to disintegration of trust in the UNFCCC process
WHAT IS LOSS AND DAMAGE?
The negative economic, non-economic and ecological impacts of climate change—both due to rapid onset extreme weather events such as floods and tropical cyclones and slow onset changes such as sea level rise and droughts—are termed as loss and damage (L&D).

In 2022 alone, extreme weather events have led to more than 10,000 deaths and affected over 75 million people. The overall L&D to human lives, livelihoods, agricultural production, private and public infrastructure, and social and cultural systems will continue to rise as the frequency and intensity of these events increase. According to current estimates, by 2030 the total L&D for developing countries from all the impacts of climate change could be anywhere between US $290–580 billion. This could increase to US $1–1.8 trillion by 2050.¹

The World Weather Attribution (WWA) initiative has attributed many events in the past few years to climate change caused by greenhouse gases that are already in the atmosphere and were mostly emitted by countries that led the industrial revolution. Even though attribution science is established, fixing accountability to historic polluters and calculating compensation remain a challenge.

HOW IS LOSS AND DAMAGE ESTIMATED?
Some limiting but established ways of estimating L&D are from Rapid Needs Assessments (RNAs) and the more-detailed Post-Disaster Needs Assessments (PDNAs) of extreme weather events. They are led by the governments of affected countries, with support from global bodies such as OCHA, UNDRR, Asian Development Bank and European Civil Protection and Humanitarian Aid Operations, among others.

The purpose of RNAs, conducted just after a natural disaster strikes, is to perform a broad-based assessment
that can help governments identify the critical impact and resulting priority needs and interventions in a matter of days. PDNAs, on the other hand, are conducted over a longer period.

The methodology for both assessments is similar and agreed upon globally. It consists of four main elements. First, understanding pre-disaster social, economic, cultural, financial and political conditions for comparability. Second, assessing the effects of the disaster, such as damage to physical infrastructure, disruption of access to goods and services, hindrances in the exercise of citizenship, increased risks and vulnerabilities, etc. After this assessment, economic losses due to these effects are calculated.

Third, calculating effects on quality of life, and macro and micro economic impacts such as lack of access to fuel leading to increase in food prices and general inflation, impairment of household income, and increase in unemployment. This analysis, which also considers existing development plans, learnings from past experiences and new emerging risks, becomes the basis of the fourth element, which is a recovery strategy for short-, medium-, and long-term needs.

The current methodology does not account for the full scale of long-term damages, such as displacement and unemployment, not only due to floods and cyclones but also from slow-onset events such as long-term droughts, desertification and rise in sea levels. Also not taken into account are historical socio-economic vulnerabilities and non-economic impacts such as loss of cultures, traditions, languages and even entire communities.

There are also differences in L&D between developed and developing countries. In the former, economic losses are more from infrastructural damage and therefore the immediate figures are much higher than in developing countries, where losses are more in terms of human lives and livelihoods. The losses from environmental destruction can be calculated from natural capital accounting, but only one example of such a study exists from Vanuatu in the case of the Severe Tropical Cyclone Harold.\(^2\)
WHAT ARE THE FINANCING MECHANISMS FOR LOSS AND DAMAGE REPARATIONS?

There is currently no accepted mechanism under the UNFCCC process for making reparations for these losses. Whatever money does come is limited to humanitarian aid from individual countries, international financial organisations such as the World Bank and the International Monetary Fund, and insurance payments by private companies.

One way of fixing historical responsibilities of polluters and calculating compensations for L&D is via weather attribution science. This involves calculating the effect of climate change on a particular extreme weather event and apportioning that to countries in accordance with their historical greenhouse gas emissions. But, gaps still remain in the scope and capacity of weather attribution science, and developed countries neither accept their historical responsibilities nor are they legally accountable to make these payments.

There are proposals for financing L&D outside the UNFCCC process through initiatives such as an International Solidarity Fund proposed by the Heinrich Böll Foundation which would...
bring together public and private ways of financing. Under this they envisage developed countries contributing US$ 150 billion by 2030. They predict that this public fund would then mobilise additional funding of up to US $150 billion every year from alternative and innovative sources.³

A 4 per cent annual decrease in fossil fuel subsidies by G20 countries could raise US $245 billion till 2030. Financial transactions tax could add another US $297 billion a year. A climate damages tax of US $5 per tonne of CO₂ equivalent emitted from burning of coal, oil and gas would add another US $210 billion per year in the beginning. As the taxation rate is increased with time, the funds generated would also increase proportionally.

There is also a proposal to make a mechanism for raising reconstruction grants and reform institutions like the World Bank and IMF to “secure long-term funding” for poor and vulnerable nations through a greater redistribution of special drawing rights, greater investment in climate resilience and the development of long-term instruments that can mobilise US $3–4 trillion in finance for carbon-cutting projects. Debt-
for-Climate-Swaps have been proposed to provide debt relief in exchange for climate investment. Pledges from countries like Denmark, which committed DKK 100 million in September for L&D, create a precedent for other wealthy countries.

**HOW HAVE CLIMATE NEGOTIATIONS ON LOSS AND DAMAGE FARED SO FAR?**

At COP 26 in Glasgow, the Group of 77 (G77) and China united in their demand for a Loss and Damage Finance Facility to disburse funding to rebuild the lives of communities facing the worst impacts of the climate crisis. Their demand was pushed back by developed countries such as the US and Switzerland, and watered down to a compromise: To set up the non-binding Glasgow Dialogue to explore possible institutional arrangements to address L&D in the future.

The Glasgow Dialogue commenced at the UN’s mid-year climate change conference (the 56th meeting of the Subsidiary Bodies or SB56) in Bonn, Germany this June and will end in June 2024. It took forward action items announced at COP 26 last November and advanced some of the more technical and operational discussions in time for COP 27. At SB56, the G77 put forth a request to add two items to the official conference agenda—one, on the Global Goal on Adaptation and the other on the Glasgow Dialogue on L&D finance. While adaptation was eventually added to the formal agenda, L&D was dropped.

Article 8 of the Paris Agreement of 2015 acknowledges L&D, stating: “Parties recognize the importance of averting, minimizing and addressing loss and damage associated with the adverse effects of climate change.” It needs to be clarified that “averting” refers to climate mitigation and “minimizing” refers to climate adaptation. “Addressing” means “paying for L&D” and it remains a key issue as currently no financing exists for this under the financial mechanism of UNFCCC.
Developed countries like Switzerland insisted that they make large contributions to the International Red Cross and other forms of developmental and humanitarian aid, which are not counted as L&D finance. The US and Canada also brought up humanitarian assistance as an example of finance already being provided, with Canada noting that a funding arrangement for L&D need not be under UNFCCC alone. The risk here is that the accountability created by the UNFCCC will be lost.

Humanitarian aid is not designed to address L&D based on the polluter pays principle. Therefore, a mechanism where contributions are mandatory, not voluntary, is required to finance reparations for victims of climate change. Developed countries also raised the question of how to define the “most vulnerable”, but such language can be strategically used to narrow the scope of responsibility and eliminate many victim countries from being eligible for finance.

WHAT IS ON THE TABLE AT COP 27?
G77 plus China proposed to place L&D as a sub-item under agenda 10 of COP 27 and to let the Glasgow Dialogue continue as a parallel process. In August, L&D was included in the provisional agenda for COP 27 and there was consensus to establish it as a formal agenda item. Developed countries have highlighted that their citizens would not buy the historical polluter argument today as they are worried about crises in their own countries.
Many developing countries are of the view that funds structured around liability and historical responsibility are an unachievable pipe dream. Therefore, some of them are willing to accept a political commitment to establish a facility at COP 27, as a starting point. They want the Glasgow Dialogue to have clear linkages to the decision-making process. They would also like assured funds for L&D under the Adaptation Fund or the Green Climate Fund.

The question arises: Is a vague political commitment to set up a new facility for climate finance enough at this stage? According to at least one developing country negotiator, a failure on L&D negotiations at COP 27 would lead to disintegration of trust in the UNFCCC process.

REFERENCES