

## COP27 establishes loss and damage fund to respond to human cost of climate change

Deal on compensation for climate impacts represents major milestone for climate justice.



The 27th UN Climate Change Conference (COP27) has ended with an historic deal to create a new fund, in which countries responsible for high carbon emissions will compensate vulnerable countries suffering from climate impacts.

“Creating the loss and damage fund is a first, important step. It is an important moment in the global climate justice movement,” said Dr Siobhan McDonnell, a COP27 negotiator on loss and damage for the island state of Palau.

Harjeet Singh, Head of Global Strategy at Climate Action Network International, agreed: “COP27, in many ways, was a turning point in dealing with the consequences of climate change.”

This timely breakthrough has been agreed during a year of relentless climate extremes—from flooding in Pakistan to drought in the horn of Africa.

“...[F]amilies are dealing with the very real impacts of extreme weather – unable to wait for promises,” said Jagan Chapagain, Secretary General of the International Federation of Red Cross and Red Crescent Societies (IFRC). Chapagain added that, in the period COP27 took place, the IFRC has had to respond to 74 floods globally, four named tropical storms, wildfires in ten countries, the displacement of 185 000 people in Ethiopia, and continuing food insecurity in Afghanistan and across Africa.

In a 2020 landmark report, the IFRC found that if no urgent action is taken now, the number of people in need of humanitarian assistance due to the climate crisis could double by 2050. It estimated the financial costs to respond to these crises would grow

from 3.5–12 billion US dollars today to US\$20 billion per year by 2030.

“What can’t be mitigated or adapted to, will be suffered,” said Patricia Schwerdtle, a Climate Advisor to Doctors Without Borders. “This suffering will be endured disproportionately by people living in poverty, excluded from health care, and those living in fragile and conflict-affected states. Humanitarians, like health professionals, have a key role to play in witnessing, documenting, and communicating the risks, loss, and damage due to climate change.”

### A climate justice milestone

“A fund to help governments rebuild homes, hospitals and roads, avoid new debt burdens, and provide social protection to help communities bridge crises will be vital to help people avoid the poverty spiral after climate disasters,” said Teresa Anderson, the Global Lead on Climate Justice for ActionAid International.

This addresses a fundamental injustice at the heart of the climate talks, Anderson says, that the countries least responsible are carrying the costs of climate change.

“The loss and damage fund is a response to climate injustice and climate debt, owed by the rich countries to the poor,” added Meena Raman, Head of Programmes at Third World Network.

“Loss and damage has always been an orphan issue in the multilateral climate regime, and there can be no further delay in addressing the ravages of climate disasters” added Raman.

The call for a dedicated fund for loss and damage was proposed more than three decades ago, by the Alliance of Small Island States (AOSIS). For years, however, discussions on the

issue remained superficial and highly technical. The Paris Agreement itself includes a provision on loss and damage (Article 8) but was carefully worded to not include any liability or compensation—a condition put forward by the USA at the time.

At COP25 in 2019 in Madrid, a group of 134 developing countries—known as G77 and China—put forward two demands on loss and damage: (1) the creation of a technical body for carrying out research and providing technical support on loss and damage and (2) the creation of a fund through which rich polluting countries will pay poorer developing countries suffering from climate change impacts. The first proposal was accepted, and eventually led to the creation of the Santiago Network for Loss and Damage. The demand for a fund was refused by high-income parties, including the EU and the USA. It was again rebuffed at COP26 in 2021, when the G77 group called for the establishment of a finance facility.

Continued lobbying by the G77 group of developing countries throughout 2022, and strong leadership by Pakistan in rallying the group, led to the inclusion of finance for loss and

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For more on the **IFRC Cost of Doing Nothing** report see <https://www.ifrc.org/es/media/48881>

For more on the **Santiago Network** see <https://unfccc.int/santiago-network>



An illuminated sign in the plenary hall at the UNFCCC COP27 climate conference

For more on shortcomings of green climate funds see <https://www.tandfonline.com/doi/full/10.1080/14693062.2022.2093152>

damage on the COP27 agenda, and the eventual adoption of a loss and damage fund. "This unity of the G77 at COP27 was an important factor in persuading the developed countries," said Dr Saleemul Huq, Director of the International Centre for Climate Change and Development.

"These decisions place the needs of developing countries that are particularly vulnerable at the heart of our response. This opens the door for a deeper multilateral conversation on what needs to be done," said Raman.

"A mission 30 years in the making has been accomplished," said Molwyn Joseph, Minister of Health, Wellness, and The Environment of Antigua and Barbuda, and Chair of AOSIS. "The international community has restored global faith in this critical process that is dedicated to ensuring no one is left behind."

### Disaster diplomacy in 2023

Much work still needs to be done to finalise the details of the loss and damage fund. How will the fund be structured? Who will pay into it? How much will be paid? Who will manage it? Who will be eligible to receive funds? These questions will be addressed by a 24-member Transitional Committee, tasked to come up with a proposal by COP28 in December, 2023. COP28 is also when the fund is expected to become operational. However, the establishment of a fund does not necessarily translate in climate finance commitments, with the poor progress to deliver the promised US\$100 billion in annual climate funding from wealthy nations at COP27 a case in point.

"The proposed fund should identify and centre around vulnerable communities," said Mrinalini Shinde, Lecturer

of International Environmental Law, University of Cologne, Germany and a former legal advisor to the UNFCCC.

"For the fund to be truly transformative, it is important that it is driven by the motivation to set right historic wrongs," said Shinde.

The scale of finance needed, and speed with which it can be delivered, will also be important components to consider, says Raman. "The Pakistan floods alone are estimated to have cost more than USD\$30 billion in damages, and the government has asked for USD\$16 billion from the international community for reconstruction and rehabilitation."

"[We need] direct access, with rapid reaction times and minimal bureaucracy, to respond as soon as possible to extreme weather events, slow onset events, or non-economic losses," said Raman.

Existing climate finance institutions, such as the Green Climate Fund and the Adaptation Fund, often have elaborate application processes, and take years to distribute funds. They often struggle to reach local communities and the most vulnerable. Therefore, a loss and damage fund should have a greater emphasis on last mile delivery of support to communities in need.

Regarding possible sources of funding, Dr Huq agrees with a proposal by the Prime Minister of Barbados, Mia Mottley, to tax fossil fuel and other carbon intensive industries. "In my view the polluting companies, particularly fossil fuel companies, who are currently enjoying obscene levels of exorbitant profits, should be made to pay a share into the new Loss and Damage Fund," said Dr Huq. "This will immediately generate tens of billions of dollars for the fund from the

polluters who are responsible for the losses and damages."

### Holding the line on 1.5

COP27 tackled the consequences of climate change. Unfortunately, it was less successful in addressing the cause; the burning of fossil fuels and the destruction of nature. The summit's outcome statement failed to strengthen the COP26 Glasgow Climate Pact, which for the first time included a commitment to "phase down unabated coal", with a decision to phase down all fossil fuels. It also failed to deliver a more ambitious mitigation work programme.

"This is not a moment of unqualified celebration," said Alok Sharma, the President of COP26, in his closing remarks at COP27. "Those of us who came to Egypt to keep 1.5 degrees alive and to respect what every single one of us agreed to in Glasgow have had to fight relentlessly to hold the line. I said in Glasgow the pulse of 1.5 degrees is weak. Unfortunately, it remains on life support."

"We needed to clearly acknowledge that limiting warming to 1.5°C is the only way to prevent climate chaos, so countries' emissions reduction efforts need to be scaled up dramatically so that global emissions halve by 2030," said Madeleine Diouf, Chair of the Least Developed Countries Group.

WHO Director General Dr Tedros Adhanom Ghebreyesus reacted to the omission by saying "lives will continue to be lost until fossil fuel addiction is taken care of".

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