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THE COST OF DELAY

Why finance to address Loss and Damage
must be agreed at COP27



ACKNOWLEDGMENTS

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ABBREVIATIONS

- AGN:** African Group of Negotiators
- AOSIS:** Alliance of Small Island States
- CVF:** Climate Vulnerable Forum
- COP:** Conference of the Parties to UNFCCC
- CMA:** Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
- GCF:** Green Climate Fund
- GDP:** Gross Domestic Product
- GHG:** Greenhouse gas emissions
- G77:** Coalition of developing countries, created to enhance joint negotiating capacity in the United Nations
- IPCC:** Intergovernmental Panel on Climate Change
- LDC:** Least developed country
- NELD:** Non-economic loss and damage
- ODA:** Overseas Development Assistance
- SIDS:** Small Island Developing States
- UNFCCC:** United Nations Framework Convention on Climate Change
- WIM:** Warsaw International Mechanism
- WIM ExCom:** The Executive Committee of the Warsaw International Mechanism for Loss and Damage

TERMS

Averting, minimising and addressing Loss and Damage: In discussions around Loss and Damage, this term is often used. Broadly, averting can be seen to mean 'mitigation' and minimising can be seen as 'adaptation'. Addressing climate impacts not mitigated or adapted to is what developing countries seek finance for.

Developed countries: Here, this term refers to countries denoted as 'Annex I countries' under the UNFCCC, as [of 2018](#).

Developing countries: All non-Annex I countries under the UNFCCC. We recognise the problematic connotations of the terms 'developing' and 'developed', but have used them in this paper as they are the categories commonly used in discussions under the UNFCCC.

Intersessionals: The meetings of the subsidiary bodies which take place between COPs to make technical progress on issues ahead of the COP negotiations.

Santiago Network: Agreed at COP25, this is a network intended to catalyse technical assistance to address Loss and Damage.

V20: The Vulnerable Twenty Group of Ministers of Finance of the Climate Vulnerable Forum (CVF), currently representing 55 countries, 1.4 billion people and 5% of global emissions.

Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts: Established at COP19 to address loss and damage associated with impacts of climate change, including extreme events and slow-onset events, in developing countries that are particularly vulnerable to the adverse effects of climate change.

A full methodology has been published for this report and is available [here](#).

SUMMARY

Despite 31 years of pressure, 26 COPs and multiple workshops and dialogues, no dedicated finance to help people deal with the aftermath of climate impacts – also known as ‘finance to address Loss and Damage’ – has been delivered under the United Nations Framework Convention on Climate Change (UNFCCC). Such finance would have made a significant difference to the lives of people on the frontlines of climate-fuelled events, reducing climate-induced poverty and freeing up national budgets. In this briefing, we show how the countries which are historically responsible for the majority of emissions have repeatedly delayed progress on securing Loss and Damage finance while emissions and fossil fuel profits have risen, and how the costs of delay manifest themselves in developing countries and communities bearing the brunt of the climate crisis.

We estimate that **an average of 189 million people each year** have been affected by extreme weather-related events in developing countries since 1991 – the year that Vanuatu first proposed a mechanism to address Loss and Damage. We show how, since then, developed countries have used various **tactics to delay any progress on the issue**, from distracting with non-transformative solutions to redirecting responsibility. Not providing this finance is ultimately down to a lack of political will, and we also illustrate how the **fossil fuel industry made enough super-profits between 2000 and 2019 to cover the costs of climate-induced economic losses in 55 of the most climate-vulnerable countries nearly 60 times over**. The finance is there, but those most responsible for the crisis have yet to pay.

This past year has exemplified the three decades of delay that have preceded it. At the end of COP26 in Glasgow, developing countries were frustrated that their proposal for a Loss and Damage Finance Facility was rejected by developed countries. Instead they got a three-year dialogue – yet another delaying tactic. Since then, there have been more than 119 extreme weather events in developing countries, while in the **first half of 2022 just six fossil fuel companies made enough to cover the cost of major extreme weather- and climate-related events in developing countries and still have nearly \$70 billion left over in pure profit**.

Not only has there been a failure to provide finance to address loss and damage, but emissions have continued to rise and goals to deliver climate finance for mitigation and adaptation in developing countries have not been met. Providing Loss and Damage finance is critical not only for those dealing with climate impacts in developing countries but also for maintaining trust and credibility in the UN climate negotiations. It is not too late. At COP27, it is crucial that Parties agree to establish a Loss and Damage Finance Facility and direct that dedicated support to developing countries and communities.

The best time to start was 31 years ago. At COP27, we can put an end to the delay.

“**An average of 189 million people each year have been affected by extreme weather-related events in developing countries since 1991, the year that Vanuatu first proposed a mechanism to address Loss and Damage. Since then, developed countries have used various tactics to delay any progress on finance.**”

“**In the first half of 2022, six fossil fuel companies made enough to cover the costs of extreme climate- and weather-related events in all developing countries and still have nearly \$70 billion left over in pure profit.**”

AS WEALTHY COUNTRIES DELAY

'Loss and damage' broadly refers to the consequences of climate impacts which cannot be or have not been avoided through mitigation or adaptation.¹ 'Loss' can refer to loss of lives, livelihoods or culture and 'damage' can be to infrastructure or ecosystems, among other things. Loss and damage is not a future reality, it is happening now, and it is communities in developing countries that are bearing the costs arising from decades of emissions caused by developed countries.

Under the international climate architecture, there is finance to support developing countries to pursue low-carbon development (e.g. through renewables) and to adapt to climate change (e.g. by building flood defences). But there is no agreement on providing support to countries and communities to address the impacts of climate change after they have occurred.

Loss and Damage finance is by no means a new issue in the UN climate talks. A proposal relating to compensation for the impacts of sea level rise due to climate change was first put forward by Vanuatu, on behalf of the Alliance of Small Island States (AOSIS), in 1991. Since then, there has been a concerted effort by developed country Parties to the UNFCCC to delay any progress on the issue. Supporting developing countries to address climate impacts, in the form of Loss and Damage finance, is an essential part of the principle of "common but differentiated responsibilities" which is enshrined in the UNFCCC and holds that developed countries, which have contributed more to the climate crisis, have a greater responsibility to address it.²

Yet 30 years, 26 COPs and multiple workshops and dialogues later, no mechanism for finance to address loss and damage has been agreed. The timeline of delay set out below shows how developed countries have repeatedly stalled efforts to get finance to address Loss and Damage to countries on the frontlines of the climate crisis. While stalling tactics continue to be used in climate negotiations, extreme weather events have continued to rage on, resulting in widespread losses and damages for the communities they hit.

Figure 1: Timeline of delay

“ Supporting developing countries to address climate impacts, in the form of Loss and Damage finance, is an essential part of the principle of 'common but differentiated responsibilities' which is enshrined in the UNFCCC and agrees that developed countries, which have contributed more to the climate crisis, have a greater responsibility to address it. Yet thirty years, 26 COPs and multiple workshops and dialogues later, no mechanism for finance to address Loss and Damage has been agreed. ”



Vanuatu/AOSIS work to get L&D into the Framework Convention, including proposing a mechanism to address the impacts of sealevel rise.

1991
 178 155,802 355

1992
 169 7,881 356

UNFCCC text is agreed, but does not include Vanuatu's 1991 proposal.

1994
 213 11,742 358

The UNFCCC enters into force with no mention of Loss and Damage.

At COP8 in New Delhi, the G77 + China highlight the importance of developing a mechanism to support responses to adverse impacts of climate change.

2002



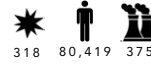
At the Intersessionals, in the absence of funding, it is agreed that a workshop on insurance and risk assessment could be held after COP 8. References to financial contributions are deleted from the text.

At the Vienna climate change talks, AOSIS propose a new fund based on the "polluter pays" principle to link to Annex I (developed) countries' funding commitments.

2007



2003



In May, a workshop on insurance and risk assessment is held outside of official negotiations.

At COP14 in Poznan, AOSIS proposes a "Multi-window Mechanism" to address loss and damage.

2008



The US insists that more scientific evidence is needed around loss and damage, and the AOSIS proposal is not formally considered.



Typhoon Morakot



Cyclone Nargis, Myanmar



A number of developing country groupings (including the AGN and AOSIS) propose draft text in advance of COP15 that includes a Loss and Damage mechanism.

2009



COP15 in Copenhagen fails to result in any form of text, instead the Copenhagen Accord is produced, and it does not mention loss and damage.



India heatwave



2010



Developed country Parties push for loss and damage to sit under existing institutional arrangements, such as the adaptation framework.

Developing countries issue a statement calling for a solidarity fund to compensate vulnerable countries for residual or unavoidable Loss and Damage.

2012



2011



The COP17 decision text appreciates the need to explore potential mechanisms, including an international mechanism, to address Loss and Damage but no finance is mentioned.



Typhoon Bopha Philippines



Led by the US, developed country Parties argue against any international mechanism for compensation, saying it would divert funding for adaptation.

The G77 + China develop draft text for what will become the Warsaw International Mechanism (WIM).

2013



At COP19, text to establish the WIM is agreed, though very watered down from what the G77 + China originally drafted. The functions of the WIM include action and support (including finance) and an Executive Committee is established, but it includes no financial mechanism.



Drought
Southern Levant
region



Typhoon Haiyan
Philippines

2014



At COP21, developing country Parties put forward draft text for an article on loss and damage for the Paris Agreement, which makes provisions for finance to address Loss and Damage.

2015



The US, with the Umbrella Group, proposes text that does not even mention loss and damage. In the end, Article 8 on Loss and Damage is included but with an accompanying paragraph in the decision text that states it cannot be used as a basis for compensation, and it is not explicitly connected to other articles on finance or transparency.



Indonesia
drought



In a WIM review, developing country Parties work to include a workstream on enhancing action and support to address Loss and Damage.

2016



Southern Africa
Drought



At COP23, AOSIS stresses that there must be progress on accelerating financial flows to small island developing states (SIDS) in light of escalating Loss and Damage.

2017



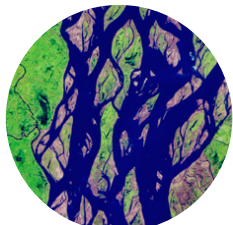
It is agreed that the "Suva expert dialogue" on Loss and Damage will be convened outside of official negotiations, with a view to a technical paper being produced.



Floods
Peru



Hurricane Maria
Puerto Rico and
Dominica



Floods
Bangladesh



At COP24, LDCs and SIDS express disappointment with what they describe as continued sidelining of the issue of Loss and Damage and stress the urgency of provide real financial support.

2018



During the Suva Expert Dialogue at the Intersessionals, insurance dominates despite not being the priority for developing countries.

At COP25, developing country Parties urge new and additional finance for loss and damage. AOSIS call for the Green Climate Fund (GCF) to establish an emergency response window to address Loss and Damage.

2019



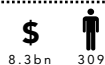
Multiple developed country Parties state that the GCF already funds loss and damage, pointing to flood protection and deliberately conflating addressing Loss and Damage with adaptation. Developed countries do not support paragraphs relating to the incorporating of loss and damage-related support and the establishment of an emergency response window under the GCF.

After three years of developing country Parties pushing for the need for a WIM ExCom expert group on action and support, it is finally included in the text.



Hurricane Eta in the Caribbean and US

2020



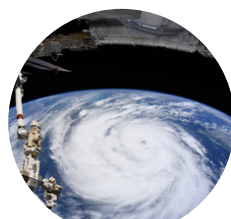
The US, Australia and the EU reject the G77 + China proposal. Instead the 'Glasgow Dialogue' on funding arrangements, to be carried out over three years outside of official negotiations and with no mandated outcome, is included in the text.

The G77+China call for a "Glasgow Loss and Damage Facility" to be agreed at COP26 in the UK.

2021



All developing countries express regret that Loss and Damage support was excluded from the text.



Hurricane Ida in the Caribbean and US



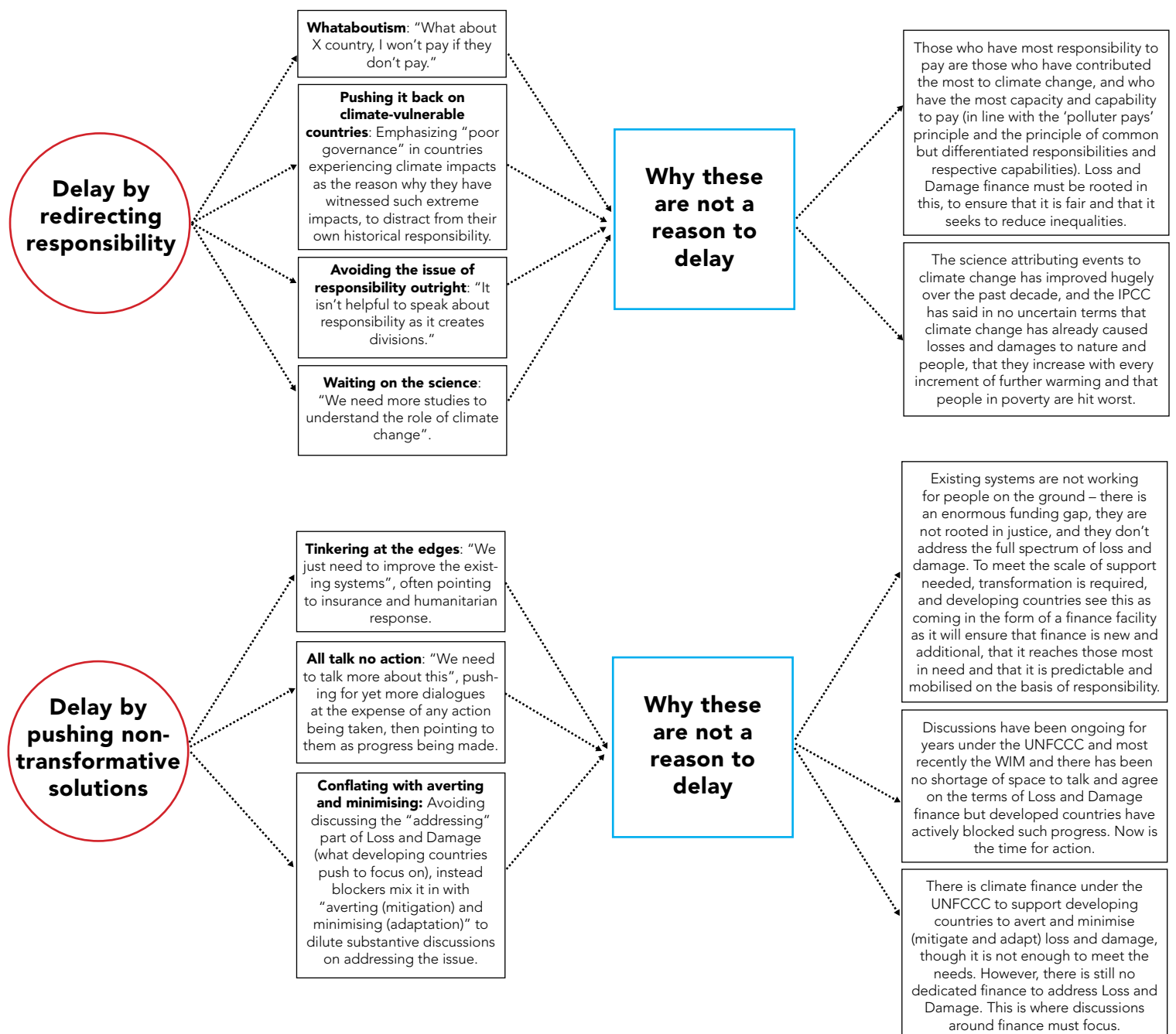
While this timeline shows a stark reality, it provides only a glimpse into the true scale of loss and damage already being experienced, which includes many more climate impacts, non-economic loss and damage (NELD) and smaller-scale events that are highly corrosive for the communities that experience them repeatedly. It is important to highlight that, despite opposition, developing country negotiating groups have made hard-fought progress in other areas relating to Loss and Damage, such as the establishment of the Warsaw International Mechanism (WIM). However, actual finance to address climate impacts after they have hit, such as the events outlined in the timeline above, remains blocked. Without this, other areas of progress such as the Santiago Network (a network intended to catalyse technical assistance to address Loss and Damage) risk becoming empty shells; as one negotiator told us: "Without finance to address Loss and Damage, having the Santiago Network is like getting an architect to draw up plans for a house without having the actual money to pay for the reconstruction."

“ Finance to address climate impacts after they have hit, such as the events outlined in the timeline above, remains blocked. ”

Developed countries have been using the same blocking arguments for decades. Taking inspiration from research on “discourses of climate delay”³ (reasoning used to “justify inaction or inadequate efforts in climate policy debates”), we have categorised and set out in Figure 2 the arguments typically used by developed countries for why finance to address Loss and Damage cannot be agreed to. These examples will be familiar to anyone engaged in Loss and Damage discussions, and they were all brought out at the June 2022 Glasgow Dialogue. They seek to distract from the responsibility of industrialised and wealthy developed countries for providing finance to address Loss and Damage and to delay substantive action. Below we also set out why these discourses and arguments are not valid reasons for blocking the provision of finance to climate-vulnerable countries and communities.

“ **These discourses of delay seek to distract from the responsibility of industrialised and wealthy developed countries for provide finance to address Loss and Damage, and to delay substantive action.** ”

Figure 2: Discourses of delay typically used to block finance to address loss and damage (adapted from Lamb et al. (2020))



Delay by emphasising downsides

- Pitting it against other climate efforts:** Arguing that Loss and Damage finance will take away from adaptation efforts and finance, or distract from the need to rapidly reduce emissions.
- Downplaying its importance:** Treating Loss and Damage actions as lower priority than mitigation and adaptation, claiming that it equates to “doomism” and is a distraction from more important actions.
- Sending people down rabbit-holes:** Seeking perfectly crafted solutions from developing countries before considering any action (while not putting forward constructive suggestions themselves).

Why these are not a reason to delay

Action on mitigation, adaptation and Loss and Damage is critical. One should not take away from the other. The faster we reduce emissions and the better we adapt, the less loss and damage there will be. At the moment, mitigation and adaptation actions are far behind, and finance must increase to support developing countries to carry out these. But this is no excuse for not providing finance to address loss and damage, it only further underlines the need for new and additional finance. The IPCC says that even with rapid emissions cuts and effective adaptation there will still be losses and damages – the cost of addressing this cannot fall on households that have not contributed to the problems they are facing.

The longer that new and additional funds are delayed, the more people’s lives are gravely impacted. As a finance facility or fund is being set up, the details will need to be negotiated, but this is being used as an excuse to delay any movement at all.

Delay by surrender

- It is not possible to cover these costs:** “It is too big a task, there is no way that we could ever cover all the costs of climate-induced loss and damage.”
- Using domestic politics to delay:** Loss and Damage finance would never be agreed to in X country due to the politics there.

Why these are not a reason to delay

This is one of the most insidious discourses of all. If finance to address Loss and Damage is not put forward by countries responsible for the damage, then the cost falls on individuals. This is already happening, exacerbating inequality and reducing the quality of life and enjoyment of human rights for those least responsible. There are examples where finance has been quickly mobilised in large quantities, such as during the COVID-19 pandemic, and there are plenty of options to source the finance so that it does not come from existing budgets (Special Drawing Rights, Climate Damages Tax, debt cancellation, air passenger levy, etc.).

We need everyone on board explaining why Loss and Damage finance is crucial not only to tackling climate change and for people’s lives, but also for building international trust and solidarity at a time when it is quickly fading. Instead of defaulting to blocking tactics, developed countries negotiating on Loss and Damage finance should be explaining to their Governments why it is a critical issue.

A further delaying tactic is that these discourses have largely played out in side-events to the main COP itself, away from where the political negotiations take place and decisions are made. This is because the issue of finance to address Loss and Damage is not actually on the permanent COP agenda as a negotiating item. Without adequate space to have these important discussions, no true progress can ever be made.

“As one of the few people who has attended every single COP over the last three decades I have personally witnessed the resistance from the developed countries to every attempt by the vulnerable developing countries to discuss loss and damage from human-induced climate change... At COP26, developing countries collectively demanded the creation of a Finance Facility for Loss and Damage but it was knocked down at the last minute by the developed countries who only agreed to the Glasgow Dialogue. So they were prepared to talk about it for three years without providing a dime to the victims of climate change in the developing countries... If it [finance for Loss and Damage] doesn’t get on the agenda from COP27 onwards the UNFCCC will have failed in its responsibilities.”



Professor Saleemul Huq

Director of the International Centre for Climate Change & Development, Dhaka, Bangladesh

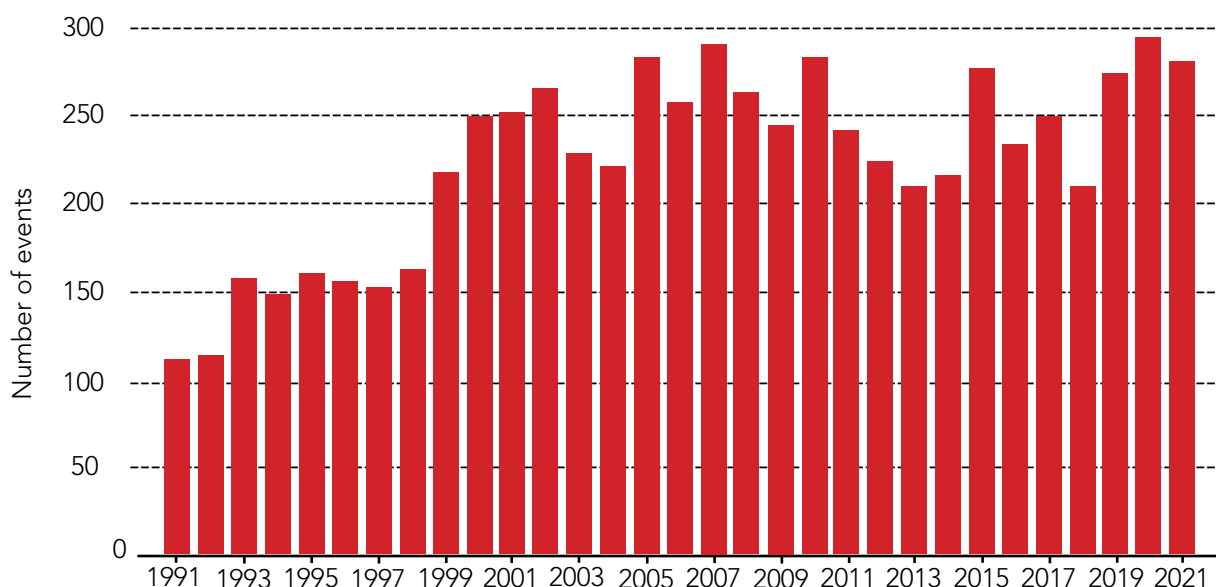
LOSS AND DAMAGE BECOMES REALITY

As Loss and Damage finance has been delayed, so too have reductions in emissions. It is no secret that countries have continued to contribute to the climate crisis through escalating greenhouse gas emissions, and that the impacts of climate change are increasingly being felt. In 2015, we officially exceeded 1°C of warming above pre-industrial levels.⁴ Every fraction of a degree of further warming means more climate impacts, and while increased adaptation is crucial to limiting losses and damages, scientific consensus says that even effective adaptation cannot prevent all of the impacts.⁵ With the global policies currently in place projected to result in about 2.7°C of warming above pre-industrial levels,⁶ and huge gaps between the amount of finance required by developing countries to adapt and what is actually being provided,⁷ the urgent need for finance to address Loss and Damage is clear.

The “polluter pays” principle, i.e. that those responsible for causing harm must pay to address it, and the “no harm” principle, whereby states are obliged to prevent, reduce and control the risk of environmental harm to other states, are central in determining where finance to address Loss and Damage should come from. By one calculation, countries in the Global North are responsible for 92% of excess historical emissions.⁸ Between 1990 and 2015 the carbon emissions of the richest 1% of people globally were more than double the emissions of the poorest half of humanity.⁹ The entire continent of Africa (where COP27 will be taking place) produces less than 4% of global emissions.¹⁰ The African Development Bank reported recently that Africa was losing between 5% and 15% of its GDP per capita growth because of climate change.¹¹ Developed countries must pay for the harm they have helped to cause, which comes in the form of loss and damage in developing countries.

“**The ‘polluter pays’ principle, that those responsible for the harm must pay to address it, and the ‘no harm’ principle, whereby states are obliged to prevent, reduce and control the risk of environmental harm to other states, are central in determining where finance to address Loss and Damage should come from.**”

Figure 3: Number of climate- and weather-related events in developing countries since 1991



These cumulative emissions are linked to increasing numbers of extreme climate- and weather-related events on the ground. Figure 3 shows a rising trend for these events in developing countries. Our calculations indicate that the number of extreme climate- and weather-related events that developing countries experience has more than doubled since 1991, with over 676,000 deaths over the period. On average, 189 million people are affected every year by such events in developing countries, and these countries shoulder most of the impacts of rising weather extremes: since 1991 they have experienced 79% of recorded deaths and 97% of the total recorded number of affected people. It is an injustice that, despite their minimal contributions to emissions and the fact that they have fewer resources with which to respond, developing countries are left to pay when it comes to addressing climate impacts.

Climate events have the greatest impacts on those living in poverty, as in the absence of dedicated finance to address loss and damage they cannot afford to adequately rebuild their lives in a way that is resilient to climate change. One study found that across 92 developing countries the poorest 40% of the population experienced losses from climate hazards that were 70% greater than the losses of people with average wealth.¹² With fewer resources, it is harder to respond and to recover from an extreme event. Climate change exacerbates existing inequalities, as those with the fewest resources are often already marginalised in society (including groups such as women, minority ethnic groups, indigenous peoples, children, the elderly and people living with disabilities). Figure 4 evidences that no matter which way you measure responsibility for emissions, it is the richest countries, people and polluting industries that should be paying towards addressing Loss and Damage.

Climate change is leading to escalating impacts all over the world, including within developed countries, but the difference is that wealthy countries can support their citizens to recover much more quickly and in a more comprehensive way. For example, after Germany experienced extensive flooding in 2021 the government quickly mobilised €30 billion to help pay for reconstruction.¹³ In contrast, Mozambique had to take out an IMF loan to begin recovery after Cyclone Idai in 2019¹⁴ and, at the time of writing, Pakistan's UN humanitarian appeal in response to the catastrophic flooding of August 2022 (which in itself was nowhere near to covering the full extent of losses and damages) is only 19% funded.¹⁵

Between **1991 and 2021...**

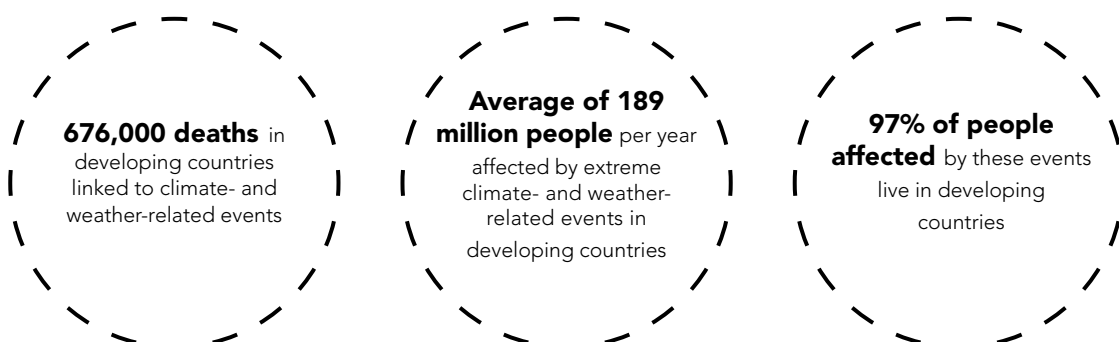
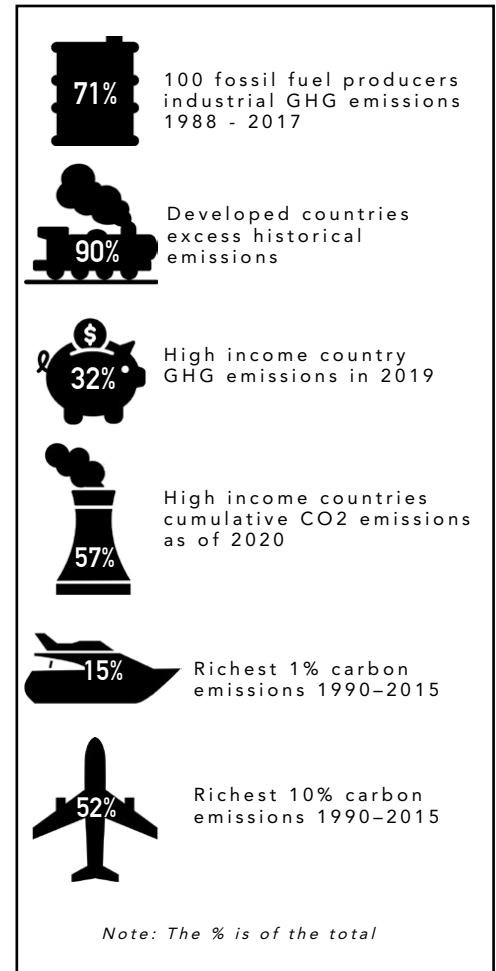


Figure 4: Measures of responsibility



“**No matter which way you measure responsibility for emissions, it is the richest countries, people and polluting industries that should be paying towards addressing Loss and Damage.**”

Finance in the aftermath of an extreme climate- or weather-related event is a necessity to counteract long-lasting negative effects. For example, Tuvalu received an increase in overseas development assistance (ODA) as a drought was unfolding in 2011, which completely offset its negative consequences in terms of gross domestic product (GDP) per capita.¹⁶ This illustrates how international finance in the aftermath of a Loss and Damage event can help to combat long-term impacts, but it is important to point out that ODA is generally ad hoc in nature and that predictable finance to address Loss and Damage is required not only in the immediate aftermath of an event but also for longer-term recovery (such as relocation of communities and supporting alternative livelihoods). The World Bank has found that extreme weather-related disasters force around 26 million people into poverty every year and it has been warning for some time that severe climate shocks threaten to roll back decades of development progress.¹⁷

“Climate change is leading to escalating impacts all over the world, including within developed countries, but the difference is that wealthy countries can support their citizens to recover in much more quickly and in a more comprehensive way.”

Figure 5: Comparing profits of the fossil fuel industry with V20 economic losses due to climate change, 2000–2019

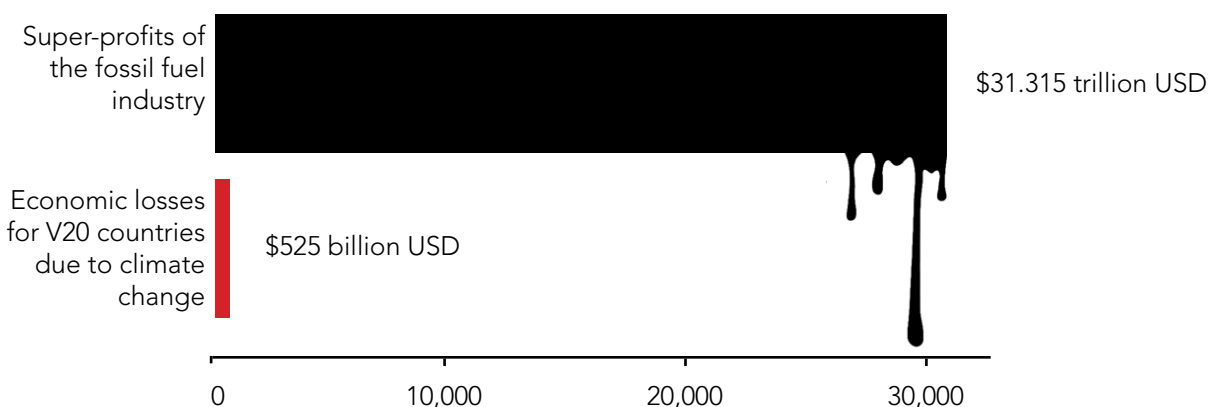
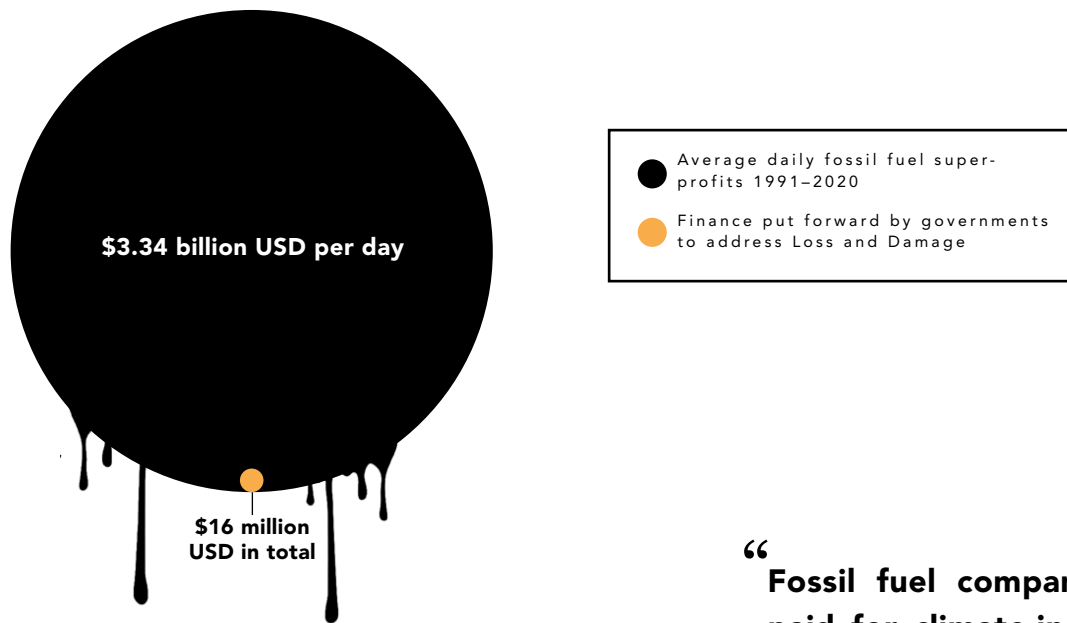


Figure 5 illustrates how money is available to pay for loss and damage, but the will to make these polluters pay has not been there. Based on estimates by one analysis,¹⁸ fossil fuel companies could have paid for climate-induced economic losses suffered by V20 countries¹⁹ between 2000 and 2019 and still had almost \$30 trillion left over in profits. In other words, for every \$1 billion drained from V20 economies due to climate-induced loss and damage since 2000, fossil fuel companies have made profits of almost \$60 billion. Analysis shows that 100 fossil fuel producers have been responsible for 71% of global industrial greenhouse gas emissions since 1988.²⁰ These companies are disproportionately responsible for the increase in climate impacts, yet they continue to reap enormous profits while climate-vulnerable countries are left to foot the bill for their ‘externalities’. Figure 6 highlights how tiny the total amount of finance to address Loss and Damage put forward by Governments has been (note that this is not under the UNFCCC), when compared to the super-profits the oil and gas industry is estimated to make in just 24 hours.

“For every \$1 billion drained from V20 economies due to climate-induced loss and damage since 2000, fossil fuel companies have made profits of almost \$60 billion.”

Figure 6: Average daily super-profits of the fossil fuel industry compared with finance put forward by Governments explicitly address Loss and Damage



The money shelled out by V20 countries could have been spent instead on creating economic opportunities, expanding public services and improving the living standards of citizens. According to a World Bank report,²¹ between 32 million and 132 million people could fall into extreme poverty by 2030 due to the impacts of climate change. At 2°C of heating, 720 million people – about the same number that have escaped extreme poverty in the past two decades – could be forced into this condition by 2050.²² Finance to address loss and damage is critical to ensure that this does not happen. Losses from climate change in developing countries are estimated to be between \$290 billion and \$580 billion by 2030,²³ but it is important to note that these loss estimates do not include non-economic losses and damages, such as psychological impacts and biodiversity loss, which are profound but cannot be translated fully into monetary terms, meaning that the true cost is far higher than what is accounted for on a balance sheet.

“ Fossil fuel companies could have paid for climate-induced economic losses suffered by V20 countries between 2000 and 2019 and still had almost \$30 trillion left over in profit. ”

“ Loss and damage has become an expected part of the rainy season in the Caribbean. We dread and anticipate what will be lost, when we should be integrating each storm into a constant cycle of resilience. But we cannot do this without the necessary funding. The provision of loss and damage finance to the developing world will represent not only a lifeline to resilience, but a recognition of the centuries of social, economic and environmental exploitation that has led us to this point. I was born three years after the UNFCCC was agreed, six years after Loss and Damage finance was first proposed. Imagine if it had been agreed to then, things might be different for us in the Caribbean. ”



Christianne Zakour

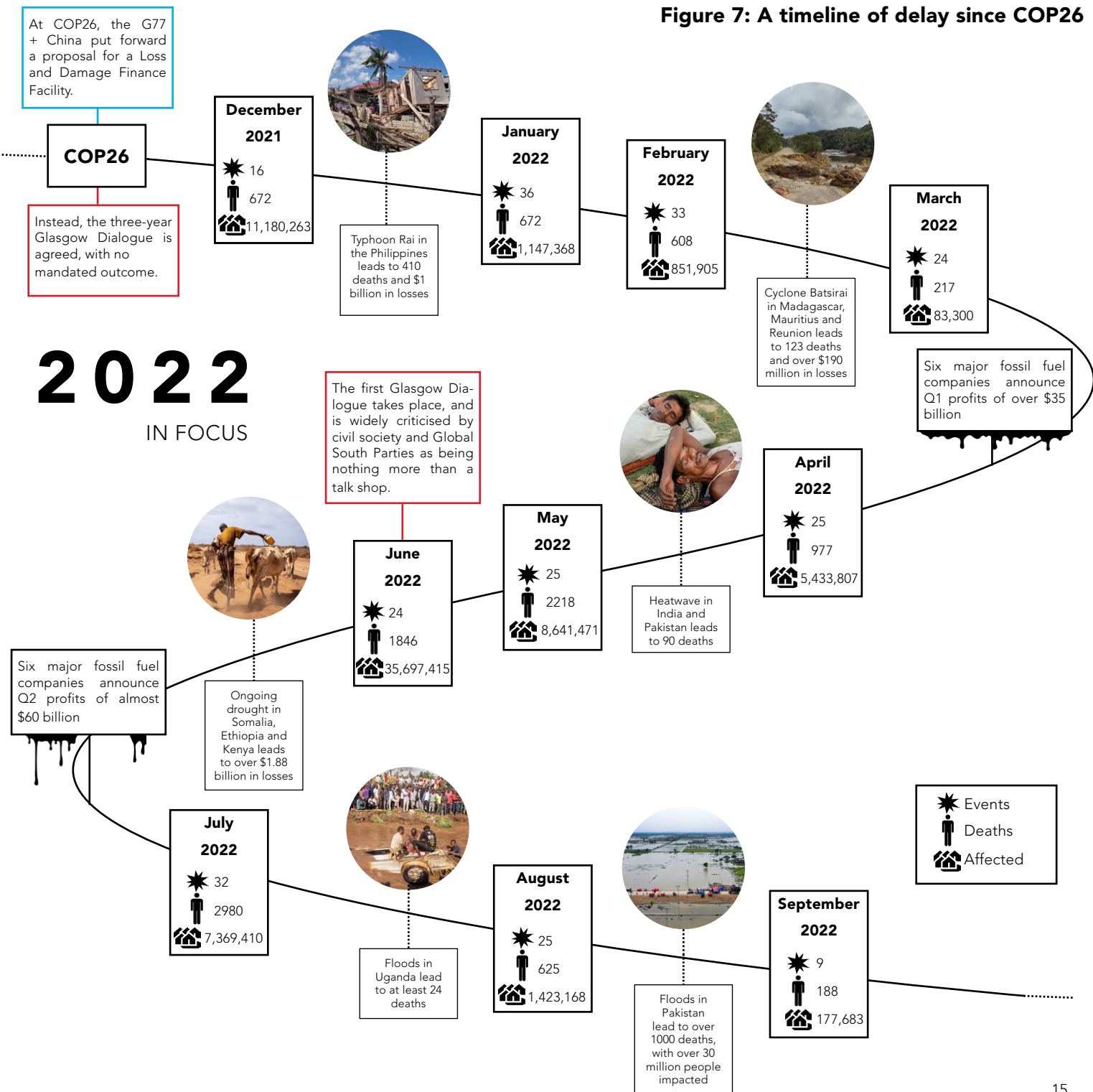
Loss and Damage Youth Coalition member

ANOTHER CHAPTER IN THE PLAYBOOK OF DELAY

Although 2022 has been another year which has seen extreme weather events escalate all over the world, from nearly two-thirds of Europe being threatened by drought²⁴ to a severe heatwave in China jeopardising vital stretches of the Yangtze river,²⁵ the timeline of delay continues. Figure 7 demonstrates how, since the proposal for a Loss and Damage Finance Facility was rejected at COP26, with the three-year "Glasgow Dialogue" being agreed instead, extreme weather events have continued to rage on in developing countries, while fossil fuel companies have posted staggering profits.

“ Since COP26 extreme weather events have continued to rage on in developing countries, while fossil fuel companies have posted staggering profits. ”

Figure 7: A timeline of delay since COP26



In the first six months of 2022 alone, just six major fossil fuel companies²⁶ made enough in profits to cover the costs of economic losses from extreme weather events in developing countries three times over. In fact, these six companies alone have made enough to cover the costs and still have almost \$69 billion in pure profit.

In the first **six months of 2022...**

119 climate- and weather-related events in developing countries

\$26.2 billion in economic losses related to extreme weather and climate in developing countries

Six fossil fuel companies make \$95 billion in profit

“I honestly think that we keep repeating the same old mistakes we have seen over the past 30 years – with the Glasgow Dialogue, fossil fuel companies making billions of profits and escalating extreme weather events. This year, I have seen how the climate crisis affected the lives and livelihoods of the poorest communities where I live in Nigeria. Floods have taken the lives of many people in our communities due to the cost of delay of finance to build resilience against climate change impacts. At COP27, I hope to see action on Loss and Damage finance, which has in the past not been prioritised in negotiations.”



Azeez Abubakar

Loss and Damage Youth Coalition member

CURRENT MEASURES ARE INADEQUATE

Finance is urgently required to address loss and damage. Some models predict that economic losses due to climate change in developing countries could reach as much as \$1.7 trillion in 2050.²⁷ Blockers of Loss and Damage finance often point to existing mechanisms such as insurance and humanitarian aid as addressing the challenges, but these are not sufficient in scale or in scope.

While some funding is provided through the United Nations and in the form of bilateral disaster relief support, this is on an ad hoc basis and on the principle of 'charity', and falls far short of the amounts that are needed. Since 2017, donor nations have met only 54% on average of the amounts needed in extreme weather-related appeals, leaving a shortfall estimated at between \$28 billion and \$33 billion.²⁸ The humanitarian response focuses on immediate life-saving actions where it is beyond the capacity of states to respond, which leaves out smaller events and also neglects critical medium- to long-term actions to address losses and damages. It also overlooks slow-onset events like sea level rise and does not deal with NELD.

Insurance becomes more expensive in response to the increasing frequency of events (which we are already seeing due to climate change), it is not appropriate in response to slow-onset events and in many instances has been unsuccessful in helping to respond to climate impacts. In Dominica, which suffered catastrophic loss and damage from Hurricane Maria in 2017, estimated at \$1.37 billion (226% of its GDP), sovereign insurance under the Caribbean Catastrophe Risk Insurance Facility covered just 1.5% of the costs of loss and damage incurred.²⁹ Additionally, insurance is not in line with principles of climate justice, as people in climate-vulnerable countries are left to pay for rising insurance premiums.

A Loss and Damage Finance Facility, proposed by the G77 + China at COP26, would be one way to ensure a comprehensive response to climate impacts that is in line with the principle of "common but differentiated responsibilities" and mobilised on the basis of the "polluter pays" principle. Such a facility would coordinate, oversee and provide accountability for the support provided, ensuring that finance to address Loss and Damage is new and additional to ODA and climate finance. It could be designed to both rapidly distribute finance for emergency relief (based on parametric triggers) and also to support longer-term actions such as rebuilding or relocation programmes. It is important that finance is disbursed in a reliable and predictable way, so that when climate-related events occur climate-vulnerable countries are not held "hostage to random acts of charity" as happens with humanitarian aid, as stated by the lead negotiator for AOSIS at COP26.³⁰

“ A finance facility would coordinate, oversee and provide accountability for support provided, ensuring that finance to address Loss and Damage is new and additional to aid and climate finance. It is important that finance disbursed in a reliable and predictable way so that when climate-related events occur, climate-vulnerable countries are not held 'hostage to random acts of charity'. ”

How a Loss and Damage Finance Facility could have helped in the aftermath of the flooding in Pakistan

In August 2022, Pakistan experienced devastating flooding, due in large part to melting glaciers and record rainfall. At the time of writing, at least 33 million people were directly impacted³¹ and costs were put at over \$30 billion.³² In contrast, the total requirements of the UN appeal launched to respond to the floods is currently only \$472.3 million (around 1 % of \$30 billion), and at the time of writing was only 19% funded.³³ While a response has been mounted, it is not considered to be anywhere near enough to help the millions of people who have lost their livelihoods and homes and face hunger, psychological impacts and disease.

If a Loss and Damage Finance Facility was operationalised and adequately resourced, it would help to fill the extensive gaps in addressing Pakistan's loss and damage. Firstly, it would provide substantially more finance to help first responders, usually local organisations, respond to the crisis through quickly providing finance upon parametric triggers. In stark contrast to recent news that the country will have to take out another IMF loan to recover from the floods, funds from a Loss and Damage Finance Facility would come in the form of grants, to ensure the country was not burdened by debt in the aftermath of a climate-induced disaster.³⁴ Local decision-making processes would determine where funding gaps are and how the finance would be spent. At this moment when international solidarity is being tested, it would also provide a vital signal of international cooperation, helping to build trust between developed and developing countries.

A finance facility could catalyse finance for action to address loss and damage, in response to both sudden and slow-onset events, in the following ways:

- Help in the emergency response, immediately providing temporary and transitional assistance.
- Rebuild physical, social, cultural and environmental assets, systems and activities, aligning with the principles of sustainable development and “build back better” to avoid or reduce future climate risk.
- Support social security measures such as insurance and social protection.
- Help with assisted migration through supporting the safe and dignified movement of people forced to move due to climate change.
- Fund measures to support alternative livelihoods such as building new skills and opportunities.
- Fund measures to address non-economic losses, including investment in cultural heritage, the provision of psychological support and active remembrance.

“Loss and damage from the climate crisis is not a future event. Developed countries must step up and provide Pakistan and other countries on the front-lines with the financial and technical resources they need to survive extreme weather events like these deadly floods. It is happening now, all around us. I urge governments to address this issue at COP27 with the seriousness it deserves.”



António Guterres

United Nations Secretary-General

SEIZING THE MOMENT AT COP27

The delay in mobilising finance for addressing loss and damage has seriously cost developing countries, resulting in very real impacts on the ground and in the lives of billions of people. As a result of soaring emissions and intensifying extreme climate- and weather-related events, lives and livelihoods have been lost and progress already made on achieving the Sustainable Development Goals is being undermined.³⁵

This cannot continue.

At COP27, we can end the delay by:

- Ensuring that finance to address Loss and Damage becomes a permanent agenda item to be negotiated at COPs.
- Agreeing to establish a finance facility to address loss and damage under the UNFCCC, to coordinate an effective and equitable global response to climate-induced loss and damage.
- Agreeing to set up a system of predictable financial support for action to address loss and damage, which is new and additional to existing commitments. This should be rooted in the UNFCCC principle of common but differentiated responsibilities, as well as the international “polluter pays” principle.

“ Developed countries can put an end to the delay by agreeing to establish a finance facility to address loss and damage under the UNFCCC.”

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