

Too Big to Fail: Finance for Loss and Damage in a Rupturing World



Securing the long-term future of the FRLD is not only a matter of climate justice; it is also an opportunity to strengthen fledgling international cooperation on climate and contribute to a peace dividend in the climate era.

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I. Introduction

In 2026, Loss and Damage sits at the intersection of two rapidly changing global realities: the accelerating impacts of climate change and a deteriorating environment for international cooperation. Climate-induced losses and damages are increasing in scale and severity, particularly for the most climate-vulnerable countries, while improvements in attribution science are strengthening our understanding of the links between emissions and particular climate impacts. At the same time, geopolitical fragmentation, competition between major powers and growing pressure on public resources are weakening the political foundations of international climate finance. The international system is increasingly characterised by shifting alliances, economic competition, prioritisation of national security concerns and domestic political pressure. Recent developments in international law, including the 2025 advisory opinion of the International Court of Justice (ICJ), have also strengthened the legal and normative basis for understanding climate action through the lens of state responsibility.

These trends converge in considering the prospects for success of the Fund for Responding to Loss and Damage (FRLD), agreed at COP27 in 2022. The need for the FRLD is growing but the political conditions for its financing are deteriorating. The FRLD is already severely underfunded relative to the scale of need, and its reliance on voluntary government contributions leaves it vulnerable to shifting political priorities and geopolitical tensions. The agreement to establish the FRLD in 2022 was heralded as a breakthrough in climate cooperation and many hoped it might help rebuild trust between the Global North and the Global South. In 2026, however, mindful of the significant changes in the global order since 2022, the risk of the FRLD failing to live up to even the humblest of expectations must be taken seriously.

This paper argues that the changing global context requires a fundamental reconsideration of how Loss and Damage is financed. The current donor-dependent model cannot credibly deliver finance at the scale, speed and predictability required. Alongside substantially greater public finance, new and more predictable sources of finance are required, including mechanisms that better reflect the principles of responsibility and the growing evidence of climate attribution science.

This paper examines the historical development and contemporary role of the FRLD, the geopolitical and legal context in which it now operates and opportunities to develop a more sustainable and justice-oriented financing architecture for Loss and Damage. It concludes with recommendations for policymakers to strengthen the FRLD and enable it to fulfil its role at a critical moment for international climate cooperation. The stakes could not be higher. Securing the long-term future of the FRLD is not only a matter of climate justice; it is also an opportunity to strengthen fledgling international cooperation on climate change and contribute to a peace dividend in the climate era.



2. Historical context and the FRLD evolution

The establishment of the Fund for Responding to Loss and Damage (FRLD) must be understood within the historical climate governance of which it stems from. This includes inequitable development, colonial legacies, inadequate implementation of the principle of “Common But Differentiated Responsibilities and Respective Capabilities” (CBRD+RC), and persistent failures in the delivery of climate finance.¹

Over three decades, UNFCCC negotiations have gradually shifted from mitigation-focused frameworks towards more complex, finance-oriented mechanisms that seek to address adaptation as well as Loss and Damage.² The UNFCCC has become a space where the most climate vulnerable countries can bring their perspective on the challenge to the table, and thanks to effective long-term negotiations, the UNFCCC can now be understood as essentially supporting action to address the three aspects of climate change mitigation, adaptation and loss and damage (all underpinned by means of implementation, including finance, capacity building and technology sharing).³

This long journey towards establishing the FRLD demonstrates the value of the UNFCCC as a forum for collective decision-making and compromise, and therefore its centrality to peaceful international relations in addressing the climate crisis.⁴ The progress achieved through this process is particularly significant because Loss and Damage has long been one of the most politically contentious issues in international climate negotiations.

The concept of Loss and Damage (L&D) has evolved over several decades within international climate negotiations, originating with proposals from Small Island Developing States (SIDS). From the outset, the SIDS argued that finance for L&D should be embedded within the United Nations Framework Convention on Climate Change (UNFCCC). Despite decades of

resistance, the issue gradually gained recognition, culminating in the establishment of the Warsaw International Mechanism for Loss and Damage (WIM) at COP19 in 2013 as a formal institutional arrangement to address loss and damage associated with climate impacts.⁵

This progress was further consolidated in 2015 with the inclusion of specific L&D provisions in the Paris Agreement, including article 8, which recognised it as a distinct pillar of global climate action.⁶ Subsequent negotiations focused increasingly on operationalising action to address L&D, leading to the establishment of the Santiago Network at COP25 to catalyse technical support.⁷ Momentum intensified at COP26 in Glasgow, driven by sustained civil society advocacy, a unified prioritisation by the G77+China, and the first explicit financial commitment from a Global North government, when the Scottish Government pledged funding for L&D (characterising it as “an act of reparations, not charity”).⁸

After momentum from COP26 continued throughout 2022, thanks to sustained prioritisation by the G77+China and pressure from civil society, the issue of finance for L&D was added to the agenda for COP27 in Sharm-el-Sheik. After two weeks of intense negotiations, an historic agreement was reached on L&D finance.

This agreement was celebrated as a profound “symbolic victory” for the Global South, which “cannot be overstated”⁹. However, as with any UNFCCC agreement, it was a compromise. Firstly, the agreement was not only to establish a fund, but also to mobilise “new funding arrangements” – wording prioritised by the Global North, which sought to broaden as much as possible the scope and nature of what this financial pledge could be said to include¹⁰. Secondly, the agreement deferred most significant decisions on the design of the fund to a “Transitional Committee,” which would meet throughout 2023 to develop the details. Thirdly, the agreement did not affirm several principles regarded as core to L&D, including equity and Common but Differentiated Responsibilities (CBDR-RC)¹¹. Despite these limitations, the COP27 agreement on L&D international headlines, and its high profile within the negotiations coincided with a spike in climate-related disasters worldwide.¹² The fund is only one part of broader COP27 agreement on “funding arrangements”, but it is the symbolic centre of the overarching agreement and the element upon which its success will be judged.

The agreement on L&D finance at COP27 is an example of how the complex and multifaceted UNFCCC can yield consensus on even the most contentious of issues. It can also be seen as creating a mechanism for managing unavoidable inter-state disputes about climate culpability. Whilst the agreement explicitly targets climate impacts that exceed adaptation and mitigation capacities, it is qualified by the statement that the term “Loss and Damage” “does not involve or provide a basis for any liability or compensation”, implicit in this support are inherent principles of equity and justice.¹³ Negotiated ambiguity helped states reach an agreement on financing L&D, while ensuring that, legally, the funding was not explicitly framed as reparations.

The FRLD therefore sits at the intersection of competing narratives. Many countries in the Global South have framed L&D through the lens of historical responsibility and climate justice, while many countries in the Global North have preferred to frame contributions as voluntary climate finance without accepting legal liability.¹⁴ The fact that the UNFCCC navigated this tension sufficiently to establish a dedicated financial mechanism is a significant achievement. But establishing the FRLD was only the beginning. Its ability to fulfil its purpose now depends on whether the international community can provide finance at a scale and with a degree of predictability commensurate with the need.

By mid-2026, the FRLD is moving from establishing its institutional architecture towards approving its first funding decisions under the Barbados Implementation Modalities (BIM). However, the scale of available finance remains profoundly inadequate. As of 31 May 2026, the Secretariat estimated that the Fund had received total resources of approximately US\$478.7 million.¹⁵ Of this, US\$313.5 million had already been allocated or reserved - including US\$250 million set aside for the BIM at the Board's fifth meeting, a further US\$20 million in BIM oversight fees, US\$7.5 million for the Country Support System, and smaller amounts for administrative budgets and a currency risk reserve. The remaining net available commitment authority is just US\$165.3 million. This was set against a BIM funding pipeline worth approximately US\$2.8 billion across 176 funding requests from 119 countries.¹⁶ This gap illustrates the fundamental challenge facing the FRLD: even as the Fund becomes operational, the

resources available remain a small fraction of the scale of demand. The problem is compounded by declining political support for traditional aid and international climate finance, as donor governments increasingly prioritise competing domestic and geopolitical pressures.

The history of the FRLD is therefore also a story about the limits of the current model of international cooperation. The establishment of the Fund demonstrates that states can reach agreement on difficult questions of climate justice and international solidarity. But if the FRLD cannot secure finance at the scale, speed and predictability required to respond to L&D, this achievement risks undermining confidence in the wider multilateral system. At a time when trust, ambition and international solidarity are already under strain, the FRLD is too important to fail. Its next phase must go beyond increasing voluntary contributions to also consider how the financing model itself can be redesigned to meet the scale of the challenge.

3. Geopolitical fragmentation and the limits of donor finance

3.1 Geopolitical fragmentation and the limits of the current finance model

The global outlook in 2026 creates a fundamental challenge for the FRLD: just as climate impacts intensify and the case for L&D finance becomes stronger, the geopolitical conditions for international cooperation and donor-funded finance are deteriorating. As highlighted in recent global risk assessments, the international system is increasingly characterised by “multipolarity without multilateralism,” in which geopolitical fragmentation undermines coordinated climate action and weakens financial solidarity.¹⁷ This shift is particularly significant for L&D finance, as high-income countries are reprioritising fiscal resources towards defence, energy security, and domestic economic stabilisation.¹⁸ Such trends are leading to what scholars describe as a “securitisation” of climate policy, where climate action is reframed through national security imperatives rather than principles of equity and historical responsibility¹⁹. As security increasingly becomes a dominant consideration in public spending decisions, international climate finance risks being deprioritised precisely when the need for it is greatest. At the same time, this merits consideration of L&D not only as a question of climate justice, but also as one of international stability and security.

This broader geopolitical rupture is also visible in the retreat from international development cooperation. Official development assistance fell by 23.1% in 2025²⁰ amid economic stagnation, economic conservatism, rising defence spending, and the reorientation of aid towards domestic priorities. Concurrently, escalating conflicts and economic shocks are constraining fiscal space in donor countries.

Global military spending reached an estimated \$2.4 trillion in 2024 and is projected to rise further still. Individual arms relationships alone dwarf the entire FRLD: Egypt receives \$1.3 billion annually in U.S. military assistance by itself, while the UK, Germany and other NATO members continue to expand weapons budgets even as aid and social spending are cut.²¹

Political will clearly exists for spending at this scale when governments judge it to serve their security interests: it is simply not yet being directed towards a crisis that, as this paper argues, is itself becoming a driver of instability and displacement.

Together with perceptions of diminishing political returns from international leadership, these pressures are encouraging retrenchment from international commitments.²² This convergence of geopolitical fragmentation and changing political priorities poses a direct challenge to the FRLD’s existing financing model. A fund that depends primarily on voluntary contributions from governments is inherently exposed to these shifts in political priorities.

3.2 A Changing legal and scientific basis for climate responsibility

At the same time, the case for responding to L&D internationally is becoming stronger. The legal landscape governing climate responsibility has undergone a significant transformation, most notably through the 2025 advisory opinion of the International Court of Justice (ICJ) on the obligation of states in respect of climate change in Case 187.²³ The Court clarified that states have binding obligations under international law to protect the climate system and prevent foreseeable harm to both present and future generations. Importantly, the opinion recognises that breaches of relevant international obligations can constitute internationally wrongful acts, opening the way to legal consequences including, in appropriate circumstances, reparation.²⁴ This development intersects with the normative foundations of the FRLD and arguments made by vulnerable states that L&D finance should be understood as an obligation grounded in principles of responsibility and reparative justice.²⁵

The ICJ’s affirmation of the 1.5°C threshold as a benchmark for due diligence further reinforces this shift by linking scientific targets to legal standards of state conduct.²⁶ Together with advances in attribution

science, these developments provide a stronger basis for understanding the relationship among particular climate impacts, emissions and state conduct. They do not, however, establish a simple system through which particular losses can automatically be attributed to particular states or translated into financial contributions to the FRLD. The translation of this legal momentum into tangible financial flows therefore remains uncertain. In a fragmented geopolitical environment, enforcement mechanisms are weak, and powerful states may resist interpretations that expose them to liability. Consequently, while the ICJ opinion and advances in attribution science strengthen the normative case for scaling up the FRLD, they do not automatically resolve the political barriers that have historically limited climate finance, particularly those linked to sovereignty concerns and distributional conflict. In sum, the ICJ ruling should act as an incentive towards individual states to increase their contributions to the FRLD, but other mechanisms must also be pursued to strengthen the predictability and scale of FRLD financing.

3.3 The changing scale and nature of Loss and Damage

The aforementioned geopolitical and financial pressures are occurring as the scale and nature of L&D continue to expand. Developing countries already face major constraints in accessing concessional finance, technology and institutional capacity, while the resources available to respond to climate impacts remain inadequate.²⁷ The result is a widening gap between the countries and communities facing the greatest climate impacts and those with the greatest capacity to respond.

In parallel, the scope of L&D is increasingly understood to include climate-induced mobility and displacement.²⁸ Recent analysis emphasises that migration is not merely a secondary effect but a central dimension of climate harm, especially for Small Island Developing States and Least Developed Countries.²⁹

For people who are displaced or compelled to move, the consequences of climate change can be compounded by increasingly hostile political environments around migration, creating additional economic, social and non-economic losses. However, existing funding mechanisms, including the FRLD, are still not adequately equipped to address non-economic losses such as cultural heritage, identity, and social cohesion.³⁰ These areas remain structurally underfunded and conceptually contested within current frameworks, highlighting the growing distance between the realities of L&D and the capacity of existing financial mechanisms to respond.

3.4 Why the FRLD matters and why its financing model must change

The convergence of these dynamics: greater attention to geopolitical regional alliances, increasing climate impacts, clarification of a legal consensus and unrelenting normative injustice of climate change, is already visible in the Australia–Tuvalu Falepili Union. Established in 2023 and entering into force in 2024, the bilateral treaty brings together climate cooperation, development assistance, human mobility, and security within a single framework. On the surface, this agreement has been reported internationally as a long-term response to the peril of sea-level rise that could facilitate the relocation of Tuvaluans to Australia, whilst still guaranteeing Tuvalu’s independence. The concept of Falepili is one of “good neighbourliness” and “mutual respect.”³¹ However, the agreement is not without conditions from Australia, including controversially the security clause that Tuvalu “shall mutually agree with Australia any partnership, arrangement or engagement with any other State or entity on security and defence-related matters.” This has been widely interpreted as reflecting Australian concern about China’s influence in the region.³² Climate has become an increasingly important factor in geopolitics and interstate relations, and this significance is likely to intensify in the decades to come.³³

The August 2026 floods in northern Nepal present another example of the potential benefits of an effective FRLD. Catastrophic flash floods caused by melting glaciers and widely attributed to climate change, killed hundreds and displaced thousands, causing billions of dollars of damage. Voluntarily, nations from across the world have offered humanitarian support.

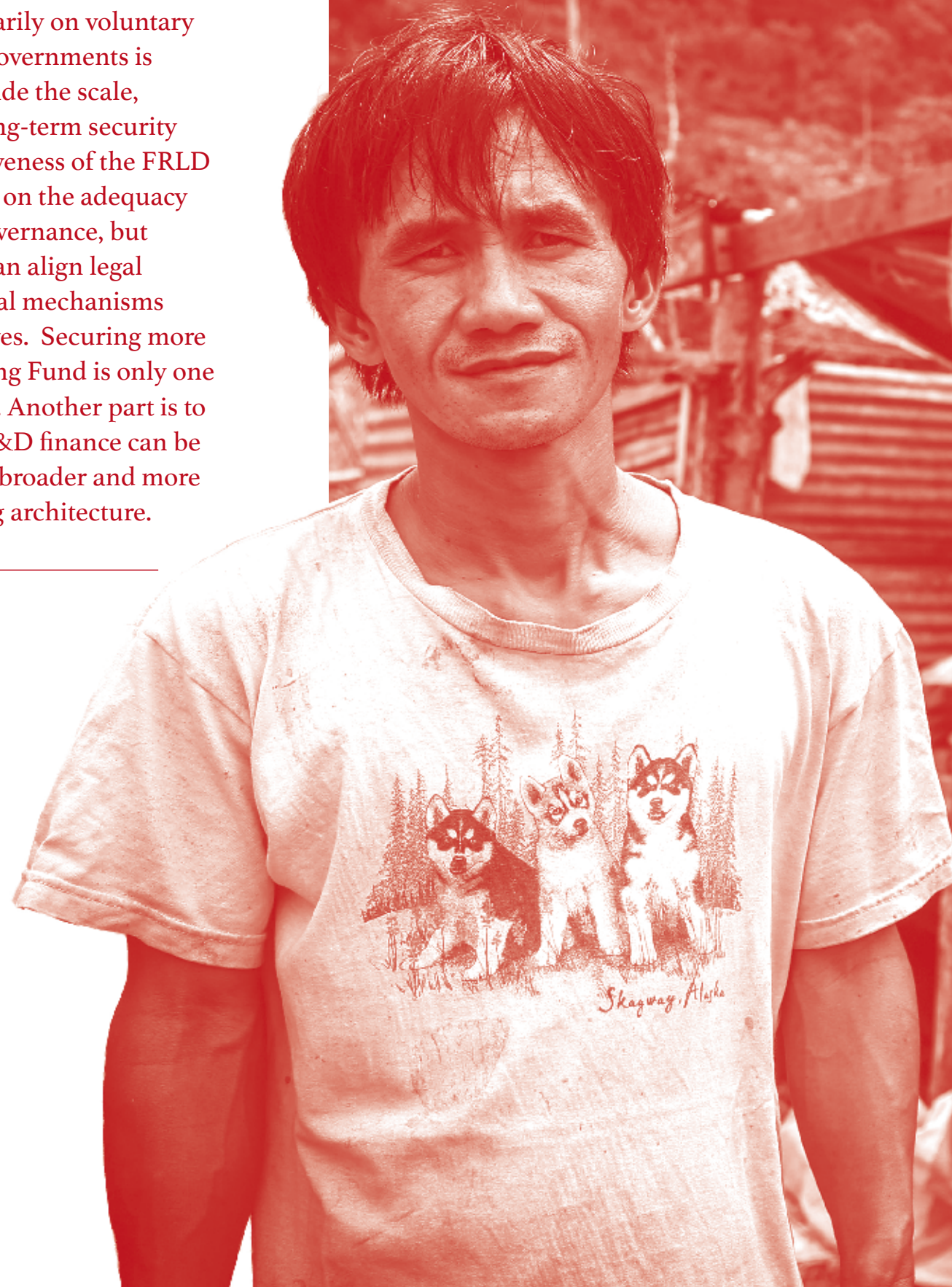
However, had the FRLD been operational, including a “rapid response window” being set up, funding could have flowed explicitly on the grounds that Global North states recognise this as a “Loss and Damage” event, its relation to climate change, and therefore the disproportionate responsibility on the Global North to address it. However, the FRLD is underfunded and not yet equipped to provide such a rapid response. The Nepal floods are therefore likely to feature in arguments at COP31 about the need for more action on L&D finance, particularly from countries in the Global South. The Nepali Government did not hold back in its comments in the days following the floods, citing its relatively tiny levels of emissions compared to the US, China and India, commenting on national television, “Nepal must hold its head high internationally and turn this into a matter of justice. We will raise this matter explicitly and forcefully on international platforms.”³⁴

Taken together, these developments create a central tension for the FRLD. The need for L&D finance is growing as climate impacts intensify, the legal and scientific basis for arguments around responsibility develops, and the consequences of climate vulnerability increasingly extend into migration, development and geopolitics. Yet the political environment for providing that finance under its current model is becoming more difficult, as geopolitical fragmentation and changing government priorities narrow the space for traditional donor-funded cooperation.

This tension makes the FRLD more important, not less. An international mechanism capable of providing credible support to countries experiencing L&D can help sustain trust and solidarity between states at a time when the wider multilateral system is under strain. Failure to provide such support risks deepening existing inequalities, increasing geopolitical tensions and undermining confidence in the capacity of multilateral institutions to respond to shared global challenges. There is still definitely a case to be made that Global North countries seeking to bolster their international reputation with emerging economies might see the FRLD as an avenue through which to do so. As discussed above, it’s a high-profile global fund that seeks to address one of the most widely understood and egregious interstate injustices facing the world today. However, this drive to contribute to such a multilateral fund will only ever stretch so far. Further, in the emerging “multipolar world”, more

bilateral agreements concluded under asymmetric power relations (such as between Australia and Tuvalu) are perhaps likely to emerge. Hence, whilst new voluntary commitments to the FRLD are absolutely required in the near term, the work towards establishing long-term, more reliable, financing solutions must be a priority.

A model based primarily on voluntary contributions from governments is unlikely to ever provide the scale, predictability and long-term security required. The effectiveness of the FRLD will depend not only on the adequacy of its funding and governance, but on whether Parties can align legal expectations, financial mechanisms and political incentives. Securing more finance for the existing Fund is only one part of the challenge. Another part is to consider how L&D finance can be mobilised through a broader and more sustainable financing architecture.



4. New sources of funding — for the FRLD

Current estimates indicate that for every dollar invested in nature protection, approximately \$30 is channelled into environmentally harmful activities, including fossil fuel subsidies and extractive industries.³⁵

This imbalance reflects a deeper systemic misalignment in the global economy, where political and economic forces continue to drive environmental degradation despite mounting evidence of climate-related risks.³⁶ Finance for L&D sits within this reality: the experience of losses and damages, which will rapidly increase in the coming decades, is an economic externality with no adequate mechanism for restitution. Lack of finance for the FRLD is often driven by the same economic and political incentives (including the pursuit of further investment in fossil fuels or the slow pace of the renewable energy transition) which in turn increases the losses and damages suffered by people across the world.

As described above, this presents a unique geopolitical threat. Climate-related losses and damages exacerbate interstate conflicts³⁷, and one study found that 73% of national security and defence documents published between 2008 and 2020 mention climate impact³⁸. Increasing competition over scarce resources, particularly where existing political and economic tensions are already high, runs the risk of deepening tensions in borderlands³⁹. At the global level, climate impacts and the failure to address them can also become an element of geopolitical competition, creating new opportunities for state alignment amongst states affiliated with the G77+ China grouping. More broadly, failure to address such profound and unequal impacts risks undermining confidence in the rules-based international order, making the FRLD a potentially important lever for demonstrating that multilateral institutions can respond to these injustices.

A more sustainable financing model will require a broader approach to mobilising resources, including redirecting existing financial flows and developing new sources of predictable finance.^{40,41} This chapter now considers some of the options already proposed in the global context of 2026. Rather than considering these mechanisms in isolation, it asks which options have a realistic prospect of securing political support and generating meaningful, predictable finance for the FRLD.

4.1 Redirecting harmful financial flows

Many proposals for scaling L&D finance focus on redirecting financial flows currently supporting activities that drive climate change. One emerging framework is the “Nature Transition X-Curve”, which envisages the phased withdrawal of finance from harmful activities alongside the scaling of sustainable alternatives.⁴² In 2023, an estimated US\$7.3 trillion flowed into nature-negative activities, suggesting that even a small redirection of existing flows could be significant.⁴³

In practical terms, this could include phasing out fossil-fuel subsidies and redirecting a proportion of existing public spending towards L&D and nature-based solutions. Proposals for fossil-fuel subsidy reform to date generally envisage a gradual phase-out of inefficient subsidies, rather than their immediate removal. The IEA recommends progressively aligning energy prices with their underlying costs while using targeted cash transfers or other social protection measures to shield vulnerable households from higher prices.⁴⁴ The G20 has repeatedly committed to phasing out inefficient subsidies, and more recent initiatives have sought to build international momentum around this objective.⁴⁵ The potential fiscal savings could then be redirected towards more productive spending, including clean energy and social priorities.

However, harmful financial flows have deep roots within existing economic and political systems. From the perspective of decision-makers, fossil-fuel subsidies can be justified on the grounds of energy affordability and security, while powerful vested interests resist a faster transition. Redirecting finance is therefore unlikely to happen simply by identifying a better use for existing money, despite the objective economic or moral case for doing so. The long-term objective should be to establish mechanisms that progressively shift resources away from activities that generate climate harm and redirect them towards those who bear its costs. Framing this as a reallocation of existing spending away from polluting industries and towards households domestically, with a proportion channelled internationally through the FRLD. This may offer a more politically viable route compared to presenting L&D finance as an entirely new fiscal burden.

4.2 From attribution science — to responsibility-based finance

A related but distinct approach is to raise new revenue from harmful activities, rather than redirecting existing expenditure. This includes developing new sources of finance more directly linked to responsibility for climate change, particularly through targeted fiscal instruments such as Attribution-Linked Levies, which can complement the redirection of existing financial flows explored above.

Proposals from Stamp Out Poverty and the Loss and Damage Collaboration similarly focus on mechanisms that make polluters and high-emitting activities contribute to L&D finance, including the Climate Damages Tax, which would levy fossil-fuel extraction and direct a share of revenues to L&D. The Climate Damages Tax (CDT) would work as a charge on fossil-fuel extraction where fossil-fuel producers would pay a levy on each tonne of coal, barrel of oil or unit of gas extracted, calculated according to the fuel’s emissions profile. The proposed mechanism would build on existing national systems for reporting and taxing fossil-fuel extraction, with producers paying the levy into a loss-and-damage fund⁴⁶.

Advances in climate attribution science now enable increasingly precise identification of the contributions of specific actors, especially fossil fuel companies, to global warming and associated climate impacts.⁴⁷ As highlighted in recent scholarship on restorative justice, such scientific developments strengthen the application of the Polluter Pays Principle by providing an empirical basis for assigning and assessing responsibility and compensation.⁴⁸ This does not mean that every climate-related loss can be attributed neatly to an individual actor, nor that attribution science by itself establishes legal liability. It does, however, create a stronger empirical basis for developing financing mechanisms that reflect differentiated responsibility for climate change. This creates new opportunities for governments to design legislative mechanisms that recover L&D costs directly from high-emitting industries.

The legal and normative case for such measures has been significantly reinforced by the 2025 advisory opinion of the International Court of Justice.

As discussed above, the ICJ affirmed that states have a duty to prevent harm to the climate system and may be held accountable for failing to do so.⁴⁹ Importantly, this opinion strengthens the wider legal context for arguments around state responsibility and the consequences of internationally wrongful conduct.⁵⁰ While the opinion does not itself establish a mechanism for financing the FRLD, it adds weight to the broader proposition that climate finance can increasingly be designed around principles of responsibility and solidarity. In this context, Attribution-Linked Levies represent one possible way of translating these principles into predictable financial flows.⁵¹

The potential significance of such mechanisms is more than additional revenue raising. The Attribution-Linked Levies could also begin to alter the relationship between responsibility for climate change and the financing of its consequences, strengthening the justice basis of the international response while reducing reliance on discretionary donor contributions.

The adoption of such mechanisms is not without challenges. Political resistance from high-emitting industries, concerns over competitiveness, and the absence of harmonised international frameworks may limit their applicability.⁵² Moreover, as highlighted in policy analyses, there remains a persistent reluctance among developed countries to fully embrace liability-based approaches to climate finance, reflecting longstanding tensions in international negotiations.⁵³ Nevertheless, the convergence of legal, scientific, and economic developments suggests that these barriers may erode with concerted efforts by key actors in the decades to come, particularly as climate impacts intensify and demands for accountability increase.

4.3 Towards a diversified financing — architecture

A further set of proposals seeks to generate revenue directly from international economic activity and channel it towards the FRLD. These mechanisms have the potential to provide more predictable income than voluntary contributions, although their distributional impacts and political feasibility would need to be carefully addressed.

One of the most developed proposals is a maritime levy: a volume-based greenhouse gas emissions levy on marine fuel, collected directly from ship operators, which some estimate could raise US\$40–60 billion annually.⁵⁴ In April 2025, the International Maritime Organisation (IMO) approved a Net-Zero Framework combining a global marine fuel standard with a greenhouse gas pricing mechanism, alongside an IMO Net-Zero Fund intended to collect and disburse revenues. However, adoption was postponed in October 2025 following significant disagreement among member states, with the United States strongly opposing the framework and threatening retaliatory measures against countries that supported it. At the time of writing, the proposals are effectively shelved.

This episode illustrates the geopolitical difficulty of creating new international revenue streams. Actors may recognise the collective benefits of climate action while resisting mechanisms that they perceive as imposing disproportionate costs on their economies or constraining national policy choices. These tensions are particularly acute for developing and emerging economies, for which shipping costs can have significant implications for trade and food security, but also for major economies concerned about competitiveness. At the same time, the broad international participation in the IMO process demonstrates that such mechanisms can provide a forum through which states negotiate these competing interests rather than simply acting unilaterally. For L&D finance, this is important because the political case for a levy may be strengthened if states can see it as a contribution to vulnerable countries but also part of a wider bargain in which the costs and benefits of the transition are more fairly distributed.

Seeking to navigate the political challenges in achieving international consensus on such levies, others have proposed a wider range of “solidarity levies” on highly globalised or undertaxed sectors, including aviation, financial transactions and fossil-fuel windfall profits.⁵⁵ The Global Solidarity Levies Task Force, established by Barbados, France and Kenya, is exploring these and other mechanisms as potential sources of predictable finance for climate and development. For example, existing estimates suggest that a 0.1% levy on global stock and bond transactions could raise up to US\$418 billion annually, while an aviation levy could raise up to US\$150 billion.⁵⁶ Their principal attraction is that they could create dedicated revenue streams without relying entirely on annual decisions by donor governments, although their distributional impacts and political feasibility would need to be carefully addressed.

A further element of a redesigned financing architecture should therefore be greater automaticity in the mobilisation of resources. Rather than relying exclusively on periodic political commitments, Parties should explore mechanisms through which agreed sources of revenue are automatically channelled towards the FRLD according to predefined rules or triggers. Such arrangements would not remove the need for substantial public contributions but could provide a predictable financial baseline and reduce the FRLD’s exposure to changes in short-term political priorities. The objective should be a diversified financing base in which the FRLD receives resources from multiple international flows, rather than depending predominantly on discretionary annual contributions.

The geopolitical case for such mechanisms may ultimately rest less on solidarity than on mutual interest. In a period of increasing geopolitical friction, states are unlikely to introduce new international levies simply because they recognise a moral obligation to vulnerable countries. The stronger incentive is that predictable L&D finance can help reduce instability in international relations. For instance, climate-related losses can intensify competition over resources, increase displacement and humanitarian pressures, and deepen tensions between states already facing political or economic grievances. Effective international finance therefore offers a potential peace dividend by reducing some of the pressures through which climate impacts translate into instability and conflict. For developed states, in particular, this provides a practical geopolitical rationale for supporting mechanisms that might otherwise be politically difficult.

The cost of contributing to a predictable international financing system may be lower than the economic, security, and diplomatic costs of allowing climate-related instability and grievances to accumulate. In this sense, the most politically compelling case for solidarity levies may be not that they redistribute wealth, but that they provide states with a shared mechanism for managing a problem whose consequences increasingly cross-national borders and mitigate the geopolitical risks of the FRLD becoming a totemic breach of trust.

5. Conclusion

The FRLD represents a significant achievement of the UNFCCC's Party-driven system - proof that a contested multilateral order can still produce agreement on questions of profound political sensitivity. However, establishing the FRLD is not the same as resolving the issue of Loss and Damage, and its early operational phase has exposed the limits of a model built predominantly on voluntary government pledges.

This paper argued that the case for redesigning the FRLD's financing rests on more than moral appeal. Strengthened by advances in attribution science and the 2025 ICJ advisory opinion and set against a geopolitical environment in which donor-dependent cooperation is visibly weakening, the argument for a more diversified, predictable and accessible financing architecture is now as much a matter of self-interest as of justice. Crucially, that is because a just world is in the interests of all nation states, economically and socially. A world order which has effective mechanisms for addressing injustices is a more peaceful world. The following five recommendations set out measures that can be put in place to help the FRLD not just survive but thrive and continue as a peace-building global mechanism for many decades to come.

Recommendations

1. Adopt a quantified, grant-based public finance floor with a credible pathway to achieve \$50bn per year by 2027-2030

Developed countries should commit to a collective, quantified minimum annual contribution of public, non-debt creating, grant-based finance to the FRLD, explicitly in addition to existing development assistance and climate finance obligations and rising along a defined pathway over multiple years. A credible pathway would need to move in stages, an early resource mobilisation target in the tens of billions, building toward a figure in the hundreds of billions annually within a decade, rather than the current model, under which the existing pledges of under \$800 million amount to a fraction of one percent of assessed need. A vague aspiration to "increase contributions" no longer matches either the scale of the gap or the Fund's own operational reality. Treasuries in the Global North should treat this floor not as discretionary aid but as a quantifiable, core component of their climate-finance responsibilities, reviewed periodically against assessed need rather than negotiated from scratch at each replenishment.

2. Launch a time-bound process to diversify the Fund's revenue base through attribution-informed and predictable mechanisms

COP31 should mandate a defined process to assess and agree new international revenue mechanisms for the FRLD, which may include a Climate Damages Tax on fossil-fuel extraction, a maritime shipping levy, and solidarity levies on aviation and financial transactions, alongside the phased redirection of fossil-fuel subsidy savings. These mechanisms should incorporate automaticity from the outset, so that agreed revenue streams flow to the Fund according to predefined rules rather than remaining subject to annual political discretion. Importantly, they should be additional to public grant finance from the Global North and firmly anchored in the polluter-pays principle.

3. Guarantee direct, simplified access for frontline communities and affected states

The FRLD's access modalities should be redesigned so that communities, local civil society and vulnerable states can obtain funding more readily as they can apply through national governments. Simplifying and expediting access, including through pre-approved criteria and streamlined proposal formats for smaller, urgent requests, is as pressing a reform as scaling

the resource base itself. This is partly an operational fix because the FRLD's wider value as an instrument of trust and solidarity between the Global North and Global South rests on it being seen to deliver quickly where L&D is occurring. A fund that is well-capitalised but slow or inaccessible risks squandering the very geopolitical dividend this paper argues is at stake: reinforcing, rather than easing, the perception that vulnerable states are left to bear the costs of climate harm without credible international support.

4. Establish a rapid-response window for sudden-onset disasters

The FRLD should create a dedicated, pre-approved and rapid-response facility capable of disbursing finance within days, not months, of a qualifying climate disaster. The August 2026 Nepal floods illustrate the cost of the current gap: humanitarian support arrived voluntarily and bilaterally, without the FRLD able to act as the mechanism through which Global North responsibility for a recognised Loss and Damage event was formally engaged. A rapid-response window (supplementing and additional to existing humanitarian flows) would give the Fund practical relevance at the moments its founding purpose is most tested, rather than leaving frontline states to make the case for finance retrospectively at the next COP.

5. Build human mobility and non-economic losses into the Fund's core design, not its margins

The FRLD's scoring criteria should give appropriate weight to non-economic losses. Such as cultural heritage, lost schooling, psychosocial harm, whatever their cause, and to the economic and non-economic losses associated with displacement and other forms of climate-induced human mobility. Both should be assessed and funded with the same rigour as other loss and damage. Further, the funding modalities the Board has already approved such as rapid disbursement via direct budget support, small grants and programmatic approaches should apply to programming on human mobility and non-economic losses and damages as readily as they are to reconstruction, rather than defaulting to a narrow reading of recovery centred on physical assets. The Fund's operational choices must match the breadth of its mandate.

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A Just world is in the interests of all nation states, economically and socially: a world order which has effective mechanism for addressing injustices is a more peaceful world.