CRITICAL CROSSROADS
Advancing Reparations through the Loss and Damage Fund
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A Loss and Damage briefer and the peoples’ demands towards COP28

At the 27th Conference of Parties (COP27), parties to the United Nations Framework and Convention on Climate Change (UNFCCC) decided to create funding arrangements to address loss and damage (L&D) caused by climate change. This is good news for vulnerable communities who are in urgent need of resources to fight the worsening climate crisis. However, there’s still much work ahead to win our climate struggles and achieve reparations.

This Q&A briefer aims to provide basic information about loss and damage and the funding mechanism needed. While the Transitional Committee, comprised of developed and developing country negotiators, was set up to work on the recommendations for the operationalization of the Loss and Damage Fund as part of the implementation of the said COP27 decision, it is crucial for the movements in the Global South representing the most vulnerable peoples and communities to get involved and advocate for a Fund that will address the realities of dealing with loss and damage.
Our planet is warming. And so should our movements be in demanding climate justice.
COP27 decision on Establishing New Funding Arrangements for Loss and Damage

FCCC/CP/2022/10/Add.1 - 2/CP.27/Decision 2

“... 2. Acknowledge the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action;

3. Also decide, in the context of establishing the new funding arrangements referred to in paragraph 2 above, to establish a fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage;

4. Establish a transitional committee on the operationalization of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 above (hereinafter referred to as the Transitional Committee), in accordance with the terms of reference contained in the annex, to make recommendations based on, inter alia, elements for operationalization included in paragraph 5 below, for consideration and adoption by the Conference of the Parties at its twenty-eighth session (November–December 2023) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023) with a view to operationalizing the funding arrangements referred to in paragraph 2 above, including the fund referred to in paragraph 3 above;...”
WHAT IS LOSS AND DAMAGE?

Loss and Damage refers to the destruction of homes, buildings and other infrastructures, of crops and lands, cattle and livestock, the dislocation of communities, disruption of jobs and livelihoods, and other harms caused by extreme weather events and slow-onset impacts of climate change. The aftermaths of disasters and devastating climate impacts, result in economic or non-economic losses and damages to people and their livelihoods.

WHAT ARE EXTREME WEATHER EVENTS?

Extreme weather events (EWE) are intense and disruptive weather occurrences that go beyond the usual weather patterns, often resulting in powerful and destructive losses and damages. From unusually strong hurricanes and typhoons, to prolonged droughts and heatwaves, these events are becoming more frequent and severe, wreaking havoc in many regions across the globe.

The Intergovernmental Panel on Climate Change (IPCC) reports that the root cause of EWE is global warming. Pollution trapped in the atmosphere prevents the sun’s heat from escaping into space, causing a build-up of warmth on Earth. This, in turn, reacts with the environment and results in increased intensity, duration, and frequency of natural weather events unlike the way we used to experience them.

Examples of some natural weather events that have become extreme due to climate change:

- **Monsoon rains** that occur more frequently and carry a month’s worth of rainfall
- **Hurricanes or typhoons** that are intensified such as Category 5 storms
- **Unbearable heatwaves and droughts** that last longer
- **Colder polar vortices** that affect larger areas
WHAT ARE SLOW ONSET EVENTS?

Slow-onset events (SOE) are gradual and long-term changes in the environment caused by climate change that have significant and sometimes irreversible impacts on ecosystems, societies and economies, inflicting massive losses and damages on the most vulnerable communities. These events can take various forms, such as melting polar ice caps leading to rising sea levels, warmer oceans causing coral bleaching, and increased rainfall causing erosion and weathering of soil and rock. The changes incurred from SOE have big consequences that may result in loss of life, destruction of livelihoods, displacement of communities, and reduced food production.

Unlike extreme weather events that are obvious and sudden, slow-onset events are unnoticeable and its impacts can no longer be reversed. Once the environment changes, the losses and damages caused by SOE becomes permanent and irreversible. Affected communities are then left with challenging choices: relocation, adjusting their way of life, and often left with no choice but to accept the losses and damages as part of their reality.

WHAT IS LOSS AND DAMAGE FINANCE

Loss and Damage Finance pertains to the financial resources needed to respond to, avoid, and lessen loss and damage.

Both economic and non-economic losses and damages have been substantial and has been estimated to cost developing countries between US$447-894 billion per year by 2030⁶. The recent series of IPCC reports show that the cost of loss and damage will continue to increase to extreme levels if efforts to mitigate and adapt to the worsening climate crisis remain insufficient and delayed. Mitigating the climate crisis means the urgent lowering down further pollution (also known as greenhouse gases or GHGs) in the atmosphere and adapting to the worsening climate crisis means increasing the resilience of the most vulnerable to the worsening effects of the climate crisis.
Typhoon Haiyan in 2013 and the Warsaw International Mechanism for Loss and Damage

In 2013, during the 19th Conference of Parties to the Convention (COP19) in Warsaw, Poland, the Philippines was devastated by the deadliest typhoon in human history—Typhoon Haiyan. It was reported that Typhoon Haiyan caused at least USD 5.8 billion in economic losses and damages. This does not account for the losses and damages that cannot be accounted for in monetary values and the lives lost that can never be costed. Recognizing the gravity and intensity of Typhoon Haiyan’s aftermath to the Philippines, parties to the UNFCCC agreed to establish the Warsaw International Mechanism for Loss and Damage (WIM). The WIM was mandated to conduct further studies and advance various approaches to address losses and damages, including the provision of adequate finance to avert, minimize and address loss and damage. However, progress since its establishment in 2013 have been slow, and many developed country parties blocked discussions and derailed the processes that will lead to the provision of finance and to exacting liability for loss and damage.
ECONOMIC and NON-ECONOMIC Losses and Damages

Economic losses and damages are losses and damages that can be expressed in terms of price or amount. For example, headlines like “Historic Pakistan floods resulted in over USD 30 billion in losses and damages to housing, agriculture, and infrastructure” may mean that the historic Pakistan floods, an extreme weather event since Pakistan has never experienced such catastrophic flooding in its entire history, resulted in economic damages that costed around USD 30 billion. This may also mean that as housing, agriculture, and infrastructure are said to be lost and damaged, the cost of opportunities lost are included in the USD 30 billion.

On the other hand, non-economic losses and damages are those that cannot be expressed in terms of price or amount. Lost lives, impaired human bodies or health, forced displacement, lost culture and heritage, damage and disruption to cultural practices or artifacts, mental and emotional distress, are just some of the examples of non-economic losses and damages.

Unfortunately, the most vulnerable communities bear the brunt of these extreme weather events. They face tremendous losses and damages that stretch far beyond the physical destruction. Lives are shattered, families displaced, homes and livelihoods destroyed, and entire crops and farms devastated. The aftermath can be overwhelming, leaving these communities struggling to adapt and recover, with some losses being permanent and irreversible.
Damage to cultural practices in the Himalayas, Nepal

Cultural and historic farming practices of Nepali indigenous peoples in the Himalayan region of Dhye are disturbed because of global warming. The land where food is grown and yaks graze on have become barren, and glaciers that provide irrigation during the farming season have fully melted. This resulted not only in food insecurity but also forced displacement of indigenous peoples to new areas that can sustain their historical and cultural farming practices. No monetary amount can fully express the losses and damages suffered by the Nepali indigenous people of Dhye as they are forced to abandon their ancestral lands and cultural and historical ways of living.
WHY DO WE NEED A LOSS AND DAMAGE FUND?

The 6th IPCC Assessment Report on Impacts, Adaptation, and Vulnerability says that the lack of resources to cope with the worsening impacts of climate change will lead to further loss and damage. For developing countries that struggle with scarce resources and endure the long-term effects of the multiple crises of debt, economic, health, food and education, losses and damages from the climate impacts will be more challenging. Those most vulnerable that are the least responsible for causing the climate crisis are bound to suffer more.

Under the UNFCCC, financial mechanisms such as the Green Climate Fund (GCF), Adaptation Fund (AF), and the Global Environment Facility (GEF) exist but these were not created to respond to, avoid, and lessen loss and damage. They were established to address the mitigation and adaptation needs of developing countries.

The amount of resources that these institutions have mobilized were insufficient to successfully and urgently fulfil their mandate against climate change. Governments of rich countries, have not only underdelivered and but also delayed progress to any discussions about scaling up their financial obligations to the Global South, including the push towards having a dedicated fund to address loss and damage.

Climate justice groups and movements especially from the Global South have strongly echoed this call for years through various mobilizations and actions, which is why the recent COP27 decision to establish funding arrangements for loss and damage, including the Loss and Damage Fund, is a major win for peoples and communities.
WHO SHOULD PROVIDE THE FINANCE FOR THE LOSS AND DAMAGE FUND?

Under the UNFCCC, governments of rich countries, like the United States, United Kingdom, Japan, and Germany, greatly responsible for the climate crisis must provide finance to those who have endured and continue to suffer from the devastating climate impacts. These countries owe a huge “climate debt” to the people and communities of developing countries or the Global South, for using more than their fair share of atmospheric space, causing the massive destruction and degradation of our environment.

The finance these countries need to provide must be different from existing “development assistance” or “donations”, as loss and damage finance is their obligation and should form part of reparations owed to the Global South. The provision of finance as part of reparations serves as means for restorative justice, that not only addresses the wrongs in the present, but also looks at repairing historical wrongs.
United Nations Framework and Convention on Climate Change, Article 4:

Commitments of Developed Countries given their Common but Differentiated Responsibilities (CBDR)

“4.3 The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with that Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties.

4.5 The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies.”
WHAT SHOULD BE THE FORM OF THE LOSS AND DAMAGE FUND?

It should be part of the reparations for the huge climate debt owed to the Global South, and to the most vulnerable peoples and communities.

The LDF must build on lessons learned from other climate finance institutions under the UNFCCC. Accessibility, transparency, accountability, and democratic governance should be at its core. Peoples and communities of the Global South must also be central in all its operations and decision-making processes. Their experience, struggles, and indigenous knowledge in addressing the worsening impacts of the climate crisis are vital toward a just and effective Loss and Damage Fund.

The upcoming 28th Conference of Parties (COP28) to the UNFCCC is a crucial moment because parties to the Convention will decide on the operationalization of the new funding arrangements for loss and damage, including the Loss and Damage Fund. The mobilization of resources needed for the LDF operations is another challenge, as governments of developed countries have yet to deliver their pending commitments to the Green Climate Fund\(^1\) and Adaptation Fund and the recent moves of the US\(^1\) and the UK\(^1\) imply that their finance commitments will be less. The COP27 decision also opened doors for the private sector and the Multilateral Development Banks, such as the World Bank and the ADB, to intervene with climate finance for developing countries and expand their portfolios to support loss and damage initiatives using blended finance, loans and other finance instruments that will only further bury developing countries deep in debt.

Civil Society and social movements from the Global South must unite and address these challenges at COP28. We must come together in full force and demand governments of rich countries to urgently deliver their obligations to our people and communities.
What are principles that should be enshrined in the Loss and Damage Fund?

1. REPARATIONS.
2. Full delivery of climate finance obligations of rich countries
3. New, additional, predictable, and non-debt-creating climate finance
4. Human rights and other rights enshrined in other international treaties
5. Transparent, accountable, and readily available and accessible
6. Independent from multilateral development banks (World Bank, International Monetary Fund, Asian Development Bank, etc.) and upholds democratic governance
7. Active and meaningful participation from civil society organizations, indigenous peoples, especially from the most vulnerable communities
WHAT IS TO BE DONE

The upcoming 28th Conference of Parties (COP28) to the UNFCCC is a crucial moment because parties to the Convention will decide on the operationalization of the new funding arrangements for loss and damage, including the Loss and Damage Fund. The mobilization of resources needed for the LDF operations is another challenge, as governments of developed countries have yet to deliver their pending commitments to the Green Climate Fund and Adaptation Fund. Furthermore, the recent pronouncements of the US and the UK imply that their climate finance commitments will be less, despite the recent IPCC recommendations and calls from developing country governments.

The COP27 decision also opened doors for the private sector, the international financial institutions including the regional and multilateral development banks (e.g. World Bank, ADB) to intervene and provide climate finance to developing countries, allowing them to expand their portfolios and support loss and damage through blended finance, loans and other finance instruments that will only further bury developing countries deep in debt.

Civil Society and social movements from the Global South must unite and address these challenges at COP28. We must come together in full force and demand governments of rich countries to urgently deliver their obligations to our people and communities.
We must hold governments of rich countries accountable on their climate finance obligations, as part of reparations. We must continue insisting that climate finance is their obligation, and they must pay reparations for the climate crisis that we are suffering from.

Reject false financing solutions. Another tactic of governments of rich countries is to shift the burden of their obligation to others. It may be to the poor countries themselves, to multilateral development banks that only seek to provide loans, and the private sector so that corporations may continue profiting from the crisis. This is unacceptable. Loss and damage finance, and climate finance as a whole, must always be grants-based and prioritizes people and planet over profit. It’s an obligation of governments of rich countries, remember?

Climate Finance, including Loss and Damage finance must always be grants-based, and prioritizes people and planet over profit.

We need to keep pressuring governments of rich countries to fully and urgently deliver their climate finance obligations in an adequate, non-debt-creating, and unconditional way. This is so that poor countries can lessen their pollution, as well as empowering the most vulnerable peoples and communities against the worsening impacts of the climate crisis.

The Loss and Damage Fund must enshrine the demands of the most vulnerable peoples and communities. The principles that they demand to be reflected in the Fund, as mentioned earlier, and their major inclusion in the governance structure of the Fund, must be ensured.
The Loss and Damage Fund (LDF) must urgently provide adequate, non-debt-creating, and predictable climate finance to address, avert, and minimize loss and damage.
The longer meaningful climate action and adequate climate finance is delayed, injustice, along with the costs and impacts intensifies. Those who contributed least to the crisis are punished, while those guilty are off the hook. The longer the delay, the more the consequences become unjust.
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