From Framing to Financing #LossAndDamage

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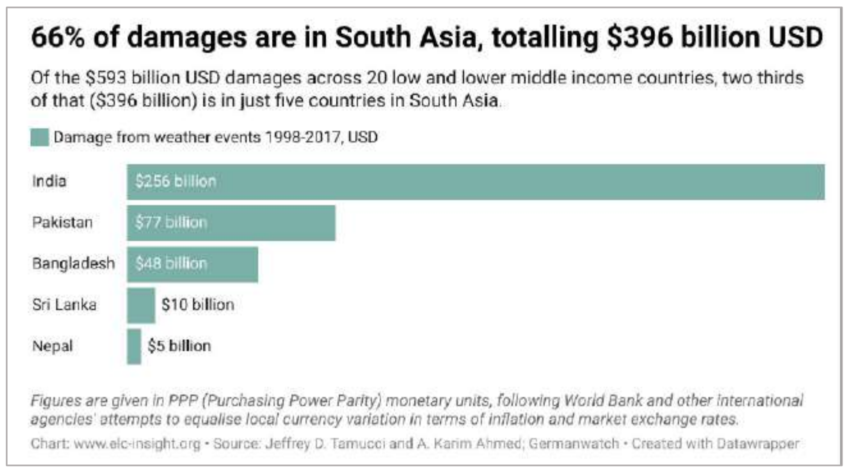
COP after COP, the global climate action community or the 'Conference of Parties' as it is officially called, has made endless efforts to define, measure, and attribute Loss and Damage. From *Agreement* to *Protocol*, from *Mechanism* and *Network* to *Conference* and *Declaration* to *Dialogue*[1], we have been only discussing and asserting the need for climate action. Even the science[2] of the impacts of climate change and its disproportionate impacts on developing countries are indisputable[3]. It's time we moved from dialogues and margins of climate negotiations to rebooting failed pledges and promises! Because our climate-changed world is struggling to stay afloat. Literally!

1. Scale and Cost of Loss and Damage

Navigating floods and displacement in Pakistan, Bangladesh, Sudan, Germany, Kerala, Bangalore, and Rajasthan, dousing wildfires in the United States, Australia, and Greece, battling life-threatening heat waves in India, UK, and Sub-Saharan Africa, rising sea levels that threaten the existence of island nations in the Pacific and Caribbean, Hurricane Ian induced evacuation in Florida and Georgia – these climate-related incidents have increased in intensity and frequency in the last decade at a scale and speed which is unprecedented. And the impacts are likely to eclipse the COVID-19 pandemic and the Ukraine-Russia War. Bangladesh suffered 185 extreme events due to climate change between 2000-2019 resulting in economic losses to the tune of USD 3.72 Bn. Typhoon Haiyan which struck the Philippines in 2013, caused devastation resulting in USD 864 million in damages, During the 2009-2011 drought in Kenya, GDP decreased by 2.8% per year. According to WMO, 2021, there is an eightfold increase in economic losses due to weather, climate, and water extremes between the 1970s and 2019. UNDRR estimated losses from natural hazards in 2020 alone to the order of USD 210 bn.



Source: ELC Insight and Climate Action Network

At 1.5 degrees C, GDP loss for vulnerable countries is estimated at 13.1% by 2050 and 33.1% by 2100 (Andrijevic & Ware, 2021). A 2018 study estimated that total damages in developing countries could reach USD 290-580 bn by 2030 and USD 1.1-1.7 trillion by 2050. This is way above the USD 100 billion per year that was committed under the Paris Agreement specific to adaptation and mitigation and does not include financing for Loss and Damage. International funding for disaster risk reduction compares poorly against the economic losses experienced by countries.

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[1] Paris Agreement Dec 2015, Kyoto Protocol 1997, Warsaw International Mechanism 2013, Santiago Network 2019, Bonn Conference June 2022, Dhaka Glasgow Declaration Nov 2021, Glasgow Dialogue July 2022

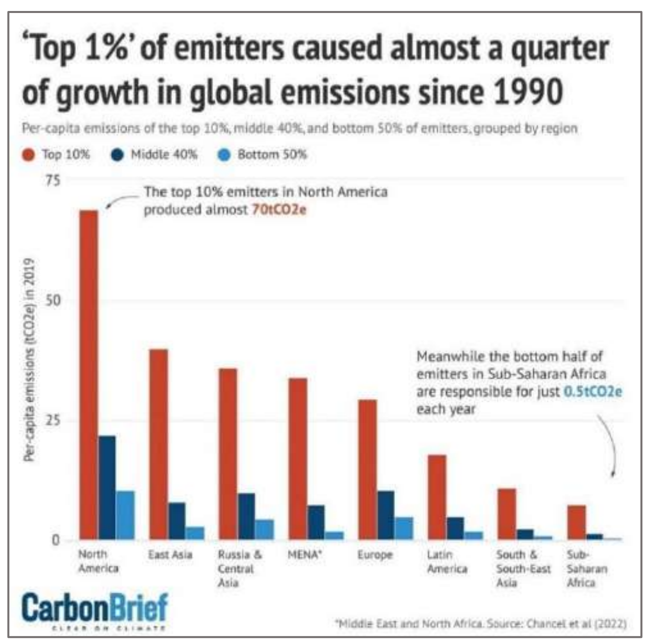
[2] IPCC – Intergovernmental Panel on Climate Change - the world's premier body for climate science released two crucial reports in early 2022 under its 6th Assessment Report which assert that the hardest hitting impacts disproportionately affect more than 3 billion people living in LDCs and a grim prediction for the future estimating that in the next decade alone, climate change will drive 32-132 million people into extreme poverty

2. Framing 'Loss and Damage'

So, what is Loss and Damage? Derived from 'losses and damages', it is used to describe the manifestation of the adverse impact of climate change when adaptation to it, and mitigation of its impact are beyond avoiding catastrophic consequences. The term loss and damage was first used in 2007 at the COP in Bali. In the convention, the phrase 'adverse effects of climate change has been used. The term loss and damage is also used within the UN Framework Convention on Climate Change (UNFCCC) process to refer to **the harms caused by anthropogenic (human-generated) climate change**. The appropriate response to loss and damage has been disputed since the UNFCCC's adoption. In the 1990s the impact of climate change was more a *hypothesis*, and the actual impact, especially in the last decade, has been far greater than then perceived. But now that it has become a *reality* affecting billions of people globally, L&D is framed by some countries as the **residual risk** when mitigation is insufficient and when the full potential of adaptation is not met. Some others frame it as the residual losses and damages after mitigation and adaptation choices have been made.

As a result of the leadership of developing countries, led by the Alliance of Small Island States (AOSIS), Least Developed Countries, and advocacy efforts of ICCCAD, CAN, and other organisations working in this area, L&D rightly secured its place in Article 8 of the Paris Agreement, where it is indicated to be a standalone pillar or third pillar of the Financing Mechanism of UNFCCC, separate from Adaptation and Mitigation. It cannot be conflated with Adaptation, finance for which is chronically insufficient and delayed and drives up the cost of Loss and Damage even further. Despite these efforts, many developed countries' representatives in the UNFCCC consider loss and damage to be part of adaptation. They fear that recognizing loss and damage on equal footing with mitigation and adaptation would bring new financial demands and open cases for liability from developing countries who consider that L&D is beyond adaptation and should be funded separately from mitigation and adaptation, as it occurs when the costs of adaptation cannot be recuperated, or when adaptation efforts are ineffective, maladaptive, or impossible[4].

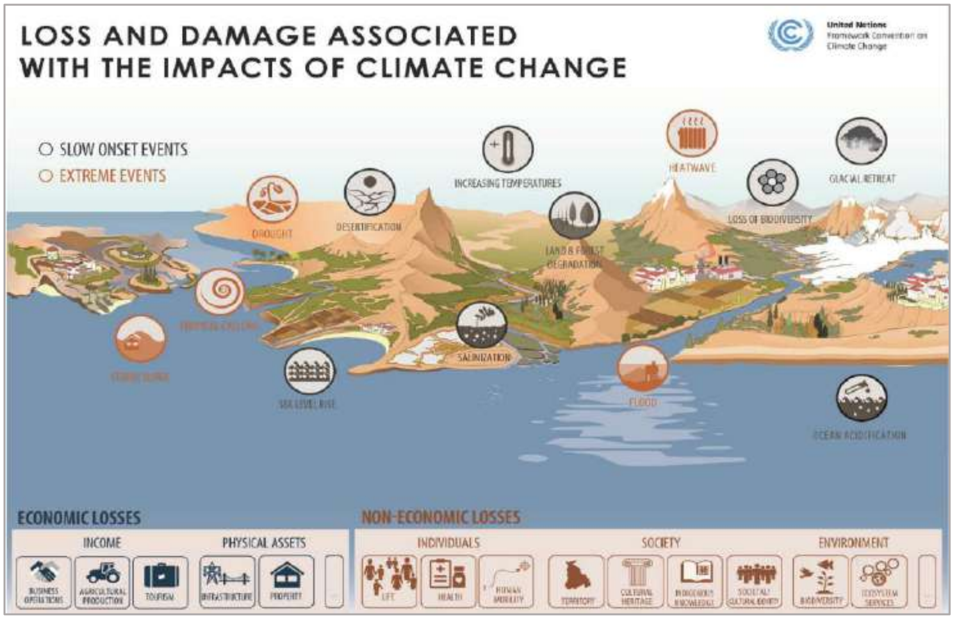
Ironically, the impacts of climate change are and will continue to be unequally distributed across the globe. The Top 1% of emitters (predominantly the Global North) caused a quarter of growth in global emissions since 1990, and vulnerable countries and communities in the Global South which are least responsible for climate change are worst affected by it due to a lack of finance for climate adaptation efforts, or because they live in areas that are experiencing climate change beyond what adaptation can offer protection from. For example, Pakistan was recently ravaged by floods that submerged one-third of the country but are responsible for a mere 1% of the global CO2 emissions. Similarly, many countries in the Global South which are responsible for a negligible amount of global emissions – about a similar 1%, are stuck in a toxic interplay between a climate catastrophe (increasing hunger, structural inequality) that they are not responsible for [5]



[4] ScienceDirect - Financing loss and damage from slow onset events in developing countries Stacy-ann Robinson1, Mizan Khan2, J Timmons Roberts3, Romain Weikmans4 and David Ciplet5
[5] Climate Apartheid: Pakistan, by Asad Rehman in Democracy Now, August 29, 2022

Therefore, the global responses to climate change need to be differentiated in terms of equity, fair shares, and responsibilities for action. The Global North needs to pay for the Loss and Damage happening in the Global South. This is in line with the Polluter Pays principle introduced by the OECD Guiding Principles under which the polluter is held responsible for the environmental damage and pollution.

L&D encompasses both (i) ***rapid-onset impacts*** – like floods, cyclones, and heatwaves, as well as (ii) ***slow onset impacts*** like sea-level rise, desertification, glacial retreat, ocean acidification, and salinization. Extreme weather events are direct and indirect drivers of migration and displacement. Huge economic losses are observed in agriculture, forestry, fishery, energy, and tourism. The non-economic losses in the form of loss of livelihoods, forced migration, permanent relocation, loss of culture and heritage, and biodiversity, are graver and more pronounced for the poor in developing countries, and sadly, not even appropriately quantifiable.



As steadily building threats, climate-related slow-onset events have not garnered the same international attention drawn to disasters that rapidly emerge, peak, and cause devastation with little warning. However, slow-onset events can rival rapid onset events in terms of a decline in human health and loss of life as well as the displacement and forced migration. Because of hunger and malnutrition arising out of food insecurity induced by desertification, historically more people have died from slow-onset events than from rapid-onset events.[6]

Instead of labeling L&D to *liability and compensation* in the context of UNFCCC, it is important to shift the paradigm towards *solidarity*, where the scientific community can best prove the case by giving uncompromising evidence of attribution of human-induced climate change caused largely due to emissions by the Global North, resulting in losses beyond adaptation efforts largely in the Global South.

Framing of L&D for the purposes of UNFCCC-based negotiations and for advocating ways to address L&D does not meet many stakeholder expectations. These need to be therefore framed with greater clarity on the distinction between economic and non-economic impacts, their linkages with climate impact, and cumulative/ residual impacts of extreme sudden onset events with slow onset events. Further, the definitive distinction between climate adaptation activities and measures to address L&D is needed to convince stakeholders that these two are not conflated and that adaptation is not a tide that will 'lift all boats above rising climate risks and impact'. Therefore, L&D needs to be addressed separately with a distinguished focus on marginalized

[6] ScienceDirect -Financing loss and damage from slow onset events in developing countries Stacy-ann Robinson1 , Mizan Khan2 , J Timmons Roberts3 , Romain Weikmans4 and David Ciplet5

communities and vulnerable countries and rapid onset events and slow onset impacts being addressed separately and adequately.

3. Financing Commitments for L&D so far – A Drop in the Ocean?

Even though averting, minimizing, and addressing Loss and Damage is anchored in the Paris Agreement, financial commitments by the Global North to the Global South are grossly falling short of the scale and speed at which losses and damages are happening. Listed below are some funds within and outside the UNFCCC which partially finance loss and damage. However, without a clear and universal definition of loss and damage, it is difficult to say with certainty how much of the financing from each of these entities support addressing loss and damage.

Under UNFCCC

1. Green Climate Fund (GCF)
    - A multilateral source within the UNFCCC provides funding mostly for averting and minimizing which are mitigation and adaptation respectively, to the extent it is compatible with its investment and results framework, existing windows and structures, and responsive to the workstreams of the Warsaw International Mechanism.
    - GCF's 2020 Annual Report highlights support for activities to combat slow onset events, comprehensive risk management such as investing in early warning systems and weather index-based agricultural insurance and addressing non-economic losses
    - 24% of all approved GCF projects refer to loss and damage, while a subset representing 16% of all projects explicitly mention loss and damage linked to their main activities [7][8]
2. Least Developed Countries Fund (LDCF) – provides funding for adaptation.
3. Special Climate Change Fund (SCCF) - provides funding for adaptation.
4. Adaptation Fund (AF) provides funding for adaptation.
5. Santiago Network on Loss and Damage (SNLD) whose functions were agreed upon at COP26 in Glasgow, is gearing up to provide only technical assistance on Loss and Damage.

Outside of UNFCCC

The main sources of multilateral financing to address loss and damage are:

1. Global Facility for Disaster Reduction and Recovery (GFDRR) - reported on 3 areas that show overlap with addressing loss and damage: (i) Deepening Financial Protection ($55.8 mn in total funding as of June 2021), (ii) Building Resilience at the Community Level ($94.3 mn), and (iii) Enabling Resilient Recovery ($10.2 mn).[9]
2. The Global Risk Financing Facility (GRiF) provides finance through insurance mechanisms.
3. Multilateral Development Banks / Official Development Assistance – is an important source of finance to address Loss and Damage. Using OECD data on disaster-related ODA as a proxy, $133 billion or 11% of international aid was disaster-related from 2010-2019 *(with the caveat that this amount also includes disasters triggered by geophysical hazards such as earthquakes)*. Of this, 90.1% was earmarked for emergency response, 5.8% was earmarked for reconstruction relief and rehabilitation, and 4.1% was earmarked for disaster prevention and preparedness.

Last year, at COP26, the UK Presidency refused to put Loss and Damage finance high on the agenda, although it was forced into the mainstream narrative through a sustained campaign from AOSIS, LDCs, CAN, ICCCAD and

[7] According to a study cited by the IPCCC in its March 2022 Report

[8] https://www.wri.org/insights/current-state-play-financing-loss-and-damage

[9] https://www.wri.org/insights/current-state-play-financing-loss-and-damage

others. As a result, few green shoots emerged in COP26. These are clearly inadequate and need to be fast-tracked and followed through for implementation. More specifically:

1. **Scotland and Wallonia** led by example: Partnering with the Climate Justice Resilience Fund (CJRF), the Govt of Scotland committed to supporting some of the world's most vulnerable communities to recover from climate-induced L&D. They committed to embedding *procedural justice*, through participation, *distributive justice* by reaching the most vulnerable and most impacted and *transformative justice* by enabling local people to actively engage in decision making and advocacy for their own sustainable development. They became the first developed nation to commit 2 million pounds (USD 2.5 million) followed by 1 million Euros (USD 1 million) from Govt of Wallonia.
2. **Philanthropic Organisations** including Children's Investment Fund Foundation, European Climate Foundation, Global Green Grants Fund, Hewlett Foundation, and Open Society Foundation, pledged USD 3 million Very small in comparison to the scale of the challenge and vis-à-vis the commitment, but an important first step in unlocking further finance and ambition.
3. **Climate Vulnerable Forum**[10] **and V20**[11] convened a series of Regional Dialogues which were used to formulate the Dhaka-Glasgow-Declaration, which outlined the key asks of the CVF Member countries from COP26 in the form of creation of the CVF and V20 Joint Multi-Donor Fund with initial funding from the CVF countries themselves and then further contributions from international foundations. The fund is managed by the UN on behalf of CVF and V20. The CVF and V20 fund is the first UN fund to explicitly work on climate-related L&D, which serves as a program of assistance to the victims of climate change that welcomes contributions from others in the spirit of solidarity, without invoking any liability or compensation.
4. **G77 and China** proposed a Loss and Damage Finance Facility (LDFF) to provide new financial support under Article 9 of the Paris Agreement, distinct from and in addition to adaptation and mitigation finance, for developing countries to address Loss and Damage. Between these two large country blocs, nearly 5 billion people of the developing world demanded support for the unavoidable climate impacts that they are least resourced to cope with. However, instead of establishing the LDFF or a process to do so, the Glasgow Dialogue was established. However, it is yet to be defined with clear milestones and outcomes.

IMF established the Resilience and Sustainability Trust Fund[12] in April 2022, to help countries build resilience to external shocks and ensure sustainable growth focusing on longer-term structural challenges including climate change. About three-quarters of the IMF's membership will be eligible for longer-term affordable financing from the RST, including all low-income countries, all developing and vulnerable small states, and lower-middle-income countries. The extent to which it will support the climate risk and loss and damage agenda remains to be seen.

The government of Denmark committed 13.4 Million Euros as "Loss and Damage" compensation for the most vulnerable regions of the world during the UNGA in Sep 2022. Of this 4.7 Million Euros will be allocated to subsidise insurance in poorer countries, 4.4 Million Euros to strategic partnerships with civil society which work with Loss and Damage with a special focus on the Sahel region which spans North Africa's Sahara desert, and 3.4 Million Euros for strategic efforts to support current climate change negotiations in the run-up to COP27. And 0.94 million euros to civil society working in developing nations on climate resilience.

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[10] A high level political forum of 55 of the most vulnerable developing countries, where the agenda of L&D is a priority

[11] The Vulnerable Twenty (V20) Group of Ministers of Finance of the Climate Vulnerable Forum is a dedicated cooperation initiative of economies systemically vulnerable to climate change.

[12] https://www.imf.org/en/News/Articles/2022/04/18/pr22119-imf-executive-board-approves-establishment-of-the-rst

InsuResilience Global Partnership[13] was launched in Nov 2017 in COP23 for Climate and Disaster Risk Finance and Insurance Solutions with a vision to strengthen the resilience of developing countries through creating a V20-G20[14] collaboration to protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. The Vision was announced at the UNGA Climate Action Summit in September 2019.

The ***objective*** of the Partnership is to enable more timely and reliable disaster response through the use of climate and disaster risk finance and insurance solutions, reducing humanitarian impacts, helping poor and vulnerable people recover more quickly, and strengthening local resilience over time. According to them, this complements ongoing efforts in countries to avert, minimize and address climate risks through efforts to mitigate climate change, adapt to the adverse impacts of climate and disaster risks and improve risk prevention measures.

Figure 2: Proposed framework and functions of the InsuResilience Global Partnership

*Only if requested by members

The ***role*** of the Partnership is to promote and enable the adoption of disaster risk financing and insurance approaches as part of comprehensive disaster risk management strategies and integrated within preparedness, response, and recovery plans that are anchored in country systems.

It was planned to do this through (i) Developing a global multi-stakeholder community that can generate and promote best practices in the use of climate and disaster risk finance and insurance (CDRFI). (ii) Facilitating efficient and coordinated global action to promote climate and disaster risk finance and insurance solutions. (iii) Empowering governments, businesses, and households to become proactive risk managers through building capability and increasing access to knowledge and expertise, services, products, and risk financing linked to disaster prevention, preparedness and response. (iv) Building a network across sustainable development, social protection, disaster risk reduction, climate services, and climate change adaptation communities to ensure risk financing is embedded within a comprehensive disaster risk management approach – both with respect to international fora as well as to in-country systems. (v) Taking a pro-poor approach, based on an agreed set of principles, that puts peoples' needs at the centre of risk financing.[15]

The InsuResilience Global Partnership currently has 112 members across sectors (and growing) across 101 countries with 22 programmes and 228 projects to date. Milestones at COP26 included the launch of the Evidence Roadmap, SMART Principles on Premium and Capital Support, and the InsuResilince Centre of Excellence on Gender-smart Solutions.

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[13] The development of the Partnership was recommended in the World Bank report on Sovereign Climate and Disaster Risk Pooling and welcomed by the G20 in its Climate and Energy Action Plan for Growth

[14] The V20, a forum of 48 developing countries vulnerable to climate change, has also requested capacity building and financial support to develop their institutional capacity as a part of their broader fiscal risk management agenda. The V20 and representatives of the G20 highlighted jointly the need for establishing strong insurance mechanisms, including through collaboration with InsuResilience, by strengthening risk pooling, and leveraging private investment for developing countries.

[15] https://www.insuresilience.org/news/insuresilience-global-partnership-at-cop26/#a

4. Mechanisms and Sources for Financing L&D

(a) Loss and Damage Finance Facility (LDFF)

Loss and Damage covers a wide spectrum - from extreme weather events to slow onset events and economic to non-economic loss and damage. Each of these requires different approaches to financing, further confounding the ability to come up with one concise form, definition, or understanding of financing for addressing loss and damage. Hence, financing mechanisms for addressing loss and damage need to be flexible and fit for purpose to provide context-specific support at scale and speed. The Loss and Damage Finance Facility is one such mechanism. It was recommended by G77 and China in COP26 to provide new financial support to developing countries to address Loss and Damage. This was to be taken up for discussion in the Glasgow Dialogue, subsequent to which CAN, in collaboration with other organisations drafted a paper outlining various elements of the Loss and Damage Finance Facility. Key elements:

1. **Governing Principles**: LDFF is proposed in line with a climate justice-oriented approach – (i) International cooperation and solidarity, historical responsibility and the polluter pays principle; (ii) New and Additional (iii) Needs-based, adequate, predictable, and precautionary (iv) Locally driven enveloping gender responsiveness and equitable representation (v) Public and grant based (vi) Balanced and comprehensive.
2. **Functions:** LDFF must be established as an operating entity acting as the third pillar of the Warsaw International Mechanism of UNFCCC accountable to the Conference of Parties to the Paris Agreement. As both, a coordination and financing mechanism, it should be the primary vehicle to coordinate, mobilise and channel new, additional, adequate, and predictable financial resources to address L&D.
3. **Governance:** The LDFF should be governed by a decision-making body with equitable representation composed of a majority of members from developing country Parties.
4. **Financial Instruments:** The LDFF should primarily provide full cost grant funding – through two distinct windows to be developed in response to different needs and time frames for funding: (i) Urgent response to rapid onset events such as storms and floods (ii) Slow onset events and L&D planning and policy frameworks and transformative programming (such as for permanent relocation and addressing the loss of culture, language, etc.). It should provide simplified access to funding, allowing for both international access and direct access (prioritized) through regional, national, and sub-national entities as needed.
5. **Timeframe:** The Glasgow Dialogue through which the LDFF must be launched and operationalized in three years : (i) Year 1: establishment of the LDFF and process to identify L&D needs, (ii) Year 2: Reporting and confirming progress on governing arrangements and delivery structure of LDFF and (iii) Year 3: Operationalization of LDFF with finance starting to flow to developing countries

(b) Insurance and Auto Generated Mechanisms as Sources of Finance for L&D

Addressing L&D is a human rights issue. Therefore developed countries need to primarily provide full cost grant funding so that developing countries do not have to bear the cost alone. However, the following additional sources of finance can be accessed for addressing L&D (particularly from slow onset events) in developing countries. These sources are mechanisms whose revenues can be public, private, or a mix of both and are based on the principles of attribution, rehabilitation, and/or compensation. A three-component coding template has been developed and applied to the above sources rated against a three-point scale (low/ medium/high), to assess (1) the appropriateness of the finance source (for rapid onset / slow onset events), (2) degree of sustainability of the finance source (i.e. whether revenues are likely to increase or decrease over time), and (3) extent to which the finance source meets eight other related financing criteria viz. (i) fairness, (ii) feasibility, (iii) predictability, (iv) adequacy, (v) transparency, (vi) additionality, (vii) direct access, and (viii) vulnerability focus.

1. Insurance and Risk pooling

Insurance as a source of finance finds a mention in the discourse on L&D and as part of the Warsaw International Mechanism, has a reasonable potential to address both climate risk management and become a source of environmental compensation for developing countries. Insurance schemes can be parametric / index-based and traditional indemnity based. Parametric schemes differ from traditional insurance schemes since 'payouts are not based on an assessment of the actual post-event losses, but are instead triggered by certain pre-defined parameters being met. For example, payouts associated with a cyclone would be based on the strength of the system (as measured by wind speed) and not on the dollar value of the post-event loss and damage, and therefore speed up the claims settlement process. The benefit of insurance as a source of finance is that there is a shift in the 'risk of L&D from one entity to another in exchange for a premium. The drawbacks include being traditionally applied and/or relevant to rapid onset events and it is not appropriate for slow onset events. Hence insurance schemes need to be redesigned to cover non-economic L&D, a concept that recognizes that some climate impacts are hard to quantify, by coupling it with 'insured economic assets' or triggering automatic compensations whenever a consequential climate-related event occurs. Overall, insurance is considered an inadequate response to address L&D due to unaffordable premiums, and the inability to reach the uninsured, or informal sectors, protect human rights and development gains or prepare for future displacement and livelihood losses.

2. Contingency finance

Contingency finance refers to the additional amount or percentage added to a financial flow in order to ensure that it is either spent or remains as a buffer. These 'rainy day funds' can be 'used to extend existing low-level resource coverage to benefit a larger number of people'. For example, the Government of Bangladesh has a Bangladesh Climate Change Trust Fund, which the Government uses to finance climate-related projects including comprehensive disaster management and infrastructure, dedicating one-third of the annual endowment to 'emergencies' in which monies are set aside before an event occurs. While it can help improve risk planning and response in developing countries, this approach to financing L&D places an added and perpetual burden on the poorest and most vulnerable countries, given the temporal nature of slow-onset events. Additionally, continually earmarking buffer funds for specific impacts such as sea-level rise that have changing and/or fluctuating certainties can negatively impact operating budgets at the local and national levels.

3. Bonds

Climate-themed bonds are debt securities that finance mitigation and adaptation projects - payouts are generally provided by the private sector and purchasers are typically institutional investors. Catastrophe bonds are 'high-yield debt instruments that transfer specified risks from the bond issuer to an investor to provide the bond issuer funds if a catastrophe strikes. These typically don't cover slow onset events and have been mostly applied to mitigation. Climate-themed bonds serve as an attractive long-term investment instrument in areas such as infrastructure projects, where there are likely to be significant returns for purchasers', so the likelihood of them being applied to L&D is low. Therefore, risk transfer solutions via catastrophe bonds can be set up to finance L&D from slow-onset events.

4. Debt Cancellation and Debt Relief

Comprehensive and complete debt cancellation, especially for most vulnerable countries is another way to increase their fiscal space for climate actions and especially for addressing L&D, including strengthening social support structures. UN Conference on Trade and Development (UNCTAD) estimated that USD 1 trillion could be made available to developing countries if debt relief was offered as a response to the COVID-19 pandemic. In the absence of debt cancellation, well-designed debt swaps and suspension also have some potential to reduce the burden on vulnerable countries however must be approached with caution (Fresnillo, 2020)

5. *Levies and Taxes and Reduction in Fossil Fuel Subsidies*

Levies and Taxes are viable auto-generated mechanisms for both gathering and effectively using findings to support L&D response. These can include levies on international airline travel and fossil fuels such as bunker oil and taxes on financial transactions. Cameroon, Chile, and South Korea are among the countries that have implemented such levies and have raised significant funds to support their national development goals. This route could have potentially positive outcomes for financing L&D from slow onset events and could be linked to contingency finance where funds raised are earmarked for this purpose. Levies on airplane and ship fuel and international airline passenger levies can be highly sustainable over time and can generate about 10 billion USD p.a[16]. Also, they are likely to have little impact on demand for long-haul flights since the fees would be a small fraction of the cost of a highly variably priced commodity.

Imposing carbon pricing on major fossil fuel companies, based on the carbon content of fossil fuels is another significant source and can be institutionalized in different forms including levies and taxes on fossil fuel extraction, international aviation, and bunker fuel. Reduction in fossil fuel subsidies could be another potential source of finance. A 4% annual reduction in fossil fuel subsidies by G20 countries could help raise USD 245 billion[17]. Climate Damages Tax on polluters as a charge for each tonne of coal, a barrel of oil, or cubic litre of gas extracted can generate US 210-300 billion p.a[18].

Divestment of coal shares by banks and other funds and the discontinuation of insurance for coal mining and coal-fired power generation can encourage the retiring of fossil fuel activities, encouraging investment in renewables. Some of the money raised could be invested in preventing slow-onset events, such as desertification and land degradation in risk-prone zones in developing countries. However, this source could be moderately sustainable, as amounts decrease over time if the policy is effective in catalyzing the shift away from fossil fuels.

Auto-generated mechanisms like Levies and taxes in the form of a national or international financial transaction tax, an international airline passenger levy, a solidarity levy, a bunker fuel levy, or a fossil fuel/carbon levy appear to be the most appropriate sources for addressing L&D, particularly from slow onset events in developing countries. They are seen as being relatively fair, predictable, adequate, transparent, and additional. Further, levies and taxes would not impose an additional or unjust burden on recipient countries (fairness); the revenues that they would generate would be verifiable, measurable, and reportable (transparency); and the funds generated would be provided in addition to existing official development assistance commitments and adaptation financing (newness and additionality) However, these sources could potentially likely face political obstacles and may not completely provide a steady and predictable source of funds (predictability), and would not be entirely sufficient to cover the cost of loss and damage from slow onset events (adequacy). Importantly, none of these levies and taxes meet the direct access criterion (i.e. that the funds should be made available as directly as possible to developing countries, eliminating bilateral or multilateral intermediary agencies), nor the vulnerability focus criterion (i.e. that the funds should be made available to those countries and population groups within countries that have experienced the greatest loss and damage, including the LDCs). However, if

[16] Heinrich Boll Stiftung, 2021; UNFCCC, 2019, Shawoo et all 2021

[17] Heinrich Boll Stiftung, 2021; UNFCCC, 2019, Shawoo et all 2021

[18] Heinrich Boll Stiftung, 2021; UNFCCC, 2019, Shawoo et all 2021

these funds are pooled under the proposed Loss and Damage Finance Facility, these issues can be adequately addressed.

5. Looking ahead at COP27- Rebooting Failed Promises for L&D

There is ample precedence of rapid mobilization of funds at scale including the 2008 Global Financial Crisis, the 2020 COVID-19 pandemic and the 2022 Ukraine-Russia war, and the floods in Germany in 2021. Within the first two months of the pandemic, governments announced USD 10 trillion in economic response (Cassim et al, 2020), and by 2021 the global stimulus response was estimated at USD 33 trillion representing 38% of global GDP (Kosh, Angus, and Sanger, 2021). Germany had earmarked 30 billion Euros to rebuild post the July 2021 floods with costs shared between the federal governments and the states in a 'sign of national solidarity'.

As science, policy and practice come together to address both economic and non-economic loss and damage, through projects, research, knowledge exchange, precedence, and centering the voices of communities facing such impacts, it is most important to operationalize the financing mechanisms for Loss and Damage at COP27. As the UNFCCC has not been successful in garnering adequate international financing even for more high-profile priorities such as rapid onset loss and damage and mitigation, a new hybrid approach, potentially between insurance and innovative public financing, could be potentially considered for progressing related negotiations.[19]

Governments need to adopt multi-stakeholder approaches involving the private sector, civil society, and academia to develop pathways for financing to address loss and damage and concrete solutions like they have done in the past, that will make a meaningful difference to vulnerable communities and countries. L& D needs to be continued to be tackled at a political level as developing countries need to continue to lobby to accord centrality and prominence to the issue of Loss and Damage.

For starters, L&D needs to be on top of the Agenda at COP27. It is now a provisional agenda. In specific terms, the following four items constitute dialogue to action from framing to financing:

1. **Unity in the Global South for Solidarity from the Global North – Global South countries must** continue to maintain unity by supporting country blocs and concrete messaging to produce tangible results in mobilizing finance for LDCs to address Loss and Damage. The Global North needs to recognize the issue of Loss and Damage and engage the Global South proactively and in good faith and solidarity to mobilize necessary funds to address Loss and Damage.
2. **Set up a research Mechanism to define Loss and Damage Finance** by identifying streams that may already include some resources for addressing loss and damage within multilateral, bilateral, domestic, philanthropy, and private channels[20].
3. **Establish and Operationalize the Loss and Damage Finance Facility** to reboot failed promises to demonstrate practical progress and tangible outcome which is both context-specific and long-lasting.
4. **Set up a process towards shaping, and institutionalising parametric Insurance and Auto-generated mechanisms** as additional sources of finance adapting the source of finance best suited for rapid and slow onset events.

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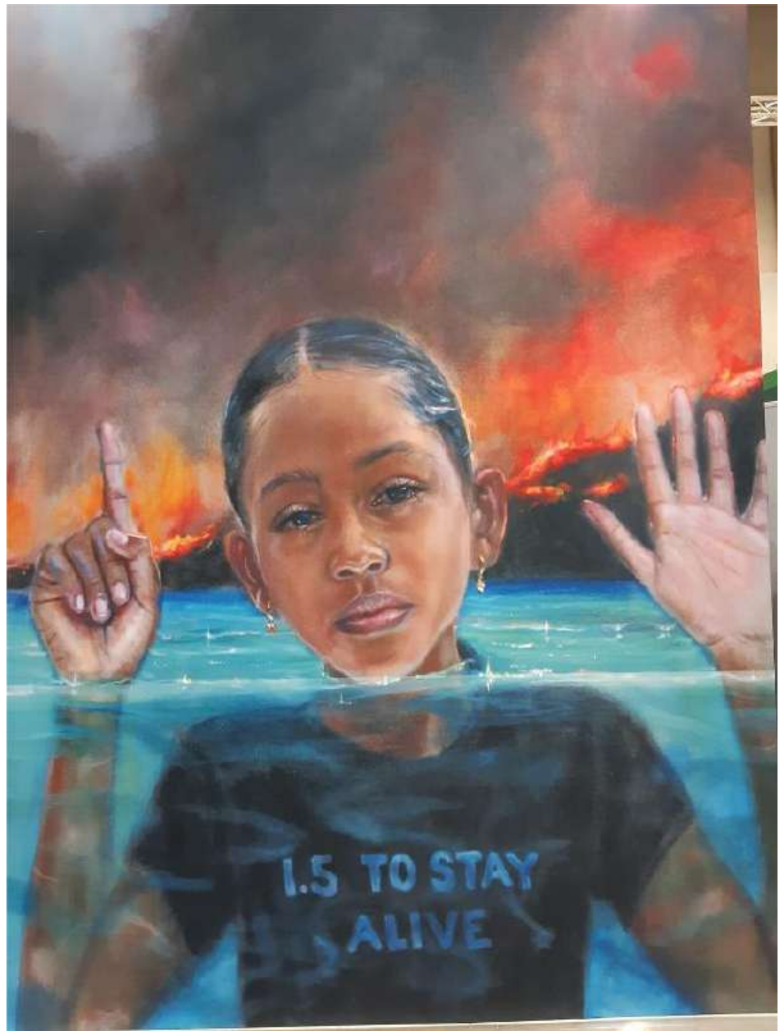
[19] ScienceDirect -Financing loss and damage from slow onset events in developing countries Stacy-ann Robinson1, Mizan Khan2, J Timmons Roberts3, Romain Weikmans4 and David Ciplet5

[20] https://www.wri.org/insights/current-state-play-financing-loss-and-damage

Our planet is climate changed already! And we are 'running out of road' for doing very little in proportion to the scale, intensity, and unprecedented speed of the problem. Whether our journey through our climate-changed world will be a pilgrimage towards illumination or a dive further into an apocalypse will be determined by the discussions and negotiations at this year's COP27. The generations to come demand that they must not remain below the surface. Financing Loss and Damage must be top of the agenda and we must ensure that nations don't retreat into their own narrow and short-sighted interests, leading us to a global tragedy of commons. We need to reboot failed promises while not deflecting attention away from the underlying systemic and root causes of the 'global bads' that currently pollute our planet.



"Either this will lead to the intensification of walls, violence, and censorship as frontline communities become sacrifice zones for corporate greed and recklessness, or we will witness global solidarity where we assert our common humanity by redistributing resources and mitigating historical wrongs" – Ammar Alo Jan, Jacbin.

It is time we all choose a side. The side that reclaims the future for the generations ahead.

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