

COP27: Loss and Damage Fund

written by Maheen Tanveer | November 24, 2022



The most recent session of United Nations climate negotiations came to a close early on Sunday, November 20, 2022, in Sharm el-Sheikh, Egypt, extending its deadline from Friday, November 18, 2022. After decades of opposition from wealthy countries that produce the majority of the world's emissions, COP27 decided on November 20 to create a “loss and damage” fund to aid poorer countries being devastated by climate consequences.

Sherry Rehman, the climate minister of Pakistan, who participated in the effort by developing countries to get the promise during the two-week UN COP27 session in Sharm el-Sheikh, praised the historic choice as a “downpayment on climate justice.”

However, the agreement's text left a number of significant issues to be resolved over the course of the following year and beyond, including who would make contributions to the fund and who would get benefits.

Loss and Damage:

“Loss and damage” at the UN climate talks refer to costs brought on by weather extremes or consequences, such as rising sea levels.

The majority of climate financing to date has gone toward projects that reduce carbon dioxide emissions in an effort to slow global warming, while roughly a third of it has been allocated to initiatives that assist communities in adapting to its effects.

“Loss and damage” funding is distinct since it focuses on paying for damage that nations cannot prevent or prepare for. But there is still no consensus on what should be included in the definition of “loss and damage” brought on by climate change, which could include destroyed or damaged property and

infrastructure as well as less-valuable natural ecosystems or cultural assets.

According to research by 55 vulnerable nations, the overall cost of climate-related losses over the past two decades was \$525 billion, or 20% of their combined GDP (GDP). According to some research, these losses might total \$580 billion annually by 2030.



Who is Responsible?

In the past, vulnerable nations and activists argued that wealthy nations should shoulder the cost since they were the main contributors to climate change through their historical greenhouse gas emissions.

The United States and the European Union opposed the argument out of concern for liabilities. The EU has claimed that China, the second-largest economy in the world and a developing nation according to the UN, should contribute as well.

A few governments, including the EU, Denmark, Belgium, Germany, and Scotland, have made modest but symbolic financial contributions for loss and damage. China has not agreed to make any payments. Even if it is not formally designated for that purpose, some current financing from the UN and development banks does assist states that have suffered loss and damage.

The details of which nations or disasters qualify for compensation still need to be worked out.



COP27 Agreement on Loss and Damage Fund

The UN summit in Egypt came to an agreement on a fund that will assist developing nations that are “particularly vulnerable” to the effects of climate change. Wealthier countries chose this language to ensure that the money goes to the most urgent cases while also reducing the number of potential recipients.

The agreement lays out a roadmap for future decision-making, with proposals for decisions regarding who would oversee the fund, how the money would be distributed, and to whom to be made at the UN climate summit the following year. Instead of depending on wealthy countries to pay the bill, the agreement stipulates that the funding must come from a range of current sources, including financial institutions.

Other funds already in existence have also been mentioned by several nations as a potential source of funding, although other experts argue that they are insufficient to deal with loss and damage because of things like lengthy delays. Other suggestions include the windfall profit tax on fossil fuel firms proposed by UN Secretary-General Antonio Guterres as a way to raise money.