



E3G

BRIEFING PAPER June 2022

ROADMAP FOR PROGRESSING ON LOSS AND DAMAGE: FROM THE G7 SUMMIT TO COP27

LUCY HAYES AND TAYLOR DIMSDALE

2022 is a critical year for making progress on loss and damage. Climate change is hitting communities in all parts of the world, with rich and poorer countries alike feeling the impacts. The climate threat multiplier is creating urgent finance gaps that aren't being filled. This is a moral blight, but it is also creating global financial instability and security risks. Addressing loss and damage is in everyone's interests.

The Glasgow COP last year was a turning point, with political commitment to tackle loss and damage, but disappointment from many that what was agreed only amounted to more talks. The "Glasgow Dialogue" started at the recent climate conference in Bonn. Despite universal recognition of the importance of the issue, there was little concrete progress. Frustrations are growing as the urgency of the problem is not matched by action.

The G7 have a unique role to play on this issue. G7 Ministers took a step forward in May when they recognised their role in providing public and private finance for loss and damage. Expectations are high that German and G7 leadership can further shift the dial at Schloss Elmau this week.

This briefing sets out why loss and damage matters, and who needs to act to enable the agreement of a credible package of measures at COP27. This would contain:



E3G

-
1. An agreed way forward on raising and delivering the finance required, estimated to be as much as between \$290 and \$580 billion per year by 2030.¹
 2. A strengthening of the risk ecosystem to avert, minimise and address loss and damage.
 3. A credible plan that charts a way forward to 2024, ensuring the Glasgow Dialogue is not just another talking shop, but genuinely delivers to those that are impacted most by climate change.

Why tackling loss and damage is in everyone's interests

Least developed countries (LDCs) and small island developing states (SIDS) are on the front line of the climate crisis. They did little to contribute to the problem and are more vulnerable to the impacts of climate change – due to poverty levels, geography, or both.

As of 2015, the Global North was responsible for 92% of excess CO₂ emissions.² Developed countries paying up for loss and damage is a question of climate justice. But it is also in the **interests of developed countries** to take loss and damage seriously.

- > Finance for loss and damage would have **tangible security benefits** given the significant overlap between countries that are most vulnerable to climate impacts, and those that are at high risk of conflict. These include countries in Africa, the Middle East³ and the Caribbean that are of strategic interest to the world's major powers. The lack of resources needed to manage climate disasters could also lead to sudden and large unplanned movements of people, which would increase geopolitical tensions.
- > It is also in our **collective economic interests**. Addressing loss and damage is essential for sustainable economic development for global prosperity. We know that available and rapid disbursement of funds to victims of climate

¹ Oxfam (2022), **Footing the Bill, Fair finance for loss and damage in an era of escalating climate impacts**

² J Hickel (2020), **Quantifying national responsibility for climate breakdown: an equality-based attribution approach for carbon dioxide emissions in excess of the planetary boundary**, *The Lancet Planetary Health*

³ R Alaaldin (2022), **Climate change may devastate the Middle East. Here's how governments should tackle it.**, *Brookings*



E3G

shocks can provide a boost to the economy and is cost-effective.⁴ Ignoring impacts that countries can't adapt to will result in chronic economic problems and increased climate vulnerabilities as countries won't have the means to strengthen their resilience to shocks.

- > It is in developed countries' **geopolitical interests** to support the clarion cry from African countries, SIDS and LDCs for support in dealing with the climate crisis. Solidarity with climate-vulnerable countries will help deepen trust and create a broader club of cooperation rather than competition on climate action. Ensuring a response to the calls for loss and damage support is also essential for upholding faith in multilateral institutions at a time when the global geopolitical order is being challenged.

Roadmap: Towards a credible Loss and Damage package

A political pathway to a successful COP27 outcome

Political support for loss and damage is growing. That support needs to be sustained, through G7 leadership, high-level championing by the United Nations, and increased awareness of the impacts that communities are already enduring. Climate-vulnerable countries such as the V20⁵ are already acting. However, frustrations are growing at the inaction of developed countries. These frustrations were exacerbated by the lack of progress at the recent climate talks in Bonn. Failure to agree on a way forward by COP27 risks undermining the climate talks just when we need to be ramping up our collective ambition.

- > **G7 leaders must demonstrate their climate leadership** by acknowledging the importance of averting, minimising, and – most of all – addressing loss and damage when they meet at the G7 Leaders' Summit. They must commit to scaling up support for vulnerable countries and communities with public and private finance.
- > The UN Secretary-General should appoint **a special envoy on loss and damage** this year to drive finance ambition and champion the voices of vulnerable countries and communities who are most impacted. UN

⁴ GSDRC (2016), **Economic impacts of humanitarian aid** and K4D (2018), **Cost-effectiveness in humanitarian work: preparedness, pre-financing and early action**

⁵ The **V20** is a group of ministers of finance of the Climate Vulnerable Forum of 55 economies that are systematically vulnerable to climate change.



E3G

leadership on this issue at the UN General Assembly in September will help maintain momentum to COP27.

- > The IPCC should be tasked this year with producing a **Special Report on Loss and Damage**. This will ensure that political action is informed by the latest available science.
- > The V20 group of vulnerable countries is **establishing a fund as a proof of concept for a loss and damage financing facility**. Launching it by COP27 could generate additional momentum for progress. The G7 should acknowledge this facility and commit to using it as one potential vehicle for addressing loss and damage.

What should a Loss and Damage package contain?

Ways to finance loss and damage have moved away from contentious conversations about compensation and liability. There is a growing recognition that it is a question of not just solidarity but also self-interest. We propose that developed countries agree to a “Loss and Damage package” at COP27 to demonstrate they are serious about all aspects of climate action. The elements of such a “package” are presented below:

1. Loss and damage financing needs in developing countries alone are estimated to be as much as between \$290 and \$580 billion per year by 2030.⁶ COP27 needs to agree on a way forward on raising and delivering the finance required.

- > In the absence of a dedicated fund, vulnerable communities will continue to risk being deprioritised by other emergencies. A solidarity package should **acknowledge the need for ring-fenced resources for addressing loss and damage** and front-up resources to pilot different delivery mechanisms.
- > Estimated finance needs for loss and damage in 2030 are more than twice the total Overseas Development Assistance for 2021.⁷ Parties at COP27 should recognise that loss and damage financing must be additional to existing ODA. Therefore, they must **agree to explore and identify alternative sources of finance** – such as a fossil fuel levy – as part of the Glasgow Dialogue.
- > The World Bank and other Multilateral Development Banks (MDBs) need to ensure concessional finance is available for vulnerable countries, including for SIDS who struggle to access funding. This should include **expanding the**

⁶ Oxfam (2022), **Footing the Bill, Fair finance for loss and damage in an era of escalating climate impacts**

⁷ Oxfam (2022), **Footing the Bill, Fair finance for loss and damage in an era of escalating climate impacts**



E3G

eligibility criteria for concessional finance to include vulnerability to climate impacts.

- > The recently created IMF Resilience and Sustainability Trust (RST) will focus on supporting countries with prospective balance of payment issues, including in relation to climate change and pandemic preparedness. The IMF Board **should indicate at the 2022 Annual Meetings how the RST could support losses and damages**. This could include supporting shock-responsive social protection systems, establishing contingency funds, or underwriting affordable insurance products.

2. The “package” should also include strengthening the risk ecosystem to avert, minimise and address loss and damage.

- > The IMF should require assessment of physical and transition risks in **Article IV Consultations and Financial Sector Assessment Programs** in a manner that is compulsory, systematic, and universal.
- > MDBs should provide grants for loss and damage to cover insurance risks in the most vulnerable cases, in recognition of the limits of insurance and the unaffordable premiums for many countries.
- > The proposed “Global Shield against Climate Risks” should be designed to provide a practical and complementary response to loss and damage. The initiative needs to **incorporate both financing and insurance options** for climate risk preparedness and response, prioritising financial instruments to close gaps. Proponents of the Global Shield should consider establishing a global Climate Risk Observatory as one pillar of the initiative.
- > Developed countries can indicate they are serious about averting and minimising loss and damage by making additional pledges to other existing **disaster risk and early warning system** initiatives such as the UK-led Risk-informed Early Action Partnership (REAP).

3. Finally, for the package to be credible, there needs to be a credible plan coming out of COP27 that charts a way forward to 2024 to ensure the Glasgow Dialogue isn’t just another talking shop, but that it delivers finance and support to those that are impacted most by climate change.



E3G

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

More information is available at www.e3g.org

Copyright

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 2.0 License. © E3G 2022