

# COP23: Focus on the most vulnerable, focus on 'loss and damage'

In 2013, world governments agreed to address the inevitable impacts of climate change that sufficient mitigation or adaptation have not prevented – otherwise known as 'loss and damage'. Although this promise was reinforced in the 2015 Paris Agreement, they have yet to provide any international finance for this. With the United Nations climate change conference (COP23) taking place this November, Christian Aid and ACT Alliance call for COP23 to bring the reality of climate impacts into the heart of the negotiations and make progress on this crucial issue.

## 1. The first 'Pacific COP'

The United Nations climate conference taking place in Bonn, Germany, in November 2017 (COP23) promises to be an historic one: Fiji will be the first-ever small island developing state to hold the COP presidency, a key role. Fiji's presidency will bring the negotiations back to the heart of climate change, and back to the vulnerable people who face its worst impacts: including losing loved ones, their homes, and the ecosystems that sustain them and their communities.

Hurricanes Harvey and Irma have demonstrated the new, hostile climate that we all now face; one in which extreme storms, heatwaves, floods, droughts and rising sea levels are the new norm. Yet, Harvey also revealed the inequality inherent in climate impacts: while unprecedented and catastrophic flooding hit Texas, killing at least 40 and displacing more than 30,000 people,<sup>1</sup> a disaster of even more epic proportions was unfolding across South Asia. There, floods in Nepal, Bangladesh and India affected 41 million people, with more than 1,200 people killed, and over a million estimated to be displaced.<sup>2</sup>

The difference in scale and in the capacity to cope, demonstrates that climate change will affect us all but in

very different ways. Even rich countries like the US are struggling to manage these impacts.

Fiji is another nation already living with this reality. Working with its neighbours and fellow Islanders, it has invested in disaster risk reduction and adaptation to protect citizens across the Pacific. Yet, it has not been immune to disaster. In 2016 Cyclone Winston struck Fiji, killing 44 people and wiping out 20% of the country's GDP.<sup>3</sup> This tragically illustrated the limits to adaptation, and the new era of loss and damage from climate change.

Island nations have been at the core of climate negotiations since they began 25 years ago, and their vulnerability to the effects of climate change has given them a loud voice and moral suasion. Pacific Island civil society is making two key demands on the international community at this COP.<sup>4</sup> Firstly, take stronger action on climate change, increasing Paris Agreement pledges and phasing out fossil fuels. Secondly, show solidarity with the most vulnerable, and place within their reach the resources to adapt to climate change and to fight the worst impacts, ensuring these resources are provided by the polluters.

**'Fiji's presidency of COP23 will bring the negotiations back to the heart of climate change.'**

## 2. Climate impacts beyond adaptation

Loss and damage refers to the effects of climate change that go beyond people's capacity to adapt to it: it is the outcome of not taking enough action to cut climate pollution, and not investing enough in adaptation. It disproportionately falls upon those who have not caused it.

Loss and damage includes effects related to extreme weather events (such as flooding, droughts or cyclones) and slow-onset events (such as sea-level rise, desertification or melting glaciers). Some of these impacts are economic and easily quantifiable (such as damage to infrastructure), while others are non-economic (such as loss of life, livelihood, biodiversity, cultural heritage or identity).<sup>5</sup>

Specific examples of loss and damage include:

### **Extreme drought and desertification:**

Recurrent, severe droughts across East Africa have caused severe damage to the livelihoods, assets and resources of pastoralists in Kenya, forcing hundreds of thousands of herders to forsake their traditional livelihood system. Millions are severely short of food.<sup>6</sup>

### **Storms, floods and sea levels:**

Rising sea levels, tropical storms and storm surges, increasingly erratic monsoons, and worsening monsoon flooding are affecting the 35 million people in Bangladesh's coastal zones. As far as 100km inland, groundwater has become salinised because of sea level rise: this is forcing communities to turn to different crops, seek new ways of life (fish and shrimp farming, rather than agriculture and herding) or migrate to cities to seek work.<sup>7</sup>

### **Supercharged cyclones/typhoons:**

Recent years have seen a new level of ferocious storms – Typhoon Haiyan (2013) was the strongest storm to make landfall ever recorded in the northern hemisphere, affecting more than 14 million people in the Philippines. Cyclone Winston (2016) was the strongest to make landfall in

the southern hemisphere,<sup>8</sup> damaging or destroying 30,000 homes and causing US\$900m worth of damage, roughly 20% of Fiji's GDP.<sup>9</sup>

Loss and damage can be distinguished from adaptation or development by using these guiding questions:<sup>10</sup>

- Was the impact likely caused by, or made worse by, climate change? For instance, do the effects fall outside of normal, historical parameters?
- Does the impact require a significant change to traditional or existing livelihoods or way of life, going beyond adjustments and instead requiring an altogether different type of reaction?
- Does it involve the loss of something the community values and depends on, such as fishing resource, ancestral land, culture associated with traditional activities, or the ability to undertake an activity (such as cattle herding)?

## 3. Global action is essential

Vulnerable countries have felt the impacts of climate change first and worst, yet have done the least to cause it. Climate change has mostly been caused by rich, industrialised countries who have developed their economies while burning fossil fuels. The fossil fuel industry has made trillions of dollars by extracting and selling the coal, oil and gas that has resulted in anthropogenic climate change.

Countries most at risk are among the poorest, with the least ability to fund coping and adaptation programmes (see table overleaf).<sup>11</sup> Typically, they are most in need of all forms of overseas development assistance (ODA), whether funds for education, health, social safety nets or infrastructure, as well as climate finance.

### **Loss and damage finance**

Loss and damage is separate and distinct from development and adaptation, both of which suffer from lack of sufficient funding to meet

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needs, making it imperative that loss and damage finance does not simply reallocate funds from these areas. Since loss and damage stems from the impacts of climate change and climate pollution, it cannot be classified as 'normal' development.

Similarly, the money committed to adaptation already falls massively short of what is required. The UN Environment Programme estimates adaptation costs for 2030 to be US\$140-300bn per year, whereas international public finance for adaptation in 2014 was around US\$22.5bn. Thus, 6-13 times more finance is needed to meet adaptation needs.<sup>12</sup>

Adding to the strain on adaptation finance by stretching it to cover loss and damage would be counterproductive: fewer adaptation initiatives would be funded, leading to even more loss and damage. To support this, the Paris Agreement clarifies that loss and damage is separate and distinct from adaptation: it includes Article 8,

specifically on loss and damage, and highlights that it should be funded beyond the US\$100bn already committed for mitigation and adaptation.<sup>13</sup>

Developing countries are already facing significant loss and damage from climate change. Forty-five countries included it in their Nationally Determined Contributions (NDCs) – the commitments for action each country made at Paris. Myanmar estimated its loss and damage from Cyclone Nargis in 2008 as more than US\$4bn; loss and damage incurred in Malawi from severe flooding in 2015 was identified as US\$335m; and loss and damage from climate change is expected to cost India 1.8% of its GDP annually by 2050.<sup>14</sup>

**The global bill**

Global estimates of loss and damage costs for developing countries vary. For instance, the Climate Vulnerable Forum and DARA (a Spanish NGO) estimate that developing countries could face

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<b>Countries most at risk from climate change include:</b>	
<b>Least developed</b>	Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Djibouti, the DR Congo, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Sudan, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia
<b>Low income</b>	Democratic People's Republic of Korea, Zimbabwe
<b>Lower middle income</b>	Bolivia, Cameroon, Cote d'Ivoire, El Salvador, Guatemala, Honduras, India, Kenya, Micronesia, Nicaragua, Nigeria, Solomon Islands, Pakistan, Papua New Guinea, Philippines, Swaziland, Syria, Tonga, Vanuatu, Vietnam
<b>Upper middle income</b>	Costa Rica, Fiji, Guyana, Iraq, Libya, Marshall Islands, Mauritius, Namibia, Palau, Thailand, Turkmenistan
<b>High income</b>	Brunei Darassalam, Nauru

US\$4tn dollars loss a year by 2030, with least developed countries facing by far the biggest hit proportionate to the size of their economies.<sup>15</sup> Other projections include an estimate of US\$400bn per year by 2030 and US\$1tn in loss and damage by 2050 for developing countries if warming is kept below 2°C, and a substantial increase if warming is allowed to increase to 3°C.<sup>16</sup>

More work is necessary to define what constitutes loss and damage, and its overall costs. Even so, it is clear a very substantial source of extra finance is required, in addition to adaptation and development finance.

#### 4. Responses to loss and damage

First, and most obviously, we should prevent loss and damage arising from climate change by reducing pollution from fossil fuels and other greenhouse gas sources. Unfortunately, since the world has dragged its feet on climate action, we have locked in a damaging level of warming.

Additionally, inadequate climate finance for developing countries is preventing them from undertaking sufficient adaptation activities – such as building sea walls and planting more drought-resistant crops – and from undertaking disaster risk reduction activities, such as improving early warning processes. The result is higher loss and damage.

The international community has identified some responses. For instance, the Warsaw International Mechanism for Loss and Damage (WIM) was established in 2013. WIM's Executive Committee (ExCom) are due to propose a five-year work programme for approval at the Pacific COP, and were given explicit direction from the Marrakech COP in 2016 to include finance. The first drafts are promising, but the ExCom will need political guidance from countries at COP23 to make progress.

Despite loss and damage being a third pillar of the Paris Agreement, ExCom is just a committee of 20 people meeting a few times a year, with limited support from the UNFCCC Secretariat. This body

has been starved of resources, and consequently its work – especially on finance – is too slow given the urgency of the situation. Meanwhile, in the latest UNFCCC budget, work on loss and damage is listed in the 'supplementary' budget – not even classified as core funding – reflecting the low priority it has been given.

#### **Insurance has a role to play but is not a silver bullet.**

WIM discussions to date have focused on using insurance as a tool to transfer risk. Climate risk insurance (parametric insurance) schemes have been established, which pay out based on wind speed in the case of cyclones and typhoons, or minimum or maximum levels of rainfall for drought or flooding.<sup>17</sup>

Such insurance can help provide governments with predictable and reliable payouts in the face of disasters. However, premiums may be prohibitive for local governments, the complexity of design and cost-benefit analysis makes them difficult to get right, and it has proven difficult to target the most vulnerable using these tools. For instance, an analysis of the Africa Risk Capacity (ARC) in Malawi concludes that it is poor value for money and was designed using incorrect parameters. As such, it did not make any payout, despite a state of emergency being declared due to drought and food shortages – and therefore the ARC scheme failed Malawians.<sup>18</sup>

The top-down approach of these schemes (with premium costs and payout triggers decided far from vulnerable communities) can make community and civil society participation and ownership very challenging. A further criticism is that payouts are typically quite small. When Vanuatu was hit by Tropical Cyclone Pam it sustained damage of US\$450m, yet the insurance payout from the Pacific Catastrophe Risk Assessment and Financing Initiative was only US\$1.9m: less than 0.5% of costs.<sup>19</sup>

While insurance may be judged relevant for climate events of relatively low frequency and high severity, insuring

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climate risks is less tenable when events become more frequent or where impacts are locked in, (as is the case in slow-onset events like sea level rise or glacial melt), as premiums will rise to become unaffordable.

The international community must develop and fund action urgently to complement insurance. In particular, it must provide countries and communities with the capacity to develop community-driven risk management strategies. Vulnerable communities can become more resilient to the most extreme climate impacts when strategies that include various elements – such as risk reduction, social protection schemes, diversified livelihood schemes, contingency funds and early preparation for slow- and rapid-onset climate-related events – work in synergy.

### **Migration and climate**

In some cases communities will have no choice but to relocate. Climate change is already driving planned relocation, as well as unplanned migration and displacement. People are being displaced by ever more intense cyclones and typhoons, storms and floods. Increasingly severe droughts are driving families away from their homes in search of food and humanitarian aid. Rising sea levels are forcing people in low-lying areas to leave their homes permanently, including in the Pacific Islands, South Asia and South East Asia. In the worst cases, where people's resources have been eroded by continual climate impacts, they are trapped, unable to escape these consequences.

The WIM has just begun working on this area: a new task force on climate change displacement and migration held its first meeting in mid-2017. This task force must address the rights and protections of vulnerable people displaced by climate change, together with practical questions such as how to support them. Of course, this requires finance for loss and damage, in order to prevent immense suffering.

### **5: Some progress, but not enough**

Loss and damage is less contentious than it used to be. For a long time, it was seen as the 'problem child' of international climate negotiations, with rich countries like the US leading the way in opposing it. However, the Paris Agreement made loss and damage a third pillar – alongside mitigation and adaptation – with its own separate Article.<sup>20</sup> It also took the issue of liability or compensation off the negotiating table for now. Instead, the Agreement makes it clear that finance for loss and damage should be provided cooperatively, on the basis of solidarity.<sup>21</sup> With these two steps, Paris de-escalated political tensions over loss and damage.

How might finance for loss and damage be provided then? Work has been done, outside the negotiations, on sources of finance and methods for channelling it to the most vulnerable people and communities.<sup>22</sup> This work shows that it is possible to raise significant finance for loss and damage (in the order of US\$200-300bn per year) from 'polluter pays' sources: such as levies on fossil fuels, aviation and maritime fuels, and so on.

These innovative sources have the advantage of not coming from existing commitments to increase aid budgets, nor from existing or future commitments for adaptation and mitigation finance, nor by making further calls on treasury budgets of rich countries. This work needs to make its way into the formal negotiations, as a first step in establishing a mechanism to get climate finance for loss and damage to vulnerable communities.

### **Politics is lining up**

Loss and damage has previously been key to unlocking significant outcomes in other areas. For instance, an agreement on this was seen as crucial to securing the overall Paris Agreement. At the Warsaw COP in 2013, agreement to establish the loss and damage mechanism was able to unlock progress on the mitigation foundations that

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were crucial for the Paris Agreement. However, COP22 failed to make any significant agreement on loss and damage finance, or much movement on other issues: a disappointment hidden behind the shock election of Donald Trump in week one. At this year's COP – a key one for furthering implementation of the Paris Agreement, but one without clear deadlines – loss and damage could again help to unlock other elements of the negotiations.

At a meeting to prepare for COP23, held in May 2017, developing countries called for balanced progress on all elements. This set an expectation that elements like loss and damage, finance and adaptation must be advanced at the same rate as issues such as mitigation, and the Paris rulebook. Additionally, developing countries raised the need to address loss and damage, including in the discussions under the APA (Ad Hoc Working Group on the Paris Agreement), the Global Stocktake and transparency of finance, as well as ensuring it has its own agenda item in future. This is a forewarning that developing countries expect a significant outcome on loss and damage from the Pacific COP.

## 6. Recommendations

The first Pacific Presidency of a COP, through Fiji, offers an unparalleled opportunity to make progress on loss and damage. Christian Aid and ACT Alliance make the following recommendations for outcomes from COP23:

### **i. Roadmap to a Fiji International Fund for Loss and Damage**

COP23 should mandate the WIM ExCom and the Standing Committee on Finance (SCF), in conjunction with the Green Climate Fund and other relevant funds, to develop an international fund for loss and damage. It should specify that this fund ought to include a mechanism to generate finance that is adequate to the scale of the problem (that is, US\$50bn by 2020, US\$200-300bn by 2030 and growing thereafter), in a predictable and fair way, including

through innovative sources of finance such as 'polluter pays' levies and taxes. Vulnerable countries and communities on the front line of the consequences of climate change should be able to access the finance simply and directly. The ExCom and the SCF should be given a two-year framework in which to complete the task, and report on their progress at COP24 in 2018.

### **ii. Strengthen work on relocation, migration and displacement in the context of climate change**

Recognising that relocation will always be a community's last resort and that those who are forced to move must be able to migrate safely and with dignity, COP23 should provide greater impetus to the WIM ExCom's Task Force on Displacement. It should also encourage the new UN Global Compact on Refugees and UN Global Compact on Safe, Orderly and Regular Migration (both due for completion in 2018) to increase protections and solutions for those on the move or at risk of climate-related displacement.

### **iii. Develop solutions beyond insurance, and make insurance work for the poor**

Acknowledging that insurance is not a silver bullet, COP23 should mandate the WIM to build communities' resilience in the face of extreme climate change impacts, including increasing their capacity to develop risk management strategies; risk reduction; contingency funds; effective risk sharing mechanisms; community cooperatives; social protection schemes; diversified livelihood strategies; and recovery and rehabilitation programmes.

Work on insurance should focus on establishing pro-poor principles, in particular. Firstly, to implement a 'polluter pays' approach and ensure that poor communities and countries aren't footing the bill; and secondly to ensure that insurance schemes are owned by vulnerable countries with civil society input, rather than being driven by the insurance industry and rich countries.<sup>23</sup>

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#### **iv. Deepen the understanding of loss and damage, develop a definition**

COP23 should request the WIM ExCom and the SCF to undertake joint work to develop a definition for loss and damage finance. This definition could then be used by countries to report on loss and damage finance separately to adaptation finance, and by the SCF in their next biennial assessment of finance. Additionally, the WIM and the SCF should undertake a process to assess the scale of loss and damage finance that is necessary to meet the needs of developing countries, within the framework of the Paris Agreement.

#### **v. WIM Executive Committee: increase resources and engagement with vulnerable communities**

Welcoming the work of the WIM ExCom, COP23 should recognise that it is moving far too slowly to deliver on the responsibility enshrined in the Paris Agreement. Countries should therefore commit to increasing funding so that the WIM ExCom has the resources it needs. The Secretariat budget for loss and damage work should reach at least the same level as the other streams (mitigation; finance, technology and capacity building; and adaptation) and should be placed in the core UNFCCC budget, as it is no less important than other elements.

The Pacific COP should direct the WIM to engage with vulnerable communities, including by hosting ExCom meetings with vulnerable communities and hosting workshops whilst there; and ensuring their work is open to input, facilitating vulnerable communities to share their experiences of and solutions to loss and damage. The WIM ExCom must increase transparency, and the ability for civil society to participate.

#### **vi. Loss and damage requires a higher profile**

Loss and damage needs to be treated with the same importance as the other elements of the Paris Agreement. Rather than just being given lip service, it must be on the core negotiating

agenda at each major summit (both COP and intersessional), in open and transparent meetings that civil society and vulnerable communities can engage in. Loss and damage should be included in the Global Stocktake, and placed on the Global Climate Action Agenda.

### **7. Conclusion**

Christian Aid is working with vulnerable communities already facing loss and damage around the world – from Mauricio Cruz, a farmer in El Salvador who can no longer rely on the seasons to grow his maize, to Truphena Ireri, a Kenyan farmer whose livestock are unable to survive the new, extremely dry and hot conditions.<sup>24</sup> Few communities are more impacted by climate change than those in the Pacific: these communities are the ones paying the real cost of our fossil fuel addiction and carbon-dependent lifestyles, and they deserve our support in facing these worst impacts of climate change.

With its first-ever Pacific presidency, this year's climate summit must live up to the weight of expectations upon it. We can't continue to leave Pacific Islanders, and other vulnerable people without concrete support because of our inaction. The international community can join Pacific Island states, and other vulnerable communities on the climate front line. It can join their fight to keep fossil fuels in the ground, to keep warming to below 1.5°C to stay alive, and to better prepare for the 'new normal' climate impacts we all face.

Together, we must ensure that all countries have the resources to prevent, and respond to, loss and damage from climate change. It's simply a question of solidarity and compassion driven by climate justice.

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