

Loss and damage at COP27

Held in the Egyptian city of Sharm El Sheikh, the 27th Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) opened on 6th November 2022 and closed on 20th November 2022 with loss and damage arguably being the most prominent negotiation topic.

Negotiations related to loss and damage focused on four topics: dedicated finance for loss and damage, operational details for the Santiago Network, governance arrangements for the Warsaw International Mechanism, and inclusion of loss and damage in the 'global stocktake'.

While developed countries were hesitant to put the focus on loss and damage, they were aware of the big interest in this topic by developing countries. Several developed countries, including Belgium, Ireland, Canada and New Zealand, made financial pledges targeting specifically loss and damage. These pledges were welcomed as positive political signals. However, some of these funds were diverted from existing climate finance and development cooperation commitments, as opposed to representing additional funding, which drew criticism from developing countries.

The remainder of this note outlines the agreements reached during COP27 on these four issues. The description is based on the text of the various decision drafts, accessed from the UNFCCC website in the week of 21st November 2021. Further, the description draws on both informal exchanges in which the authors were involved, and the exchanges between negotiators during COP27.

Finance for loss and damage

At COP26, developing countries continued to advocate for financial commitments that are specific to loss and damage, and are additional to other funding provided by developed countries. They did so through two proposals: inclusion of loss and damage in the long-term finance goal, which applies to the years beyond 2025, and creation of a separate finance facility for loss and damage. Developed country parties opposed these proposals, which they perceived as opening the door for large compensation claims. As a result, COP26 made no decisions regarding finance for loss and damage – instead, it established the “Glasgow Dialogue”, a two-year discussion forum that kicked off in June 2022.

Following consultations with major groups, on the first day of COP27 finance for loss and damage was included as an agenda item (under "Matters related to finance"). At the end of the two-week long negotiations, the outcome for loss and damage finance was mostly positive.

Negotiations concerning the process to adopt a post-2025 financial goal, the so-called “new collective quantified goal on climate finance”, excluded loss and damage. Nevertheless, these negotiations are scheduled to conclude in 2024, and thus the consideration that loss and damage will receive in the final decision is yet to be determined.

Nonetheless, agreement was reached to establish arrangements for loss and damage finance, including a new loss and damage fund. Decisions could not be reached on the fund's primary target countries, or on the fund's sources of funding. Negotiations on these topics will resume in 2023.

A “transitional committee” made up of 14 developing country parties and 10 developed country parties was tasked to (i) reach consensus on these issues, (ii) establish governance arrangements for the fund, notably whether it will be set up under the financial mechanism of the UNFCCC, and (iii) explore potential innovative sources of funding, to complement funding by parties.

Operational details for the Santiago Network

In 2019, the parties to the UNFCCC agreed to establishing the Santiago Network, with the mandate of delivering "technical assistance" related to loss and damage. Building off the outcomes of COP26, negotiations concerning the choice of host entity and its terms of reference continued during COP27. In addition, pledges for funding were expected – and indeed announced – during COP27.

In the months since COP26, inputs from party and non-party stakeholders were collected and analysed, and possible COP27 outcomes were discussed during the June 2022 intersessional meetings held in Bonn. Developing country parties were keen on sorting out the terms of reference and other operational details in advance to choosing a host entity, as they were weary of losing control over those details if the responsibility was left to the host entity. Not least, developing country parties favoured the establishment of an advisory board that is not solely driven by party interests. In contrast, developed country parties advocated for agreeing on the host entity as a matter of priority, to get the Santiago Network started, and argued that the work of the Network should be overseen solely by the Executive Committee of the Warsaw International Mechanism. At COP27, parties worked out the Network's key operational procedures and structure, and agreed on the establishment of a multi-stakeholder independent advisory board. Ability to reach these agreements was hailed as a major success, only shadowed by the exclusion from the advisory board of environmental non-governmental organisations.

On the final day of COP26, the government of Germany committed 10 million EUR to supporting the work of the Santiago Network. At COP27, Canada committed 1.2 million EUR, whereas Austria pledged 50 million EUR for the period 2023-2026. According to the Loss and Damage Coalition, these pledges are not new and additional, as they represent a re-programming of existing development-cooperation budgets earmarked for climate change. In addition, the British government announced its intention to support the Santiago Network, though no specific amounts have been put forward.

Governance arrangements for the Warsaw International Mechanism

Since its inception, the Executive Committee of the Warsaw International Mechanism has been accountable to the conference of the parties to the UNFCCC. A review of this arrangement was due in 2019, but agreement proved elusive then, and at COP26. As a result, the issue was carried forward to COP27.

Developing country parties argue for the Warsaw International Mechanism to operate under both the meeting of the parties to the Paris Agreement and the conference of the parties to the UNFCCC. Whereas the former stresses the importance of loss and damage (but explicitly rejects compensation claims), the text of the latter is broadly consistent with developing country positions on loss and damage, not least with regard to funding for it, even though the phrase "loss and damage" is not used. They sustain this argument on the account that, although the Warsaw International Mechanism was established under the UNFCCC, Article 8 in the Paris Agreement calls on the meeting of the parties to the Agreement to guide the work of the Warsaw International Mechanism.

In contrast, developed country parties argue that, by virtue of Article 8 in the Paris Agreement, the Executive Committee of the Warsaw International Mechanism should be accountable solely to the meeting of the parties to the Paris Agreement. Such an arrangement favours the positions of several developed countries, namely those that oppose compensation claims.

At COP27, agreement could not be reached, and the issue will be picked up at the next conference of the parties to the UNFCCC. For this reason, all COP27 decisions related to the Warsaw International Mechanism shared the exact same text, irrespective of whether they referred to the meeting of the parties to the Paris Agreement or the conference of the parties to the UNFCCC.

Inclusion of loss and damage in the ‘global stocktake’

The so-called global stocktake of the Paris Agreement is structured around three thematic areas: mitigation, adaptation, and means of implementation and support. All matters related to loss and damage are covered under adaptation. At COP27, deliberations continued concerning how the assessment for loss and damage should be framed, including a dedicated decision on progress and gaps in addressing loss and damage in vulnerable countries, under the global stocktake’s technical dialogues. Although the mandate of the Warsaw International Mechanism is framed around “avert, minimize and address” loss and damage, the general sentiment was that, on matters related to loss and damage, the global stocktake should focus on “address” (because “avert” refers to mitigation and “minimize” refers to adaptation, and both issues already have their own space in the global stocktake).

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