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Key Challenges in Financing Responses to Loss and Damage as Climate Change Impacts Escalate

Sustainability Research Paper

The Al-Attiyah Foundation

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The 28th Conference of Parties (COP28) was a landmark event for loss and damage (L&D) negotiations, as the L&D Fund was successfully operationalised on the first day of COP28 and received initial contributions of over USD 0.7 billion. However, despite this achievement, the future of L&D finance remains uncertain in this critical year for climate finance when countries will agree on a new collective climate finance goal (NCQG) from 2025 onward to supersede the – not yet reached – USD 100 billion target. The paper aims to shed light on three key aspects: 1) the need for clear definitions to support financing of L&D responses 2) the key developments and agreements leading up to the establishment and operationalisation of the L&D Fund and 3) crucial aspects that still need to be addressed in operationalising the L&D Fund.

The paper builds on the Al Attiyah Foundation's December paper which discussed the key outcomes of COP28.[1]

SUSTAINABILITY RESEARCH PAPER

This research paper is part of a 12-month series published by the Al-Attiyah Foundation every year. Each in-depth research paper focuses on a current sustainability topic that is of interest to the Foundation's members and partners. The 12 technical papers are distributed to members, partners, and universities, as well as made available on the Foundation's website.

- L&D finance is a latecomer to the international climate finance agenda. Vulnerable countries have been advocating for three decades for its inclusion as the third pillar of climate finance (on top of mitigation and adaptation), which until recently was met with strong opposition from developed countries fearing liability and compensation claims for their past greenhouse gas emissions.

- At COP28, Parties surprised observers by unanimously adopting an agreement to operationalise the long-fought-for L&D Fund. Initial pledges from developed countries and most notably the UAE (a non-Annex 1 country), amounted to a total of USD 0.7 billion.

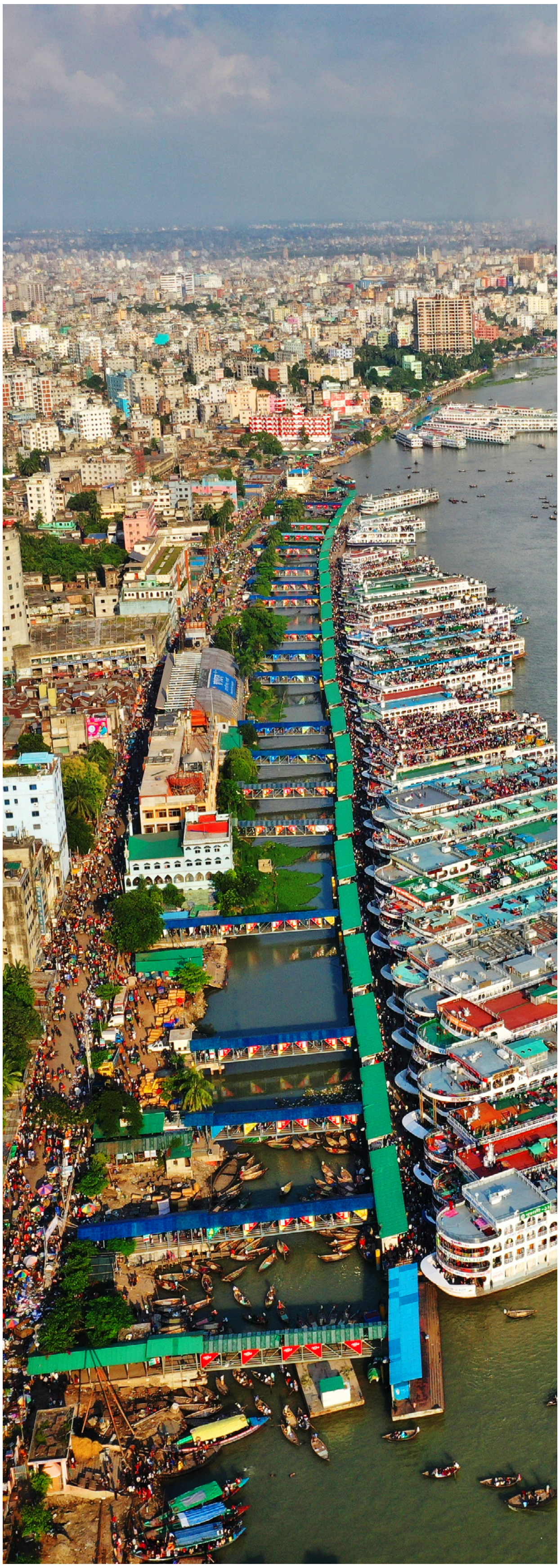
- While the agreement to set the Fund up is a good start, its long-term viability remains uncertain. The future inflow of resources is unpredictable due to the Fund's voluntary nature as the United States (US) objects mandatory recurring financial commitments from developed countries. This situation has led some observers to label it as a 'Placebo Fund'.

- Without ensuring the additionality of finance for the L&D Fund, its added value is debatable. There are concerns that the L&D Fund is likely to siphon funds away from other priority areas including mitigation and adaptation finance, humanitarian relief, and official development assistance (ODA) for non-climate purposes.

- Experiences from other multilateral climate funds underscore the need to ensure effective disbursement of resources through streamlining governance, accreditation, and project approval processes. The Fund will need to ensure there are no barriers for eligible countries to access finance including through imposing stringent eligibility criteria and lengthy approval processes.

Several climate change-related records were broken in 2023, which was 0.17°C warmer than 2016, the warmest year on record and a whopping 1.48°C above pre-industrial levels thus almost breaching the 1.5°C threshold which is enshrined in the Paris Agreement.[2] This was accompanied by anomalies such as severe heatwaves in Asia and the Mediterranean, record areas of devastating wildfires in Canada, cyclones in Southern Africa and Asia and flooding in Libya that have led to tens of thousands of lives lost and severe damage to property and ecosystems. This highlights the scale of L&D resulting from extreme weather events that have ravaged communities worldwide and underscores the critical need for immediate action to address the adverse impacts of climate change.

Climate change-induced L&D is complex as it occurs in different forms at different levels and scales. Levels of exposure, vulnerability and adaptive capacity vary. Moreover, climate hazards evolve and become more serious due to accelerating climate change. L&D is distributed unevenly globally with developing countries that have contributed the least to climate change bearing the brunt of its impacts. Increasing risks of extreme weather events have become a major threat to sustainable development, particularly in developing countries, with Small Island Developing States (SIDS) and Least Developed Countries (LDCs) being particularly vulnerable. Research has found that disasters linked to climate change impacts are costlier and deadlier in low-income countries and often affect the communities that lack the resources needed to implement effective adaptation options and capacities to rebuild.[3]

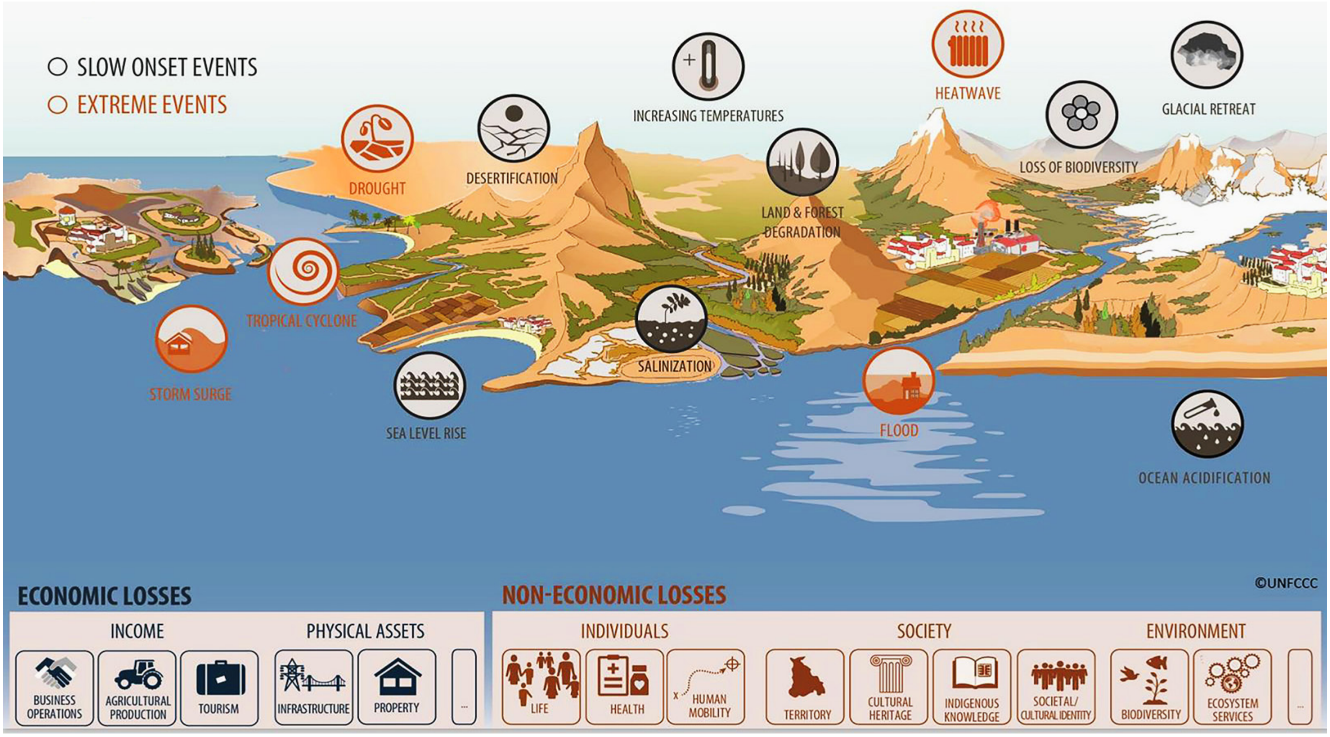


Thus, climate-induced L&D will exacerbate inequalities leading to higher debt burdens and reducing the potential of vulnerable communities to adapt and recover from disasters.[4] As a result, climate change-related L&D can reverse progress on sustainable development including goals related to poverty eradication, reducing inequalities and good health and wellbeing.[5]

Under the Paris Agreement, countries recognised the importance of "averting, minimising and addressing" L&D.[6] However, L&D in the international climate regime suffers from the absence of formal definitions and clear language leaving roomfor interpretation[7] And, while there is no single formal definition universally agreed upon, most agree that L&D refers to the impacts of climate change that have not been or cannot be avoided. According to the Intergovernmental Panel on Climate Change (IPCC), communities experience L&D when 'soft limits' to what they can adapt are exceeded, due to lack of finance or poor planning to implement adaptation actions. Moreover, 'hard limits to adaptation' can be reached when existing adaptive actions are not effective or there are no feasible additional measures e.g., inadequate freshwater availability or when small islands become uninhabitable because of rising sea levels.[8] L&D is further linked to adaptation and mitigation as it occurs when efforts to reduce emissions are not ambitious enough and when adaptation efforts to protect communities from the consequences of climate change are unsuccessful or impossible to implement.

L&D can result from both an increase in the frequency and severity of extreme weather events such as cyclones, droughts, floods and heatwaves, as well as slow-onset events

Figure 1: Overview on Slow Onset Events and Extreme Events and Resulting Economic and Non-Economic L&D



Source: UNFCCC 2020

such as sea level rise, desertification, glacial retreat, and salinization (see Figure 1) The damages from the effects of climate change can be divided into economic losses and non-economic L&D (Figure 1) though it is often difficult to separate the two. Economic L&D are those affecting resources, goods and services that are commonly traded in markets and can therefore be quantified, such as damage to critical infrastructure and property or supply chain disruptions that can vary from national to individual scales. Non-economic losses and damage (NELDs) encompass a wide range of intangible and non-monetary emotional, social, or psychological consequences that can be devastating for individuals or communities. This includes loss of human life and health, the loss of community cohesion, cultural heritage, or social structures, and trauma resulting from forced migration from ancestral homes.

As such, "addressing" L&D has become the crucial third pillar of climate action beyond mitigation and adaptation that involves helping communities recover and rebuild after they have experienced climate change-related impacts. Notably, it took three decades for an agreement to provide financial support for such measures in the international climate policy arena as developed nations feared it would lead to liability claims for their accumulated greenhouse gas emissions. A mutually acceptable agreement for developing and developed countries seemed elusive. The following section gives an overview of the key milestones in the international climate negotiations leading up to the establishment and operationalisation of the L&D Fund in 2023.

The concept of L&D was first brought up in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations in 1991 when Vanuatu as part of the Alliance of Small Island States (AOSIS) proposed creating an insurance pool for countries likely to be impacted by rising sea levels.[9] However, AOSIS was not able to push it as an agenda item against the strong opposition from developed countries, most notably from the US.[10] In 2005 at COP11 in Montreal, Bangladesh, on behalf of the Least Developed Countries (LDCs), called for 'compensation' for damage caused by climate change that foreshadowed later discussions on L&D. The term 'L&D' was then featured for the first time in a UNFCCC negotiating text at COP 13 in the Bali Action Plan.[11] However, it was not until COP19 in 2013 – over 20 years since the establishment of the UNFCCC – that negotiations on L&D were institutionalised through the Warsaw International Mechanism (WIM) facilitated by its executive committee (WIM ExCom). The WIM aimed at (i) enhancing knowledge and understanding, (ii) strengthening dialogue, coordination, and synergies among stakeholders, and (iii) enhancing the mobilization of action and means of implementation, including the provision of financial support and technical assistance.[12]

In 2015, a second milestone was reached when the Paris Agreement acknowledged in Article 8 that, similar to mitigation and adaptation, addressing L&D represents a stand-alone pillar in the achievement of the goals of the Paris Agreement.[13] This milestone was only possible because of the inclusion of paragraph 51 of Decision 1/CP.21 that this would "not involve or provide a basis for any liability or compensation".[14]

This was to alleviate developed country concerns led by the US that had resisted compensation for L&D fearing it would lead to litigation and potential compensation claims from developing countries on grounds of historical responsibility for climate change. Instead, Article 8 lists potential ways for Parties to address L&D through cooperation and the enhancement of understanding but omits the provision of finance for L&D including key questions on by whom and through which channels the finance would be mobilised.[15]

In 2019 at COP25, the Santiago Network on L&D (SNLD) was established to operationalise the Warsaw Mechanism and mobilise technical expertise for the implementation of relevant approaches for averting, minimising, and addressing L&D in climate-vulnerable developing countries.[16] At COP28, it was agreed that the SNLD will be hosted by the United Nations Offices for Disaster Risk Reduction (UNDRR) and Project Services (UNOPS).[17]

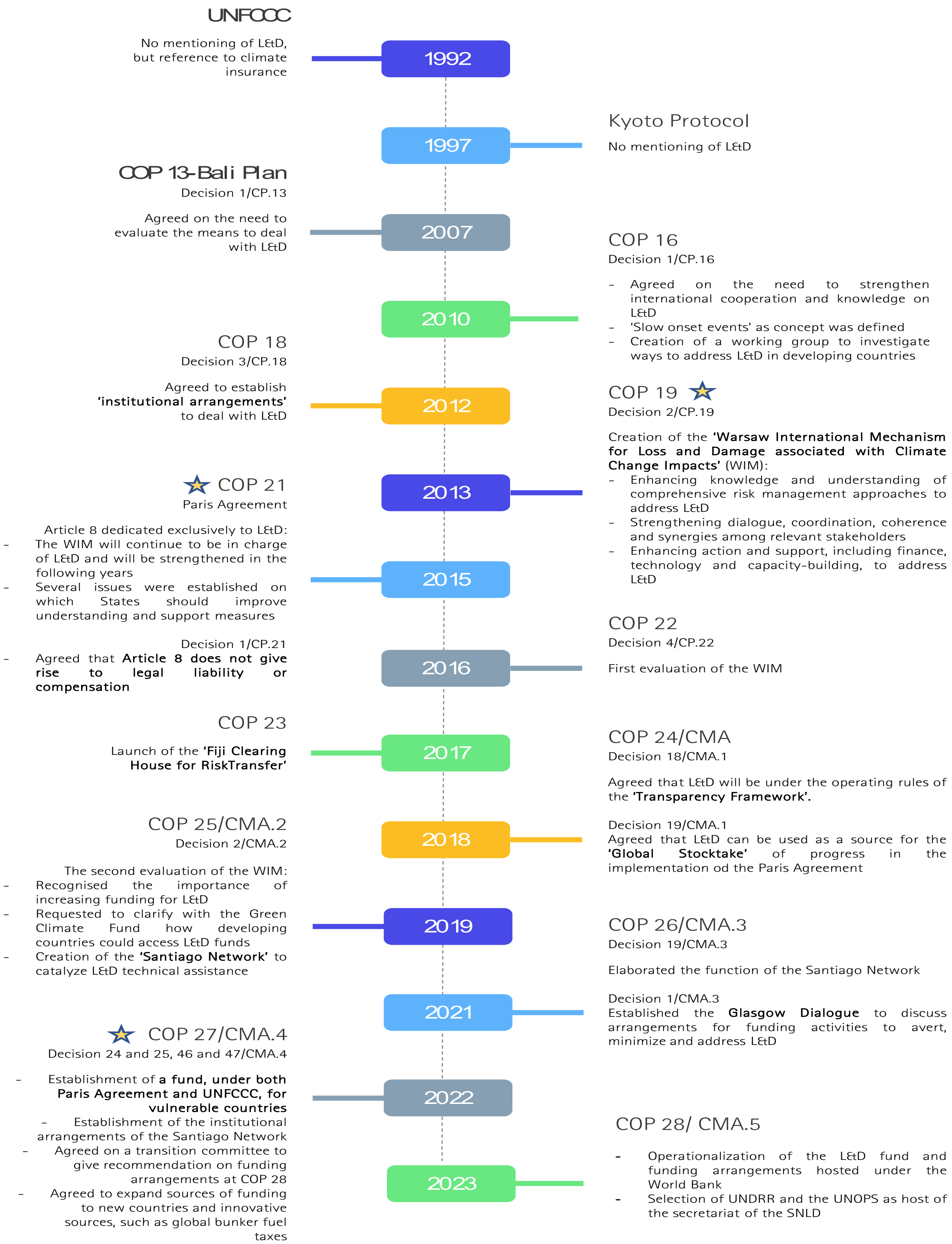
At COP26 in Glasgow, L&D emerged as a key negotiation item for developing countries. The burgeoning consensus on the need for a stand-alone Fund for L&D, dubbed the "Glasgow L&D Finance Facility" was supported in particular by the biggest negotiating bloc of developing countries, the G77 and China.[18] However, this was opposed by developed countries including the European Union (EU), which favoured providing finance through established channels and Funds, claiming that setting up a new fund would take too long and lead to a duplication of efforts, partially because of the lack of a formal definition of L&D.[19] As a compromise, the Glasgow Dialogue was established to implement barriers, gaps and opportunities for L&D funding through existing funding arrangements and identify requirements for the establishment of new funding mechanisms.[20,21]

At COP27, the G77 and China emphasised the significance of establishing new funding arrangements for L&D including a dedicated fund, as a crucial agenda item that could determine the success or failure of the conference. Developing countries' unity on L&D made it possible to launch a L&D Fund which was celebrated as the defining success of the climate conference in Egypt.[22] However, contentious issues regarding the Fund's governing structure, donor base and Funding eligibility remained. A transitional committee (TC), comprising 24 representatives from developed and developing countries, was therefore tasked with drafting recommendations for the modalities for operationalising the Fund and clear up major sticking points before COP28 in Dubai.[23] After five gruelling meetings in 2023, the TC managed to hammer out a proposal which was the basis for negotiations on the L&D Fund at COP28.[24]

In an unprecedented first day decision, Parties agreed to the proposal to operationalise the L&D Fund at COP28, in what was seen as a symbolic step towards climate justice for communities at the frontlines of climate change. Key elements of the decision included the creation of a new and independent secretariat and governing board, the designation of the World Bank as interim trustee and Fund host for a four-year period. The decision to host the Fund in the World Bank was pushed by the US amid strong reservations from developing countries and civil society.[25] Furthermore, it was decided that the Fund is managed by a 26-member board, the majority of whom are representatives of developing countries.[26]

However, contentious issues still remain to be resolved by the Board including details on the Fund's access modalities, the appropriate financial instruments, programming and project cycles and safeguarding mechanisms, as well as the level of the management fee charged by the World Bank. Moreover, the Board has to develop a resource allocation system and prepare a long-term fundraising and resource mobilisation strategy.[27] Figure 2 provides a summary of these developments in the UNFCCC since it was first formed.

Figure 2: Milestones in the History of L&D Negotiations in the UNFCCC



Source: Schmidt et al. (2023)

As highlighted above, multiple challenges still lie ahead for the full operationalisation of the L&D Fund following COP28 to get funds flowing. This section discusses some of these challenges and where possible provides insights on how to overcome these challenges including through the experiences from existing climate Funds established under the UNFCCCC.

i.Availability of Financing for L&D

In the 2009 Copenhagen Accord, developed countries committed to providing financial support to address the needs of developing countries to respond to climate change.[28] They promised to mobilise USD 100 billion a year in climate finance for developing countries by 2020, a pledge that was later reaffirmed by Article 9 of the Paris Agreement, but has not been achieved as of 2023. For the last year for which numbers are available, 2021, the volume of international climate finance is reported to be USD 89.6 billion.[29]

Over the last decade there has been a surge in disasters and crises from the COVID-19 pandemic to new large-scale armed conflicts in Ukraine, Sudan, and Palestine as well as non-climate-change related natural disasters like earthquakes in Northern Syria and Turkey. This constant crisis mode has seemingly contributed to 'disaster fatigue' among donors and is shifting attention away from the urgency of climate change and financing climate protection measures.[30] UN organisations reported that humanitarian relief funds only reached 62% of the people in need in 2023 which represents a lower share than the previous year.[31] This has led to an undersupply of food, shelter, water, sanitation, and health care for people in need and further reduces their adaptive capacity while exposing them to more L&D.

Figure 3: Overview of Adaptation Finance Pledges to the Adaptation Fund and the Least Developed Countries Fund

	Pledges in USD million		
	2021 (COP26)	2022 (COP27)	2023 (COP28)
Adaptation Fund	356	243	192
Least Developed Countries Fund	413	71	142

Source: Authors own elaboration based on Adaptation Fund (2021, 2022, 2023); LDCF (2022, 2023); Thwaites (2023)

Moreover, the absence of a universally accepted definition and categorisation of L&D creates additional challenges in the context of financing. Existing literature recognises the distinctions between ex-ante (before an event resulting in L&D) and ex-post (after an event resulting in L&D) considerations. The ex-ante actions proactively address and prevent potential future instances of L&D. However, a significant challenge arises in effectively distinguishing these measures from adaptation finance.

There are also concerns that L&D may cannibalise adaptation and mitigation finance.[32] The former has been found to be critically inadequate.[33] Indeed, according to the United Nations Environment Programme (UNEP) 2023 Adaptation Gap Report, the financial requirements for adaptation in developing countries exceed the international public finance flows by a factor of 10 to 18, representing an increase of over 50% compared to earlier estimates.[34] It remains to be seen whether the increased attention to L&D at the international level has had a diminishing effect on adaptation finance. Looking at pledges to two adaptation-focused international climate funds, the Adaptation Fund (AF) and the Least Developed Countries Fund (LDCF), there has indeed been a decline since COP26, with COP28 marking the lowest pledges to the two Funds (see Figure 3). However, a causal relationship with the stronger focus on L&D cannot be established with certainty.

Due to these concerns on the availability of L&D finance, developing countries and civil society have been calling for binding provisions to make L&D finance for developed countries obligatory. During the deliberations of the TC, the US contested this. The COP28 decision, merely 'invites' developed countries to contribute to the L&D Fund[35,36]

The Green Climate Fund (GCF), the largest international climate finance provider, is primarily funded through voluntary contributions from developed countries and the second replenishment cycle of the GCF has demonstrated that these are unpredictable.[37,38]

Furthermore, as requested by developed countries, such as the EU, the COP28 decision on L&D 'encourages other parties' to participate in the capitalisation of the L&D Fund on a voluntary basis.[39] This refers to emerging economies as well as oil and gas producing countries, which have so far not had to contribute to climate finance under the equity principles under the UNFCCC and the Paris Agreement. The USD 100 million pledged by the United Arab Emirates (UAE) for L&D are a precedent for such financing.[40]

The initial pledges of approximately USD 0.7 billion are a promising start for the Fund but are still far below the financial needs to cover L&D which are estimated at USD hundreds of billions. A rough estimate puts the pledge volume at less than 0.2% of the expected costs of climate change.[41]

ii. Additionality of Climate Finance for L&D

The 2009 Copenhagen Accord underscored the imperative for "scaled up, new and additional, predictable and adequate funding" from developed to developing nations for the effective implementation of the UNFCCC.

'Additionality' in the context of climate finance means that the funds provided are genuinely new and supplementary, rather than being diverted from existing development assistance budgets. However, many developed countries have reallocated general ODA towards climate finance. Some observers have labelled this approach as 'old wine in new bottles.[42]

The COP28 decision reiterates the "urgent and immediate need for new, additional, predictable and adequate financial resources".[43] Worryingly, preliminary assessments of the first round of pledges to the L&D Fund made at COP28 already indicate lack of additionality.[44] For example, the UK's pledge of USD 60 million is reported to have effectively been repurposed from its existing climate finance budget.[45] Thus, additionality of L&D funding is questionable from the outset.

iii.Ensuring Adequate and Predictable Finance

While precise quantification of L&D is difficult, recent estimates put the cost of extreme weather events that are attributable to climate change at approximately USD 150 billion a year.[46] Almost certainly, costs will soar with increased global warming, as indicated in a study that estimated total residual damages for developing countries will range from USD 290-580 billion by 2030, USD 551 billion-1 trillion by 2040, and USD 1.1-1.7 trillion by 2050 while civil society has called for an L&D finance floor of USD 400 billion per year that increases over time.[47,48]

International L&D finance has in the past been supplied through a fragmented landscape of climate, development, humanitarian, and philanthropic funding institutions which made

it unclear whether the existing climate finance architecture is already adequate for addressing L&D.[49] Previous studies commissioned by the Standing Committee on Finance (2016), the Warsaw International Mechanism (2019) and the Suva Expert Dialog (2018) demonstrated there were no financial mechanisms available which offer adequate, timely and accessible finance to address L&D.[50] After the establishment of the Fund at COP27, most L&D finance pledged and contributed in the lead up to COP28 was in the form of stand-alone solidarity contributions to vulnerable developing countries.

Following the decision to operationalise the Fund at COP28 and the subsequent initial capitalisation, questions remain, especially regarding its long-term financing and replenishment. The voluntary commitments of the donor countries are heavily dependent on support for climate action at the national level which may lapse after elections especially amid the growing trends of national populism and climate denialism.[51,52] However, it is critical for funding to be provided in a transparent manner that is known and predictable for recipient countries over the medium to long term and not subject to changing priorities of donor or other contributing countries.

In recognition of dwindling public budgets and the absence of mandatory contributions to the L&D Fund, the Fund is open to receive finance from a wide variety of sources of finance including innovative sources which may provide such predictability. Possible innovative funding sources that have been discussed to date include international taxes and levies imposed on GHG emissions, for instance on shipping, aviation or fossil fuel extraction.[53] However, harnessing such sources is contingent on overcoming high political barriers.[54] Sources that require an international agreement on taxation face opposition from the EU, UK and US.55 So-called "solidarity levies" e.g., on aviation[56] would allow to bypass the need for international treaties and allow willing countries to move forward with raising finance for L&D.[57] However, the same problems apply here regarding political willingness of governments to introduce such levies and ensure their earmarking for L&D purposes. The Board will now have to iron out the details of which innovative sources will be suitable for the Fund and how to enable the Fund to receive funding from such sources as the relevant sectors (e.g., aviation, shipping) evolve.

iv. Devising the Right Forms of Financial Instruments

Due to the lack of stable, predictable international funding for L&D, and already scarce adaptation finance, costs of L&D, disaster risk reduction and climate risk management have in the past largely been borne by developing country governments.[58,59] In the aftermath of a disaster, these countries often need to borrow at high interest rates due to low sovereign credit risk ratings and insufficient emergency loans provided by creditors such as the IMF, as was the case in Pakistan and Mozambique after severe flooding.[60] It is therefore a priority for developing countries that the finance provided by the L&D Fund does not increase national debt, as many countries are already in a sovereign debt crisis.[61]

As a result, developing country governments and civil society prefer grants because they do not trap vulnerable countries and communities in debt as climate change impacts escalate. Potential recipients also prefer grants due to generally lower requirements regarding due diligence and other operational requirements.[62] Moreover, grants are more risk-tolerant than loans and can support experimentation and devising new approaches to respond to L&D.[63]

Developing countries advocated for the L&D Fund to be mainly grant-based.[64] Selection of the World Bank as an interim trustee was a bone of contention for lower middle-income countries (LMIC) and SIDS since the World Bank has traditionally limited grant funding to low-income countries as per the policies of the International Development Association (IDA). This means that vulnerable countries above the IDA threshold including Pakistan, the Philippines or Libya that have recently suffered L&D from extreme events would be excluded from grant-based L&D finance.[65]

Unsurprisingly, developed country parties who do not want to be burdened by a grant-only funding approach pushed to broaden the toolbox of possible financial instruments to include concessional loans and insurance instruments.[66] They see grants as prone to misappropriation and thus being of low effectiveness. The US tabled a proposal for a sub-fund solution where only small country states with populations below five million people would be eligible for grants and all other countries would receive loans. Similarly, the EU proposed multiple sub-funds among which the Recovery and Reconstruction Fund would be implemented by MDBs and financed through grants and loans.[67] Notably, the governing instrument of the Fund stipulates it will provide grants and highly concessional loans and other financial products including insurance mechanisms.

Given the complex nature of L&D it will also be crucial to ensure that financing is fit for purpose. Insurance has played a notable role in the discussions on L&D since the proposal by AOSIS in 1991.

Subsequently, developed countries, especially the EU, pushed insurance as a key instrument to respond to L&D including through schemes such as the Global Shield Against Climate Risks supported by the Group of 20 countries (G20) and the Vulnerable Twenty (V20) Group.[68] However, as several observers note, insurance alone is not enough to deal with L&D as it almost exclusively addresses sudden-onset events and if not well designed and subsidised can be inequitable and unaffordable for already vulnerable communities.[69] Given the spectrum of issues to be addressed from extreme weather events to slow onset events and economic to non-economic L&D, different approaches to financing will be required to ensure tailored support for developing countries. The allocation of scarce funding for these different purposes of course will be highly challenging.

v. Ensuring Access and Flexibility

A key measure of success for the L&D Fund will be whether it can ensure timely and targeted response in the aftermath of disasters. In a first step, this will require initiating the Fund's operations swiftly. During the UN talks, some Parties such as the EU, noted with concern that setting up other Funds under the UNFCCC was a slow and complex process in the past. For instance, the AF was established in 2001. However, it took until 2007 for the Board and other operational processes to be created and another three years for the first call for project proposals to be issued and for the first implementing agencies to be accredited.[70] Thus, establishing and fully operationalising the AF took ten years. Similarly, it took five years between the establishment of the GCF and the first investment decisions.[71]

It will be necessary for the L&D Fund Board, set to convene for the first time in January 2024, to adopt a learning mindset building on these experiences to speed up the full operationalisation of the Fund.

Secondly, experience with other multilateral climate funds, especially the GCF, has shown that accreditation processes and project approvals can be very time-consuming, taking several years and require applicants to provide copious amounts of information.[72] Lower-income countries that may lack this information, as well as adequate staffing and technical resources are thus often locked out of accessing the GCF. Central to the debates on L&D has been the issue of granting resources to countries through 'direct access' – rather than through accredited entities – in order to reduce transaction costs. A key issue of contention in the selection of the World Bank as host of the Fund was that its model of Financial Intermediary Funds (FIFs) requires that resources are disbursed via intermediary channels including MDBs and UN agencies.[73] Developing countries further argued that the World Bank like the multilateral funds is too slow, inefficient and lacking adequate expertise to tackle climate change (with the Bank officially expanding its mission to include climate change in 2023).[74] In a submission to the Transitional Committee, the Bank has since committed to ensure direct access to make the Fund operationally viable for L&D.[75] Among the options to be taken by the Board to ensure direct access, the Fund will recognise accreditation by existing climate funds such as the AF, GCF and GEF and partner with entities whose safeguards and standards are 'functionally equivalent' to those of MDBs including the World Bank's as host of the Fund.[76]

Third, the eligibility criteria to receive funding are yet to be defined. However, the decision to operationalise the Fund stipulates that funding should be provided to "developing countries that are particularly vulnerable to the adverse effects of climate change". Previously, the EU proposed limiting access to LDCs and SIDS while developing country representatives favoured a more inclusive approach to allow all developing countries to access L&D finance.[77] Experience in adaptation finance has shown that many developing countries do not have the institutional or technical capacity to gather the necessary data to link climate change to their vulnerability e.g., by demonstrating the 'climate rationale' of a project contributing to further hurdles in accessing finance.[78] Implementing narrow eligibility criteria could replicate this barrier in accessing finance from the L&D Fund especially as definitions on what constitutes vulnerability and methodological frameworks to attribute certain disasters to climate change are yet to be agreed.[79] As countries could not reach an agreement, the Board is now tasked with devising a resource allocation system. Several observers note an explicit exclusion of certain developing country groups is unlikely since the COP28 decision stipulates that the decisions of the Board are prioritised over those of the World Bank and Board representation is narrowly dominated by developing countries. Moreover, given that most of the existing climate finance channels have not been accessible for SIDS and LDCs, a minimum percentage allocation floor for SIDS and LDCs will be considered, to ensure support reaches the most vulnerable communities while ensuring safeguards against the overconcentration of support provided by the Fund to certain country/regional beneficiaries.

CONCLUSION

The operationalisation of the L&D Fund at COP 28 marked a significant step ahead in addressing the adverse impacts of climate change, particularly on vulnerable communities. The unprecedented climate change-related events of 2023 underscore the urgency of immediate action to mitigate the escalating risks associated with extreme weather events and slow-onset changes.

However, as the international community moves towards operationalising the L&D Fund, several challenges must be carefully navigated. The availability of financing remains a pressing concern given the voluntary nature of contributions, compounded by the multiplying global crises that divert attention and resources. It is unlikely that funds for L&D are genuinely new and additional, faces scrutiny, given that preliminary assessments already indicate potential repurposing of existing climate finance and/or ODA. Ensuring adequate and predictable finance is the "elephant in the room", given the staggering costs associated with climate-induced L&D. The initial pledges to the L&D Fund, while promising, fall significantly short of the financial needs required to address the full scope of climate losses and damages. Harnessing innovative funding sources, such as international taxes and levies, becomes imperative to bridge the financial gap, but faces high political challenges.

Devising the right forms of financial instruments is a delicate balancing act. On the recipient side, grants are the preferred instrument, providing support without exacerbating the debt burden on vulnerable countries already grappling with the consequences of climate change. However, grants run an enhanced risk of misappropriation. Furthermore, challenges in defining eligibility criteria, ensuring direct access, and determining resource allocation systems need careful consideration to prevent exclusions and address the diverse needs of developing countries.

As the L&D Fund takes shape, the international community must learn from past experiences in climate finance and ensure that the operationalisation process is swift, efficient, and responsive. The success of the L&D Fund hinges on its ability to deliver timely and targeted responses to communities affected by climate-related disasters. It also needs to balance concerns of donors and recipients regarding volume and wise use of funds.

In 2024, negotiations will be focused on climate finance as the running discussions on defining a new collective quantified goal (NCQG) for climate finance are due to be finalised. This new goal is to replace the USD 100 billion target for the year 2020 which was agreed upon in 2009 but not yet achieved and it remains to be seen how funding at an order of magnitude above USD100 billion will be mobilized. The NCQG may define sub-targets for adaptation and mitigation and potentially L&D. LDCs call for the inclusion of L&D targets under the NCQG and for funding targets to be based on the costs of damages from climate change under a worst-case scenario. However, to date proposals for the NCQG from developed countries such as the EU, US and Canada do not mention L&D.

In the run-up to COP29, it will be important to resolve differences over the development of the Fund and the provision of predictable and adequate finance to strengthen trust between parties noting that progress on L&D could have positive spillover effects for more ambitious outcomes in other key ongoing negotiations, e.g., regarding mitigation and a just transition.

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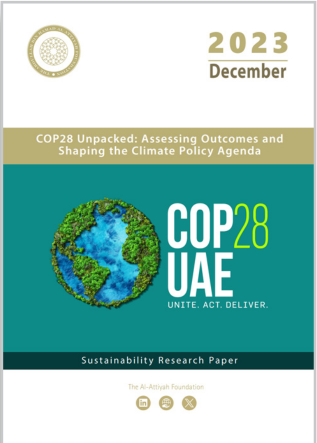

December – 2023

COP28 Unpacked: Assessing Outcomes and Shaping the Climate Policy Agenda

As a key event in the global climate calendar, the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) hosted by the United Arab Emirates (UAE) in Dubai was tasked with conducting the first official assessment of the world's progress under Paris Agreement (PA) and identifying remaining challenges.

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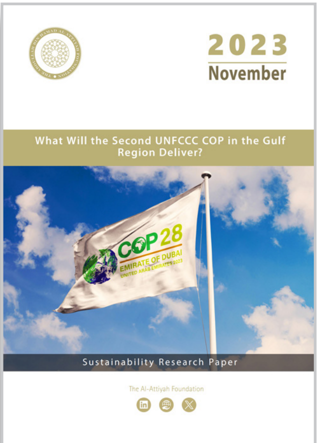

November – 2023

What Will the Second UNFCCC COP in the Gulf Region Deliver?

Since 1995 the Conferences of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC COPs) have provided a vital platform for addressing the manifold challenges posed by anthropogenic climate change.

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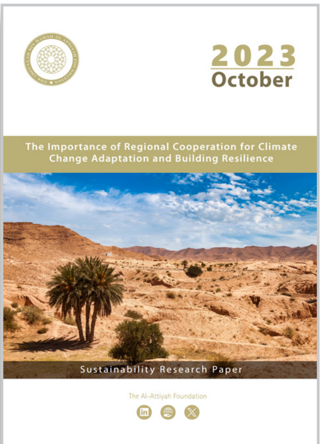

October – 2023

The Importance of Regional Cooperation for Climate Change Adaptation and Building Resilience

The global community stands at a pivotal juncture in its fight against climate change. As the impacts of a climate change become increasingly evident, the need for collective action and regional cooperation in addressing its impacts gains prominence.

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