

An informal QUNO Analysis of the COP27 decision on funding arrangements for responding to loss and damage

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[Decision -/CP.27 -/CMA.4](#)

Funding arrangements for responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage¹

Summary of the Significance of the Decision

Loss and damage (L&D) in this decision refers to the permanent, irreversible losses that have occurred and will occur due to climate change. Prior to COP27, the United Nations Framework Convention on Climate Change (UNFCCC) through the *Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts* (WIM) promoted implementation of approaches to address L&D. It does so through enhancing understanding of risk management, strengthening synergies among relevant stakeholders, and enhancing action and support to address L&D. Part of the WIM's enhancement of support includes facilitating the mobilization of expertise, technology, and finance to strengthen existing and develop new approaches.

However, due to resistance for any connection to financial “compensation,” until COP27 no mechanism existed to connect responsibility with suffering, in particular, by channeling financial resources to help the most vulnerable countries who have already and will continue to experience L&D associated with climate change. The COP27 decision to commit to funding arrangements was therefore historic in connecting consequence, accountability, and financial support. This decision can be summarized as:

- committing to new funding arrangements for L&D;
- use of existing financial mechanisms, including urging multilateral banks and the private sector to engage in L&D funding;
- and the creation of a Transitional Committee with a strict deadline to operationalize L&D fundings by COP28.

As part of our post-COP27 reflections, we have prepared a brief analysis of the new decision. Included in our analysis is commentary on the positions some Parties had publicly taken. As Parties are heterogenous within and across coalitions, divergence in opinion and position may occur both privately and publicly. As we did not witness all conversations between Parties, we use “most” in our analysis to signify the majority opinions observed during the COP27 negotiations.

This is an informal analysis offered in the spirit of making the text's language and significance more accessible. Not all parts of the text are included in the analysis in the below. To read the full decision, click [here](#) or above on the decision title.

¹ This item and the outcomes thereof are without prejudice to the consideration of similar issues in the future

Preamble

Text	Significance
Notes the urgency of “efforts to avert, minimize and address loss and damage”	Historical achievement for the UNFCCC as engagement on L&D has been previously limited. The urgency to minimize and avert L&D strengthens calls for climate change mitigation, and acknowledges both that L&D is occurring and must be addressed quickly
Expresses alarm that “loss and damage will continue to increase with every additional fraction of a degree of temperature increase.”	<p>Acknowledges the importance of every 1/x change in temperature. This is important for calls to strengthen mitigation of greenhouse gas (GHG) emissions, and for establishing that L&D will increase as the climate crisis deepens</p> <p>Sought by the UK, EU, and most other nations that were calling for stronger mitigation language</p>
Welcomes initiatives like Global Shield...and Early Warnings... but not limited to	Sought by developed nations who were pressing for L&D to be addressed through these initiatives and not under the UNFCCC
<ul style="list-style-type: none"> - Global Shield Against Climate Risks 	<ul style="list-style-type: none"> - G7 + V20 support of L&D - Launched 14 November 2022 - “expands instruments of climate protection” - Instruments: insurance schemes, risk-sharing networks, credit guarantees - Germany providing 170 mil euros as seed of which 85.5 is for climate risk finance instruments + 41.7 mil euros from other contributors <p><i>The shield primarily expands insurance schemes. We are increasingly seeing that insurance falls short of need and is considered unsustainable in the long-term with increased disaster severity</i></p>
<ul style="list-style-type: none"> - UN SG’s Early Warnings for All 	<ul style="list-style-type: none"> - 24 hrs notice of upcoming hazard can cut damage by 30% - Many communities have no warning - UN initial investment: \$3.1 bil - Announced 7 November 2022 <p><i>Important for preventing more severe L&D but does not contribute to funding responses to the adverse effects of climate change</i></p>
Acknowledges the existing funding arrangements are not sufficient	Sought by for developing nations that were pushing for a separate fund under UNFCCC

Operatives

Text	Significance
<p>1. “Acknowledges the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction_ action.”</p>	<p>Brings in timescale</p> <p>Names who needs funds for L&D</p> <p>Begins outlining what can qualify as L&D</p> <ul style="list-style-type: none"> - Significant as well for including non-economic losses and for distinguishing between extreme weather events and slow onsets - Many times, one but not the other is acknowledged - Legitimizes that some weather events are driven by climate change
<p>2. New funding arrangements that complement and include sources and processes inside and outside the UNFCCC and CMA</p>	<p>Supplementary funding arrangements + use of existing instruments</p> <p>This was a source of tension between Parties. Most developed nations originally wanted L&D to be addressed only in this manner or outside the umbrellas of the UNFCCC and CMA</p>
<p>3. “Establish a fund for responding to loss and damage”²</p>	<p><i>New fund</i> that is separate from current instruments and processes of UNFCCC</p> <p>This was a source of tension. Most developing nations originally wanted L&D to be addressed primarily or exclusively in this manner to contain it under UNFCCC</p>
<p>4. Establishes the Transitional Committee on operationalization of P3 for COP28 consideration with the view to operationalize P2 and P3</p>	<p>Makes a goal of operationalizing both types of funding within a year</p> <p>Most Developing nations wanted operationalization at COP27</p> <p>Developed nations wanted to discuss when to operationalize at COP29</p> <p>→ Would have been more than two years before L&D funding operationalized</p> <p><i>Highly significant for developing nations given feasibility of operationalization at COP27 was nearly zero and they prevented developed nations from dragging out this discussion for several more years</i></p>
<p>5. Recommendations to operationalize funding for P2 and P3 “shall consider...”</p>	<p>“shall consider” is notably strong language as it establishes the obligations associated</p>

² Inclusion of Paragraphs 2 and 3 in the final draft showcases the compromise that Parties were able to achieve

<p>a) establishing international arrangements for P3</p> <p>b) defining elements of P2</p> <p>c) “identifying and expanding sources of funding”</p> <p>d) “coordination and complementarity with existing funding arrangements”</p>	<p>with the operationalization of the funding arrangements for L&D.</p> <p>c) See QUNO working paper on alternative funding arrangements for L&D</p>
<p>6. Transitional Committee “will be informed...”</p> <p>a) “current landscape of institutions...and ways in which coherence, coordination and synergies among them can be enhanced.”</p> <p>b) “gaps within the current landscape...noting that these may vary”</p> <p>c) “priority gaps for which solutions should be explored”</p> <p>d) “most effective ways in which to address the gaps”</p> <p>e) “Potential sources of funding...including innovative sources.”</p>	<p>“will” is a strong modal verb, it establishes the terms of reference for the committee</p> <p>a) Strengthens P2</p> <p>b) Sought by developing nations as it creates more flexibility which was a point of concern to be included</p> <p>c) No priorities defined – ambiguous</p> <p>d) No definition or grounding on where these effective ways are to come from</p> <p>e) See QUNO working paper on alternative sources of funding</p>
<p>7. For P4 and P5 (transitional committee operationalization)</p> <p>a) “Requests the secretariat to conduct two workshops in 2023”</p> <p>b) Prepare a synthesis report on existing fund sources</p> <p>c) “Invite Parties and relevant organizations to submit...by 15 February 2023 views on topics for and the structure of the 2nd Glasgow Dialogue and the workshops referred to in paragraph 7 (a) above”</p> <p>d) invites submission of inputs on how UN organs and international financial institutions might enhance access to and/or the speed, scope, and scale availability of finance for L&D</p>	<p>This paragraph outlines <i>how</i> the Transitional Committee will operationalize fundings the L&D fund as well as mobilize financial resources that already exist both within and outside the UNFCCC and CMA.</p> <p>b) identifies existing funds</p> <p>c) Parties and non-parties are able to share their inputs on how the Glasgow Dialogues and workshops will be structured → allows stakeholders to guide the processes</p> <p>d) engages broader UN bodies as well as private sector and reinforces timing and scale of addressing L&D</p>
<p>8. 2nd and 3rd Glasgow Dialogues (GD) will take these activities and considerations into account</p>	<p>As the GDs are designed to discuss funding arrangement for L&D, the maintenance of synergy between the processes will support a consistent approach to addressing L&D as</p>
<p>9. 2nd GD to focus on operationalization of P2 and P3 + maximizing support</p>	<p>Assists with the timeline and goal of operationalization by COP28</p>
<p>12. Invites World Bank Group and IMF during Spring 2023 Meetings to consider respective potential to contribute to L&D funding arrangements</p>	<p>Involvement of multilateral banks being brought into L&D</p> <ul style="list-style-type: none"> - Supports calls for debt alleviation and SDR transfers (see QUNO working paper)
<p>13. Reiterates decision 1/CMA.3 P64</p>	<p>This is a reference to common but differentiated responsibility and respective</p>

	<p>capability with call to private sector and non-government actors</p> <p><i>Inclusion of private and non-govt actors was a called for by developed nations who pressed repeatedly the point that public funds alone will not be enough to address L&D or the climate crisis in general and therefore there is need to bring in the private sector as well</i></p>
18. “Request that the actions of the Secretariat called for in this decision be undertaken subject to the availability of financial resources”	<p>Raises question about ability of countries to omit L&D from the agenda based on “not in the budget” type arguments going forward</p> <ul style="list-style-type: none"> - Marks a failure to make L&D a permanent agenda item

Annex: Terms of Reference for Transitional Committee

Text	Significance
1. Transitional Committee (TC) recommendations to be made at COP28 and CMA5	Provides a deadline for <i>recommendations</i> to be made by Deadline tighter than most developed countries wanted
3. TC concluded with adaptation of new L&D funding arrangements, no later than COP28 and CMA5	Provides a deadline for <i>adoption</i> of new funding arrangements for L&D
4. TC will have 24 members -nominated no later than 15 December 2022 – 10 from developed and 14 from developing with geographical representation	Attempt at equitable consultation which is needed for considering the vast differences in experience of L&D
7. 1 st TC meeting to be convened by UNFCCC Ex. Sec. no later than 31 March 2023	Timeline for getting started
9, “The Transitional Committee will be guided by the best available science in conducting its work”	Helpful for connecting weather and slow onset events to climate change and therefore for connecting losses to L&D

Summary of Calls Answered

Calls from most Developing	Call from most Developed
Pre.: acknowledgment of 1/x significance	P2: use of existing instruments
Pre.: new and additional funds	P6: strengthens P2
P3: new fund	P18: impermanence of L&D on agenda
P4: stricter operationalization of fund timeline than developed wanted	
P6b: gives flexibility in what challenges might be addressed/covered	
Annex P3: TC’s conclusion dependent upon adoption of L&D funding	