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Loss and damages: why countries can’t agree on compensation for climate impacts

By Liv Martin

“Loss and damages” in the context of climate change seems to be a hot topic these days. It began to gain some traction at the Cop26 climate summit in Glasgow, and many are hoping it will be a pillar of the Cop27 conference in Sharm El-Sheikh, Egypt in November. But reaching a consensus on what the term actually refers to has been a challenge for the international community.

At a recent panel on loss and damages in Geneva, experts on trade, finance, human rights, migration and development all had different ways of approaching it. According to Dina Ionesco, a manager in the adaptation division of the United Nations Framework Convention on Climate Change (UNFCCC) and a panel expert on migration, any conversation about loss and damages must be nuanced.

The trouble with defining loss and damages is that it can be interpreted through many lenses. For some in the international political sector, it is purely financial: how do we translate loss and damages into figures? Which countries deserve the most compensation and when?

Numbers are easy to project, but non-economic losses can be harder to conceptualise and predict. The UNFCCC defines them as loss of life, degraded health, losses induced by human mobility, loss or degradation of territory, cultural heritage, indigenous knowledge, societal or cultural identity, biodiversity and ecosystem services.

This is why, for some, loss and damages is clearly a human rights issue: “It’s about people and their needs,” said Joie Chowdhury, program coordinator at the International Network for Economic, Social and Cultural Rights, at the panel. She argued states have obligations under treaty law to address the ways in which loss and damage can undermine our core rights, such as the right to life, housing and education.

Part of the issue may also be as simple as semantics: “A lot is being done for the response to loss and damage that’s not being called loss and damages. Understanding this is a key first stage,” Ionesco told Geneva Solutions.

The vulnerable hit hardest

Most can agree that, whether economic or non-economic, the poorest countries will endure the brunt of climate change-related loss and damages. A new report from the Vulnerable 20 Group (V20), comprising 55 of the most climate vulnerable countries, revealed that these countries’ economies have lost $525bn. The V20 report also found that the most at-risk countries would be twice as wealthy today if not for climate change.

Developing nations see this issue as a clear injustice: they have contributed the least in carbon emissions, and yet are already suffering and sacrificing the most. They’ve lost crops to more frequent and severe floods, droughts and other weather events, and they’re fighting an impossible battle against rising sea levels.

V20

Climate Change Loss and Damage:
An Emergency
Economic, Finance and Trade Agenda

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Panelists on 16 June discussing a new report investigating climate change-related financial losses in economies of the Vulnerable Twenty Group (V20) over the last two decades. (Credit: Pauline Seppey/Aroha Geneva)

But advocating for themselves and convincing developed nations to follow through on financial promises has been a massive challenge. In fact, developed nations have still not followed through on a promise made in 2010 to give $100bn a year in aid to poorer countries by 2020.

And even if V20 countries wanted to borrow financing to adapt to climate change on their own, they pay 10 per cent more because they're seen as high risk, noted Diana Barrowclough, senior economist at the United Nations Conference on Trade and Development (UNCTAD), in her panel comments. Many have also already accumulated high levels of debt.

‘A no choice scenario’

As global temperatures reach 1.5ºC — a marker scientists and the UN have deemed disastrous — losses are bound to increase. The international community has reached a critical moment to address the unavoidable fallout of the climate crisis.

Loss and damages was on the table at the UNFCCC’s Bonn Climate Conference, a point of check-in on the climate agenda between the Cop summits, but negotiations there only led to tense disagreements. The hitch in action can be attributed to the US and Europe, who were not ready to commit billions to developing countries or discuss a proposal for a fund facility at Cop27.

“We need to see finance flowing to developing countries,” said Fernanda de Carvalho, global policy manager in climate and energy practice at the World Wide Fund for Nature (WWF), who attended the Bonn conference.

“I think we expect from developed countries to take action and support developing countries, and from developing countries we expect that they will take action once supported,” she told Geneva Solutions.

Many are looking to Cop27 for less dialogue and more action. Mitigation, adaptation and finance will be at the top of its agenda.

“It should fall on Cop27 to decisively act,” said Ken Ofori-Atta, Ghana’s finance minister and chair of the V20 in a pre-recorded statement at the panel event. Specifically, V20 countries are calling on Cop27 to yield a mechanism for climate change finance, he added.

V20 workstream coordinator and finance advisor Sara Ahmed sees a path forward that includes key international platforms like the G7 and G20 summits, World Bank Annual Meetings and Cop27. But negotiation efforts will have to result in rapid action — as well as a consensus on what loss and damages are.

"I think we're in a no choice scenario right now," she told Geneva Solutions.

The V20 requested the Climate Finance Delivery Plan, spearheaded by Canada and Germany. The plan, developed at Cop26, aimed to clarify when and how developed countries will meet the $100bn commitment through 2025. According to the V20 report, following through on the delivery plan is "crucial to the world's economic well-being".

Developing nations are continuing to sound the alarm bell. In the last ministerial dialogue, held April 2022, the V20 countries called for a clear implementation plan from developed nations. A key to moving forward is reminding developed nations that if they do not aid developing nations, all countries will ultimately suffer economic losses.

"The drivers of growth are developing countries," Ahmed told Geneva Solutions. "This is why the V20 is putting forward climate prosperity plans in order to show there is a far better way forward. There is a way out, and the way out is certainly in this decade."

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