

## Expert Dialogue underscores finance gap to address climate induced 'Loss and Damage'

Bonn, 14 May (Harjeet Singh+) – The Suva Expert Dialogue on 'Loss and Damage,' mandated by last year's climate change summit, concluded on 3 May in Bonn, Germany, during the recent climate talks under the UNFCCC.

Developing countries and experts from non-state actors and civil society underscored the need to address the finance gap for loss and damage suffered by developing countries.

The six-hour dialogue spread over two days provided the opportunity to Parties and experts from non-state actors to share their experience and concerns.

Two parallel discussions were organised on the first day on (i) risk assessment and risk transfer; and (ii) risk reduction and risk attention.

Several observers were of the view that the format of the dialogue was not very helpful as the discussions needed to go beyond the risk framing to keep the focus on the mobilization of support, particularly on finance.

On the second day, two roundtable discussions, namely: managing risks comprehensively - extreme weather events and slow onset climatic processes were held.

While many developing countries voiced their concerns, with suggestions for ways to address loss and damage, developed countries made little contribution to the dialogue.

**Timor-Leste** underlined the fact that loss and damage is beyond adaptation and stressed that funding is a big gap that needs to be addressed.

**Philippines** highlighted the role of countries being central in choosing the approaches and enabling national policies.

**Seychelles** shared how developing countries are already under debt and lack of funding for addressing loss and damage will force them to take risks which will affect communities in the long run.

**Egypt** warned that residual damages will hamper Africa's development and loss and damage costs will double adaptation costs in 2030-2050 so there is a need to scale up finance for addressing it.

**Saint Lucia** emphasised that as we discuss insurance as a "silver bullet", climate risks are intensifying and we need to tailor responses and distinguish between different types of impacts. There are tools other than insurance that need to be considered, especially in the case of high frequency events, it added.

Non-state actors and civil society who also spoke at the dialogue included the International Federation of Red Cross and Red Crescent, Oxfam, CARE, WWF, Overseas Development Institute, ActionAid, ICLEI (Local Governments for Sustainability) and Bangladesh Center for Advanced Studies (BCAS).

Below are a few highlights from the interventions at the dialogue:

**1. Finance:** There is a huge finance gap in addressing loss and damage due to the inaction of the Executive Committee (ExCom) to the Warsaw International Mechanism (WIM) so far. (According to observers, despite being in existence for nearly five years, developed countries did not allow the body to make any meaningful progress on providing finance to developing countries in addressing loss and damage.)

Civil society experts called for the provision of at least US \$50 billion per year by 2022 for loss and damage, which they said must be over and above the annual target of USD 100 billion a year for climate finance.

**Timor-Leste** suggested adopting similar approach as was done in case of National Adaptation Programmes of Action (NAPAs) and National Adaptation Plans (NAPs) through Green Climate Fund (GCF), with guidance from the ExCom of the WIM.

**2. Financial Instruments beyond insurance:** At the dialogue, developed countries could not overcome their obsession with insurance. **Germany** took most of the time among developed countries, (while the **United Kingdom, Spain** and the **European Union** made very brief interventions only during the parallel sessions), hammering how insurance works in most situations and has shown great results. One representative from the German government's international cooperation arm (GIZ), went to the extent of suggesting insurance as a "magic tool".

Developing countries and non-state actors alike debunked the fact that insurance is not a panacea and has several limitations.

(According to observers who have been following the ExCom meetings, it is over enthusiasm of developed countries towards insurance that did not let the Committee to assess and develop other financial instruments, which are urgently required to deal with extreme events and particularly slow onset processes.)

During the dialogue, developing country governments also stressed that where insurance can help address risks, it must be part of a comprehensive risk management system.

**Honduras** and other countries urged that the insurance premiums must be subsidized and funded from the global funds to avoid transferring the burden to poor people. **Tuvalu** shared how a few Pacific island states have already set up vulnerability funds to help the affected communities. Such financial instruments need to be studied so that they then can be scaled up and replicated appropriately in relevant contexts. There were also calls for a Global Solidarity Fund to be set up to finance interventions to address climate impacts, including planned relocation in case of permanent and irreversible loss and damage.

**3. Sources:** (According to observers, the issue of sources of funds has been the most neglected area of work. The ExCom has not taken any substantive action so far to identify the potential sources of funds for addressing loss and damage.)

During the dialogue, there were calls for public financing from developed countries to be one of the main sources, while Parties such as **Seychelles** and some non-state actors advocated for the need to look for innovative sources such as from financial transaction taxes, climate damages tax, climate levies in sectors that are most damaging, adopting polluter pays principle.

(Just before the dialogue, an opinion piece by the ministers from **Dominica, Bangladesh** and **Vanuatu** along with the Ambassador from **Seychelles** was published by a media agency, urging that the "resources to offset climate-related losses and damages need to be scaled up and the perpetrators, not the victims, must pay.")

(At the 23<sup>rd</sup> meeting of the UNFCCC's Conference of Parties [COP23], Parties had requested the Secretariat, under the guidance of the ExCom of the WIM and the Chair of the Subsidiary Body for Implementation (SBI), to organize, an expert dialogue to explore a wide range of information, inputs and views on ways for facilitating the mobilization and securing of expertise, and enhancement of support, including finance, technology and capacity-building, for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, with a view to informing the preparation of the technical paper (Decision 4/CP.22). The technical paper, will serve as an

input to the review of the WIM scheduled to take place at COP 25 in 2019. The technical paper to be prepared by June 2019 will elaborate:

- (i) sources of financial support, as provided through the Financial Mechanism, for addressing loss and damage as described in relevant decisions, as well as modalities for accessing such support; and
- (ii) finance available for addressing loss and damage as described in relevant decisions, outside the Financial Mechanism, as well as the modalities for accessing it.)

(According to sources, the need for this dialogue arose as ExCom to the WIM had failed to deliver on its third function, namely ‘enhancing action and support.’)

#### *Next steps*

The Secretariat has been requested by COP 23 to prepare a report on the Suva Expert Dialogue for consideration by the ExCom at its second meeting in the week of 17<sup>th</sup> September 2018.

Before the next ExCom September meeting, according to observers, it will be important for Parties to take up these issues at the UNFCCC’s 2018 Forum of the Standing Committee on Finance [SCF] that will be organised on 5-6 July in Songdo, in the Republic of Korea. The topic of this year’s forum “*The Climate Finance Architecture: Enhancing collaboration, seizing opportunities*” provides numerous opportunities to focus on the need for identification and development of new financial instruments for addressing loss and damage as well as mapping various sources of finance.

These discussions as well as the report of the dialogue will inform the discussions around scoping the technical paper (as mentioned above) on the sources of financial support, as provided through and outside the UNFCCC’s Financial Mechanism, for addressing loss and damage, as well as modalities for accessing such support.

*(Harjeet Singh is ActionAid International’s Global Lead on Climate Change, based in India.)*