



Climate Action Network

Submission on the Scope of the Technical Paper Exploring Sources of Support for Loss and Damage and Modalities for Accessing Support

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Climate Action Network (CAN) is the world's largest network of civil society organizations working together to promote government action to address the climate crisis, with more than 1100 members in over 120 countries.

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Executive Summary

The prevalence of extreme weather events and climate impacts experienced all over the world in 2017 - hurricanes in the Caribbean, heavy floods in South Asia, floods and droughts in Africa, droughts and rising sea levels in the Pacific, changing rainfall including flooding in South America - make it very clear that we have no time to waste. The most vulnerable people in the frontlines of climate change require finance for loss and damage urgently.

It is essential that the review of the Warsaw Mechanism for Loss and Damage (WIM) at the 25th Conference of the Parties to the UNFCCC (COP 25) in 2019 results in the full operationalisation of the WIM. This will be achieved by establishing a finance arm, with modalities for channelling and accessing loss and damage finance by the 2019 review from a clear menu of options developed by the WIM and the Standing Committee on Finance (SCF). We cannot lose more time in delaying meaningful discussions with the rapidly increasing and worsening climate change impacts that are being felt across the globe. CAN urges all countries to proactively and positively engage in these discussions.

The WIM Executive Committee (ExCom) and the SCF will need to undertake additional work over 2018 and 2019 to develop and discuss the concepts necessary to achieve this. Ample focus must be given to this task, comparable to all other elements of their respective workplans. It is essential for the Subsidiary Bodies and the COP to consider progress on loss and damage finance at each meeting.

The work to be undertaken before COP 25 should also form the basis of the technical paper, and should include:

- Putting in place a more specific working definition of loss and damage finance. We recommend a set of guiding questions or criteria be identified, perhaps teamed with an illustrative but not exhaustive, positive list of activities to be funded. These questions could include:
 - a. Was the impact likely caused by, or made worse or more pronounced by, climate change? One measure would be if some or all the impact falls outside of normal, historical parameters and/or if it can be attributed either wholly or partially to climate change based on established science.
 - b. Does it involve economic losses, including livelihood assets, loss of something the community values and depends on, such as loss of fishing resource, loss of ancestral land, loss of culture associated with traditional activities and/or loss of the ability to undertake an activity (eg: inability to herd cattle)?
 - c. Does the impact require a significant change to traditional or existing livelihood or way of life, going beyond adjustments that could be considered adaptation and instead require an altogether different reaction outside of the realm of the traditional approach?
- Clarifying further estimates of loss and damage costs and the finance needed to address these costs in developing countries, with a view of agreeing on a finance target for loss and damage of more than US\$50 billion a year by 2022, increasing each year thereafter. It has been suggested that US\$300 billion a year by 2030 is the appropriate scale of finance to aim for. This should be separate from finance for adaptation, development or humanitarian and disaster response needs that are considered “normal” and not exacerbated by climate change.
- Identifying sources of finance. We recommend identifying and agreeing to put in place key innovative sources of finance such as a Fossil Fuel Extraction Levy (Climate Damages Tax), levy on carbon pricing, financial transaction tax (FTT), and carbon pricing for international aviation and maritime. A mix of these sources of finance, if well implemented, could raise an estimated US\$300 billion a year by 2030 for loss and damage finance. These new mechanisms to generate additional and complementary public finance should play a role in providing finance and will ideally effectively operationalise the polluter pays concept and create a global carbon price. The design can and must incorporate key principles of the United Nations Framework Convention on

Climate Change (UNFCCC) and the Paris Agreement, including the principle of common but differentiated responsibilities and respective capabilities, to help ensure that the ‘solution’ to loss and damage finance does not fall upon the poor. It will be essential for rich countries to “bottom line” the provision of finance for loss and damage. If innovative sources of finance are designed and implemented in a way that proves insufficient to meet the needs, rich countries must ensure that sufficient funds are available to those on the frontlines of climate impacts.

- As above, agreeing on modalities for channelling and accessing loss and damage support at the 2019 review of the WIM. This should include a clear menu of options developed by the WIM and the SCF on the table so that the Parties can immediately make decisions.
- Anchoring of the institutional structure or mechanism for loss and damage finance in the overarching framework of the UNFCCC financial mechanism. The SCF and the WIM should take the lead in considering and putting in place an adequate and effective institutional structure including initiating a comparative analysis of various fund options that considers the diversity of potential actions to be funded. The Adaptation Fund (AF) and the Green Climate Fund (GCF) demonstrate some of the needed attributes for loss and damage finance, whilst also having some drawbacks, and should be considered in the process.
- Stipulating that multilateral funding for loss and damage should flow predominantly through the finance arm of the WIM, especially for funding generated through innovative or alternative sources. The design should build on a participatory and transparent process involving expertise from a wide range of actors relevant to the diversity of loss and damage funding needs.
- Agreeing on an overarching set of principles for all loss and damage finance, to include issues such as predictability, additionality, polluter pays, precaution, country/local ownership and subsidiarity, equitable/direct access, appropriateness and a strong focus on gender equality and human rights.
- Incorporating loss and damage finance into the negotiations about accounting under Subsidiary Body for Scientific and Technological Advice (SBSTA) and the negotiations on transparency.

Clearly, it is essential to immediately put in place a plan to generate significant and predictable sources of finance for loss and damage. The review of the WIM at the end of 2019 provides an opportunity to fully operationalise the WIM by putting in place a finance arm with a view to scaling-up finance for loss and damage quickly. Therefore, much of this discussion will need to occur between now and the end of 2019. The SCF and the WIM ExCom should ensure that these discussions occur regularly with permanent agenda items to allow progress at both COPs and intersessions.

The upcoming Suva Expert Dialogue offers an opportunity to progress this agenda. The Dialogue should be inclusive and interactive, involving various stakeholders and building on good participatory practice (e.g. TEMs). Vulnerable developing countries should be given a strong voice as the WIM is primarily about addressing those countries’ needs. It should also pay attention to identified gaps, such as the lack of additional finance available, instead of focusing on issues that result in transferring risks such as insurance.

1. Introduction

As the frequent occurrence of extreme weather events in 2017 have made clear, loss and damage from the impacts of climate change are already being suffered. Vulnerable communities are already dealing with climate change impacts that go beyond adaptation and at a scale that, for some, goes beyond their local and even national capacities.

Global media tends to focus on loss and damage impacting rich countries and were transfixed by the damage caused by Hurricanes Harvey, Irma and Maria on the US. However, it is clear that loss and damage from climate change impacts affects the poorest the most. Those that had least to do with causing climate change are likely to face the worst of its impacts.

Hurricanes Irma and Maria resulted in the deaths of at least 38 people in the Caribbean and caused whole cities and entire islands to be reduced to rubble. 60% of Barbuda's population was made homeless and 99% of its buildings were destroyed. In Cuba, 10 people died, and two-thirds of its population was left without electricity with floods destroying many of its cities. Hurricane Maria, the second powerful hurricane to hit in less than a week, claimed over 25 lives in Dominica and severely damaged more than 80% of its housing sector.¹

These devastating hurricanes in America are comparable to the increasing storm intensity felt in the Pacific islands. Cyclone Pam in 2015 caused a death toll of 24 and the displacement of 3,300 people in Vanuatu with an estimated US\$360.4 million of damages. Cyclone Winston, which struck Fiji in 2016, had a death toll of 44, damaged 40,000 homes and affected an estimated 350,000 people or 40% of Fiji's population, causing an estimated US\$1.4 billion damage - roughly 30% of Fiji's GDP.

It is not just extreme weather events that are being felt, but slow onset climate impacts as well. Vunidogoloa, the first community in Fiji forced to relocate due to climate change, faced coastal erosion, flooding and salt water intrusion that made it impossible to live in a healthy environment and maintain a plantation. Rising waters forced the community to relocate and this meant the loss of ancestral lands including burial grounds, subsistence fishing, community, culture and identity.

It is abundantly clear that countries must use the Talanoa Dialogue to turn 2018 into a Year of Enhanced Ambition - increasing their mitigation efforts and turning the world away from a 3°C pathway towards 1.5°C degrees that was promised at Paris. Additionally, rich countries must meet their promise of providing significant adaptation finance. Fulfilling these commitments will reduce loss and damage however, given the insufficiency of mitigation efforts to date and the shortfall in adaptation finance, there is no way to avoid loss and damage altogether. Therefore, we must urgently plan for how to provide loss and damage finance on a cooperative and facilitative basis, in solidarity with those facing the worst impacts of climate change.

Finance for loss and damage was promised in 2013, when the WIM was established under Decision 2/CP.19, and it was reiterated in Article 8 of the Paris Agreement. As developing country Parties made very clear at COP23, a finance arm must be established for the WIM to be fully operationalised.

The Review of the WIM in 2019 must put in place this finance arm, incorporating a plan to urgently generate finance for developing countries, in particular for the poorest and most vulnerable populations, from predictable, adequate and sustainable sources at a scale of at least US\$50 billion a year by 2022, and

¹ Climate Analytics. A year of climate extremes. <http://climateanalytics.org/blog/2017/a-year-of-climate-extremes-a-case-for-loss-and-damage-at-cop23.html>

growing thereafter. This must be over and above the finance provided for adaptation and should include new and innovative sources of finance.

The path between now and the review in 2019 will require a number of issues to be further developed, and we reiterate our call to the ExCom: given the miniscule progress made on providing finance for loss and damage in the four and a half years since the WIM was agreed in 2013, the ExCom, should dedicate as much effort to the area of finance for loss and damage as to the rest of their workplan in 2019 and 2019. The ExCom should also urgently explore possibilities, either unilaterally or jointly with such other bodies, for work with other bodies of the Convention such as the SCF. Delay in progress in any of the issues laid out in this submission, on top of the substantial delay incurred since 2013, would indicate that developed countries do not intend to live up to the commitments they made in the WIM or the Paris Agreement.

The issues requiring discussion over 2018 and 2019 are outlined below and include enhancing the understanding of the nature, types and scales of finance developing countries require, sources of finance, and mechanisms for generating and accessing finance. We are concerned that insurance is the only option on the table at the moment. Not only is insurance only a small part of the answer to loss and damage, it is also not in fact a source of finance - but a *use* of finance. An overemphasis on climate insurance has many risks, not least that as climate impacts become ever more intense we risk the collapse of the insurance market due to increasing intensity of natural hazards that could be globally devastating.

In this submission, CAN lays out suggestions in response to the call for submissions and the potential scope of activity 1(a) of strategic workstream (e) of the five-year rolling work-plan of the Executive Committee and the technical paper referred to in decision 4/CP.22, paragraph 2(f) and (g), as requested by Decision 5/CP.23.

2. Type and nature of actions to address loss and damage for which finance may be required

In CAN's view, addressing loss and damage associated with the adverse impacts of climate change, which is at the core of the WIM's mandate, is very different from adaptation or disaster preparedness. CAN has always been of the view that prevention, through mitigation, adaptation and disaster risk reduction, is crucial and can reduce harm from climate change impacts. However, it cannot be denied that loss and damage through climate change impacts are and will be happening despite and beyond current efforts, and they need to be addressed. On a practical, on-the-ground level, measures to promote adaptation and tackle occurring loss and damage should often be combined to achieve the biggest impact, but this does not change the fact that they are dealing with different aspects of the climate change problem and that such differences should be accounted for. The fact that the Paris Agreement includes a separate article on loss and damage is one political indication that adaptation is separate from loss and damage. The complementary nature of the WIM also makes clear that its role is not to duplicate or repeat adaptation and disaster risk reduction discussions that happen elsewhere in specific expert bodies and discussions.

The UNFCCC defines loss and damage as the "actual and potential manifestation of climate change impacts that negatively affect human and natural systems" and further states that "loss and damage includes the effects of the full range of climate change related impacts, from increasing (in number and intensity) extreme weather events to slow onset events and combinations of the two."² The WIM ExCom in 2016 described loss and damage as the adverse effects of climate variability and climate change that

² UNFCCC, 2012. FCCC/SBI/2012/INF.14, A literature review on the topics in the context of thematic area 2 of the work programme on loss and damage: a range of approaches to address loss and damage associated with the adverse effects of climate change. Doha. 15 November 2012.
<http://unfccc.int/resource/docs/2012/sbi/eng/inf14.pdf>

occur despite global mitigation and local adaptation efforts.³ A full list of the various descriptions of loss and damage activities from various COP Decisions can be found in Appendix B.

To fulfil the mandate of the WIM, which is to enhance, facilitate, and mobilise finance (Appendix C) and to ensure openness and transparency that loss and damage finance is accounted for, it will be useful to develop a more specific working definition of loss and damage finance while maintaining flexibility in any such definition, allowing for the adjustment of approaches based on research, experience and learnings. To meet this need, we propose that the following set of guiding questions (and examples which may serve as a non-exclusionary positive list) be adopted on a working basis, in order to give guidance as to activities the WIM and the financial mechanism of the UNFCCC will seek to fund or ensure is being funded adequately. This set of guiding questions should be periodically reviewed and updated, and the non-exclusionary positive list should be updated as necessary.

Proposed guiding questions/criteria to determine loss and damage activities eligible for funding:^{4,5}

1. Was the impact likely caused by, or made worse or more pronounced by, climate change? One measure would be if some or all impacts fall outside of normal, historical parameters and/or if it can be attributed either wholly or partially to climate change based on established science.
2. Does it involve economic losses, including livelihood assets, loss of something the community values and depends on, such as loss of fishing resource, loss of ancestral land, loss of culture associated with traditional activities, and loss of the ability to undertake an activity (e.g. inability to herd cattle)?
3. Does the impact require a significant change in traditional or existing livelihood or way of life, going beyond adjustments that could be considered under adaptation and instead require an altogether different reaction outside of the realm of traditional approaches?

Proposed illustrative, but not exhaustive, positive list of loss and damage activities to be funded:⁶

Relocation funds in the face of rising sea levels: Sea level rise results in many traditional crops becoming unviable due to salination. Communities may undertake adaptation efforts by planting crops that are salt resistant and planting crops in raised beds/pots. However, communities are likely to increasingly face floods and economic losses or be forced to relocate either for a short term or permanently. Even if this migration/relocation is planned, it should be considered under loss and damage as the community is reacting to the loss (or expected loss) of land and their livelihoods. In addition, it is very likely that they will face loss of community and culture as a result of the relocation. Funds should be readily provided to enable the community to relocate and to minimise human suffering and other non-economic losses (of community, culture, language). Financial assistance should also be provided to communities that have already relocated, mostly at their own expense (for example, Vunidogoloa in Fiji). Provision of funds should cover relocation both within and beyond national borders.

Reconstruction costs in reaction to supercharged storms and unpredictable climate impacts: Extreme and unpredictable storms and floods as well as heatwaves can damage infrastructure. If a

³ WIM ExCom (The Executive Committee of the Warsaw International Mechanism for Loss and Damage). 2016. Synthesis of relevant information, good practices and lessons learned in relation to Pillar 1: Enhancing Knowledge and Understanding. 6 September 2016. Available: http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/excom_iom_technical_meeting_pillar_1.pdf

⁴ These proposed guiding questions or criteria are offered as an initial proposal, and CAN recognises further input and discussion is required (during 2018/19) before they are agreed.

⁵ These questions were drawn initially from Richards and Schalatek (2017).

⁶ This positive list is drawn initially from Richards and Schalatek (2017) and enhanced here.

country has the resources to adapt, it may be able to sufficiently reinforce infrastructure and ensure that, for example, bridges stay undamaged through storms. However, in many cases funds for these adaptation efforts will not be sufficient and unpredictable impacts will lead to damages in infrastructure. When such events fall outside of normal ranges of historical parameters for wind speed or rainfall and/or when storm damage is exacerbated by higher sea levels and other impacts of climate change, communities should receive finance to undertake reconstruction and to facilitate 'building back better.' While the process for 'building back better' should be done in a way that allows communities to adapt to future climate change impacts, the bulk of the costs for such measures are about recovering from loss and damage.

Social protection schemes that can scale up (and down) to respond to disasters: In the light of worsening drought conditions driven by climate change in the horn of Africa and other places, farmers and governments are finding it increasingly difficult to recover from extended periods of increasingly severe drought. From 2008 to 2011, the Government of Kenya estimated losses from extreme drought at US\$12.1 billion. Major areas of loss included: agriculture at US\$1.5bn, livestock at US\$8.7bn, and water and sanitation at US\$1.1bn. The poorest people suffered the greatest losses. As the drought lasted more than four years, poverty increased in both qualitative and quantitative terms, and the Government of Kenya had to divert funds and significantly increase its efforts to reduce poverty in the medium- to long-term. Loss and damage finance from international support should be made available for making social protection schemes like the Kenyan Hunger Safety Net Programme that are able to scale up to protect communities and allow them to recover from losses during extreme droughts.

Alternative livelihood programmes in the face of resource loss: Communities facing loss of resources (e.g. loss of fishing resources as oceans warm, currents change and coral reefs bleach, or desertification of traditionally fertile land) may eventually find adaptation efforts insufficient in the face of climate impacts and will therefore have to change to a completely new source of livelihood in order to stay in-situ. As an example: shifting from one crop to a different, more drought-tolerant crop would be considered adaptation, but once desertification makes growing any kind of crop impossible and the community is forced to consider a livelihood completely different to their traditional and primarily agricultural livelihood (e.g. tourism, manufacturing, mining), this would be considered loss and damage. International loss and damage finance could help put in place a programme to develop alternative livelihoods, in response to the loss of their resource.

Premium subsidies for insurance for sudden onset climate events (e.g. storms, floods, droughts): Climate risk insurance is the most frequently discussed tool to address loss and damage from climate change. Insurance is most relevant for events of relatively low frequency and high severity, as premiums become too high when events are more frequent. In the case of slow onset impacts, it cannot be used at all. An example of climate insurance is the African Risk Capacity (ARC) mechanism, a pan-African disaster risk pool that provides automatic payments in case of severe drought. The payment is dependent on contingency plans being in place before the disaster which determines in advance how the funds would be used. By pooling risk across African countries, substantial savings are made on both administrative costs and the capital required.⁷ Climate risk insurance at the individual level is also already being applied as a loss and damage strategy. Examples include the ACRE Africa weather index micro-insurance and the R4 Rural Resilience Initiative which combines insurance with other risk management strategies for poor people run by the World Food Programme and Oxfam America in Ethiopia, Senegal, Zambia and Malawi, with pilots in Kenya and Zimbabwe.

Current evidence suggests that microinsurance does not work well for the poorest, where social protection is the best solution. For those that risk falling into poverty due to disasters, insurance may be

⁷ Richards and Boom (2014)

one solution, but this should be evaluated against other options (such as increased access to savings, credit, adaptation support). To prevent premiums causing impoverishment, a subsidy will likely be required and therefore, the opportunity cost of this subsidy should be evaluated. Even in cases where insurance does offer an attractive option, it can lead to maladaptation or have unintended consequences in relation to income and gender equality or the reinforcement of existing power structures that disadvantage the most vulnerable. Hence, for insurance to be eligible for international loss and damage finance it should meet an agreed set of pro-poor principles⁸.

Global revolving solidarity fund: Spreading risks, at a higher level is the principle behind insurance. A non-profit equivalent of global insurance could be established to spread risks and lower costs.

Catastrophe bonds: CAT Bonds transfer risk from an issuer to investors via international markets and are used to raise money in case of a major catastrophes such as hurricanes or earthquakes. If a catastrophe exceeding the trigger point occurs, then the bond defaults and the obligation to pay interest and/or repay the principal is either deferred or completely forgiven.

Contingency finance/emergency reserves: This entails preparing for unpredictable climate-related disasters by setting aside funds for use in emergency situations. Current contingency funding is largely in the form of voluntary budget and finance reserves generated from own resources domestically/locally. For instance, Bangladesh is setting aside contingency funds for climate-related disasters. Rather than vulnerable countries funding such budget lines, international loss and damage finance should be used to alleviate the situations faced by countries because of climate change. Such funding could be provided directly to developing countries, for example for use in existing and/or new national disasters and loss and damage contingency funds.

Contingent credit: This is pre-agreed credit for governments, provided on preferential terms, from donors or IFIs, to provide immediate liquidity post disasters. The country must have a disaster risk management plan in place, and the loan is triggered by the declaration of a disaster. Contingent credit can be used in situations where national reserves are not sufficient.

Capacity / institution building: For governments and communities in most vulnerable countries, this will be an essential element in dealing with loss and damage effectively, as will **technology cooperation and technology transfer**. This includes supporting vulnerable developing countries: to develop and enhance national and regional level institutions to assess and address loss and damage, to develop and implement long-term policies, plans, and programmes, and to undertake pilot projects that develop and implement innovative approaches to address loss and damage. Support will be required for information gathering and sharing about the success of various approaches, and the replication of best practices, appropriate for each country's circumstances.

3. Scale of finance required

Estimates of loss and damage costs and the finance needed varies in developing countries. Additional research to quantify loss and damage costs would be useful. However, recent events make clear that loss and damage costs are already catastrophically high and that whichever estimate is used, it is clear that costs will be high even at 1.5°C of warming, let alone the 3-4°C of warming that current mitigation pledges have us heading toward. Lack of established international funding for loss and damage will shift costs

⁸ Various groups have developed pro-poor principles for climate insurance, including MCII, RESULTS UK and the Bond Development and Environment Group.

directly onto poor people, amplifying loss, damage and suffering, and lead to situations of regional and global instability.

Studies indicate that by mid-century, global loss and damage costs may exceed US\$1 trillion per year, with developing countries experiencing the majority of the burden. Loss and damage costs may be reduced through adaptation and disaster preparedness, but it will not completely be erased.

- ActionAid (2010) cites the Hope⁹ study estimating a range of US\$0.3 to US\$ 2.8 trillion in 2060, with an annual average of US\$1.2 trillion.
- Baarsch et al. (2015) suggest loss and damage costs for developing countries of around US\$400 billion a year by 2030, rising to US\$1.1 to US\$1.7 trillion a year by 2050.

		Global		Developing countries	
		Likely below 2oC	3oC	Likely below 2oC	3oC
Adaptation costs (in US\$ 2012 billion)	2030	271,91	333,93	204,96	243,14
	2050	659,64	1.056,55	520,56	794,90
Macroeconomic damage (in % of GDP)	2030	0,45%	0,48%	0,57%	0,61%
	2050	0,69%	1,10%	0,84%	1,31%
Macroeconomic damage (in US\$ 2012 billion)	2030	640,16	690,10	399,92	428,42
	2050	1.581,76	2.782,71	1.069,22	1.673,06

FROM: Climate Analytics, NOV 2015. IMPACTS OF LOW AGGREGATE INDCS AMBITION. RESEARCH COMMISSIONED BY OXFAM. TECHNICAL SUMMARY. BAARSCH ET AL.

- DARA’s Climate Vulnerability Monitor 2 (2012) estimates global climate change-induced loss and damage in 2010 at almost US\$700 billion, with over 80% of net losses falling on developing countries, rising to US\$4 trillion by 2030, with developing countries bearing over 90% of net losses.
- UNEP’s Africa’s Adaptation Gap 2 report (2015) estimates loss and damage costs for Africa, assuming cost-optimised adaptation effort, at just over US\$100 billion per year by 2050 (on top of adaptation costs of US\$50 billion) if warming is kept below 2°C, and around US\$160 billion per year (on top of adaptation costs of US\$95 billion) if warming goes above 4°C.

In light of expected losses as well as the current levels of finance available to deal with such losses (see next chapter 4), Parties should seek to establish a goal for finance to be provided to support loss and damage activities. **In this regard, we recommend establishing an indicative goal of raising at least US\$50 billion a year by 2022, rising each year thereafter. It has been suggested that US\$300 billion a year by 2030 is the appropriate scale of finance to aim for.** This should be separate from finance provided for adaptation, development or humanitarian and disaster response needs that are considered “normal” and not exacerbated by climate change. The 2022 goal of at least US\$50 billion a year falls within the scope of the current WIM 5-year workplan. Future workplans should regularly reassess the goal in light of updated needs and emissions trajectories and adjust expected finance generation accordingly.

⁹ Parry, et al. (2009)

4. Current loss and damage finance in context

An overall assessment of climate and humanitarian finance

The need for loss and damage finance joins a development, humanitarian, disaster risk reduction, and adaptation finance gap, all of which need to be urgently addressed. The table below shows the order of magnitude increase in funding required across all of these areas.

		US\$ in millions	Source
CURRENT			
Current net ODA (includes humanitarian, disaster risk reduction & adaptation)	2015	131,600	OECD 2016 Development Co-operation Report
International humanitarian assistance provided (public & private)	2015	28,000	Development Initiatives (DI). 2016. Global Humanitarian Assistance Report
Current adaptation finance provided (includes overlaps with finance for disaster risk reduction)	current	22,500	UNEP. 2016. The Adaptation Finance Gap Report
Disaster risk reduction finance	current	675	US\$13.5bn over 20 years (Kellett and Caravani 2013)
FORECAST			
International funding to meet SDGs	No year (assume 2030)	1,000,000 ¹⁰	Oxfam and DFI (Martin & Walker, 2015), table 2.2 additional public spending for the SDGs, between US\$796 billion and US\$1.245 trillion, of which US\$60-100 billion is for climate adaptation.
Loss and damage costs	2030	400,000	Climate Analytics for Oxfam (2015) US\$400 - US\$428 billion per annum

Current loss and damage finance

We expect that there is some loss and damage finance already being provided, yet not accounted for. We therefore suggest that a stocktake of international finance that could be classified as loss and damage finance be undertaken - based on the guiding questions provided in this submission. Such a stocktake could be part of the SCF biennial assessment and overview of climate finance flows and should be undertaken by individual donor governments as well.

¹⁰ This figure represents total public investments required in developing countries to meet the SDGs, some of which will come from domestic resources and some of which will come from south-south flows. It also includes adaptation finance needs, that have been estimated by UNEP in their 2016 Adaptation Gap Report as US\$140-330 billion per annum by 2030.

For instance, items that may meet the criteria - and for which more disclosure would be useful, include:

- Insurance (InsuResilience Global Partnership): €550 million has been pledged from 2015-2020 (with an additional US\$125 million pledged for the Global Partnership by Germany at COP 23).¹¹ However, it is not clear how much of this will be provided to pay for insurance premiums in developing countries and how much is administration and overhead of the secretariat. Also, a significant portion of InsuResilience finance is being provided as loans, with the expectation of it being repaid, which would not meet the principles outlined further down in this submission, therefore only unconditional portions could be allocated as loss and damage.
- Other insurance schemes, such as the Caribbean Catastrophe Risk Insurance Facility (CCRIFF), the African Risk Capacity (ARC), and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) are likely to have some of their finance flows considered as loss and damage finance. Again, this should be the north/south flows that are unconditional (not in the form of loans) and that meet the guiding questions identified above.
- Green Climate Fund (GCF): The GCF Board has approved adaptation projects that include some loss and damage components, such as a food security focused adaptation project with a micro-crop insurance scheme for smallholder farmers in Namibia.¹²

5. Recommended sources of finance

As identified in Section 2, loss and damage finance is separate to adaptation finance. And, as identified in Sections 3 and 4, it is essential that loss and damage finance be provided in addition to adaptation and humanitarian finance. It is also clear that private finance will be largely unavailable and inappropriate for addressing loss and damage, in particular for the more vulnerable sections of the population in affected countries. Therefore, given the need for new financial resources - on top of the already significant need for financial resources for adaptation, mitigation, development and humanitarian finance - new sources of finance are essential.

New and innovative forms of public finance offer significant potential to provide finance for loss and damage that is truly additional to existing humanitarian and climate finance. Some of these “new” sources of finance have been under discussion for a number of years including by the High Level Advisory Group on Finance and the Leading Group on Innovative Finance among others, and are referred to in the WIM Information Paper on “best practices, challenges and lessons learned from existing financial instruments.”¹³ They include a levy or tax on fossil fuel extraction, carbon pricing for international aviation and maritime, using a share of revenues from domestic or regional carbon pricing, a Financial Transaction Tax (FTT) and others.

To be clear, by “innovative” sources of finance we mean new ways and mechanisms to generate additional and complementary public finance. Innovative finance may play a role in both providing finance and effectively operationalising the polluter pays concept and creating a global carbon price; for example, through the application of a tax or levy on fossil fuel extraction. We also emphasise previous assertions made by both the Leading Group on Innovative Finance and the UNDP that innovative finance could add further predictability, quality and efficiency to flows of climate finance.

¹¹ <http://www.germanclimatefinance.de/2017/03/28/g20-partnership-climate-risk-insurance/>

¹² http://www.greenclimate.fund/documents/20182/409835/GCF_B.14_07_Add.06_-_Funding_proposal_package_for_FP023.pdf/4650680b-2f87-45f8-b89d-84eb66450410

¹³ Best Practices, Challenges and Lessons Learned From Existing Financial Instruments At All Levels That Address The Risk Of Loss And Damage Associated With The Adverse Effects Of Climate Change
http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/a7_d_information_paper.pdf

These sources of finance could be scaled up to provide significant finance for loss and damage. The UNEP estimates that between US\$26 to 115 billion could be raised by 2020 from just three innovative sources: auctioning of emission allowances (ETS), revenues from international transportation, and a Financial Transaction Tax (FTT). Other opportunities like fossil fuel extraction tax have even greater potential.

The likelihood of implementing such innovative sources, and their overall fairness, increases if their design takes into consideration key principles of the UNFCCC and the Paris Agreement, including the principle of common but differentiated responsibilities and respective capabilities, without letting large polluters off the hook just because they fall into a certain country category under the Convention. This will also help ensure that the ‘solution’ to loss and damage finance does not fall upon the poor.

Such sources of finance will, ideally, be based on a polluter pays principle. The combination of sources providing finance for loss and damage can help overcome scale and predictability issues.

It will be essential for rich countries to “bottom line” the provision of finance for loss and damage. If innovative sources of finance are designed and implemented in a way that proves to be insufficient, rich countries must ensure that sufficient funds are available to those in the frontlines of climate impacts.

Fossil Fuel Extraction Levy (Climate Damages Tax)

A global fossil fuel extraction levy (a “Climate Damages Tax”) would provide a new source of finance and ensure that the fossil fuel industry pays for the climate loss and damage that their products are causing. A proposal on how a fossil fuel extraction levy could work was made in June 2014 (called at that time the “Carbon Levy”) and uses The Carbon Majors Report that attributes 63% of emissions in the atmosphere to 90 entities, known as the Carbon Majors. These include investor-owned entities such as Chevron, ExxonMobil, Saudi Aramco, BP, Gazprom, and Shell, as well as state-owned entities and states. It is based on existing international law with precedents for such a scheme – including the International Oil Pollution Compensation Funds (IOPC).

The proposal for a Climate Damages Tax is for a tax on global fossil fuel extraction applied to each ton of coal, barrel of oil and cubic litre of gas extracted. It could be paid directly into a dedicated window of the financial mechanism (see Section 6).

Equity, or differentiation, is designed into the Climate Damages Tax by incorporating a sliding scale whereby countries at a low level of development can keep 100% of the tax or levy applied to fossil fuel extraction within their borders. 50% of the tax or levy on fossil fuels extracted within the borders of rich countries is remitted to the international financing arm of the WIM. The remainder of the tax or levy should be used domestically for just transition purposes

The Climate Damages Tax could provide a new source of finance for loss and damage, with the co-benefit of placing a global price on carbon. At a low level of US\$6 per ton of CO₂, the Tax would raise approximately US\$75 billion per year for international loss and damage finance and approximately US\$75 billion for domestic just transition. At US\$40 per ton of CO₂, the Tax would raise roughly US\$500 billion per year for international loss and damage finance and approximately US\$500 billion for domestic just transition within countries. The levy would need to increase each year as the costs of loss and damage increase and as fossil fuels are phased out.

Polluter Pays	Scalable	Equity/CBDRRC Principles	Predictable	Ease of Implementation
✓	✓ €75bn+	✓	✓	6/10 (IOPC as model)

Carbon pricing (taxes or markets)

Mechanisms to price carbon at national levels to help internalise the cost of pollution are central to many governments' efforts to reduce emissions. Such mechanisms raise revenues, which could play a significant role in raising finance for climate action, domestically for all countries and internationally for those countries with greater capacity and responsibility.

The adoption of such mechanisms should be accompanied by agreed standards and rules for the use of the revenues they generate. The EU's Emissions Trading Scheme is an example, as it urges EU Member States to allocate 50% of revenues from the auctioning of emissions allowances for climate action, though this is not an obligation. In 2013, EU Member States used 87% of auction revenues, amounting to €3 billion, for climate action, though the large majority of this was used domestically and it is unclear how much of this simply displaced other domestic budgetary sources. From the finance generated, less than €500 million, or just 13% of these revenues went to international climate finance, from just five EU Member States. Firmer commitments need to be made to support efforts to raise international climate finance and provide an example to other countries setting up carbon pricing mechanisms (whether through taxes or markets). However, it is worth noting that the unpredictability of carbon market auction revenues means that these should be conceived as part of a broader package of financing.

There are concrete and reinforcing ways to deliver additional international climate finance:

1. Member States should seek to establish an ETS International Climate Fund, which can be replenished by a percentage of total auction-able permits to be withheld at European level before permits are distributed to Member States. The Fund could channel revenues directly to the GCF for mitigation and adaptation actions in developing countries, as well as to existing or new instruments which address loss and damage. Depending on the percentage of allowances dedicated in this way, and dependent on the carbon price, climate finance contributions generated by the EU carbon market could deliver between €1-3.4 billion a year.
2. Changing the current rules to stop giving emissions allowances for free to companies, hence generating billions in finance.

Polluter Pays	Scalable	Equity/CBDRRC Principles	Predictable	Ease of Implementation
✓	? €1-5 billion	✓	5/10	9/10 (allocation from existing schemes)

Financial Transactions Tax (FTT)

A financial transactions tax is the application of a modest levy on financial trades, such as on stocks, bonds and derivatives.

Ten European countries, including Germany, France, Italy and Spain, are in the process of establishing a regional FTT, with the goal of having it operational by 2017. French President Francois Hollande has pledged to seek agreement amongst the 10 countries to commit FTT revenues to the GCF and a mechanism to implement this. France and its European partners have to work to: 1) set a minimum amount of revenues to be mobilised by the FTT, for example, €34 billion per annum the EU commission estimates will be generated; 2) commit to earmark a significant proportion of these revenues to international solidarity and the GCF, and; 3) ensure the FTT is implemented as early as possible in 2017.

Other developed countries, particularly those with large financial markets, should also establish a broad FTT covering all financial instruments and applying to all financial actors, dedicating a significant

proportion of forthcoming revenues for international climate finance, a portion of which may be allocated to loss and damage.

Polluter Pays	Scalable	Equity/CBDRRC Principles	Predictable	Ease of Implementation
X	? Portion of €34 billion	✓	✓	8/10

Carbon Pricing for International Aviation and Maritime Transport

Carbon pricing for the sectors of international aviation and maritime transport have been identified as potential sources of revenue as fuels used for international transport are currently exempt from fuel taxation and are the fastest growing emissions of any sector globally.

The UN’s International Civil Aviation Organization (ICAO) has agreed to implement a Carbon Offset and Reduction System for International Aviation (CORSIA) which aims to offset growth in aviation emissions above 2020 levels. The scheme will be voluntary until 2027 (although individual countries can compel airlines to comply, and roughly 70 countries have said that they will). The voluntary nature of the agreement, and its low target of carbon neutral growth from 2020, means that just over one-fifth of emissions is expected to be offset over the 2021-2035 period. Final decisions on which offsets will be permitted are yet to be made but is likely they will come from a variety of UNFCCC and other schemes. There is currently no plan to establish a levy, or similar, applied to offset purchasing that could provide international climate finance, such as loss and damage finance.

The International Maritime Organization (IMO) is slower than even the ICAO in controlling emissions from the shipping sector. The IMO and the EU are both considering pathways forward. The EU has adopted a MRV regulation, starting in January 2018, intended as a stepping stone for an eventual measure to require emissions reductions. The IMO restarted its greenhouse gas work plan in mid-2017. Given the slowness of action in this area, both the IMO and the EU should urgently move forward to set sector-wide reduction targets for shipping emissions, ways in which to implement them, and how to apply a levy to provide financing for adaptation and/or loss and damage in developing countries.

These sectors could raise substantial revenue for climate finance - the UN High-level Advisory Group on Climate Change Financing (AGF) estimated that a carbon price of US\$25 per ton on international transport emissions could generate around US\$30 billion in total revenue annually, of which over US\$10 billion could be used for climate finance as a contribution from developed countries. A carbon price would also help stimulate emission reductions in these sectors, given CORSIA is unlikely to send a significant price signal and shipping remains exempt from any form of carbon pricing.

Appropriate mechanisms that can differentiate between countries based on their level of development, capacities and responsibilities, while respecting the approaches and customary practices of these bodies have been proposed and should be implemented.

Polluter Pays	Scalable	Equity/CBDRRC Principles	Predictable	Ease of Implementation
✓	✓ €0 to 10 billion	✓	✓	6/10

6. Modalities for channelling and accessing support¹⁴

It is of utmost urgency for the UNFCCC process, and in particular the WIM and the SCF, to not only address the issue of how to generate additional funds but also through which channels to distribute them so that they can benefit those most in need. This discussion must be accelerated so that by the time of the 2019 review of the WIM, a clear way forward (or at least a clear menu of options) is available for Parties to deliberate and take immediate decisions on. Rapidly increasing and worsening climate change impacts means that we cannot lose any more time. CAN urges developed countries to proactively engage in this debate. Discussions on these issues should include the following key aspects:

Building on climate landscape advancements

The institutional structure or mechanism for loss and damage finance should be anchored in the overarching framework of the UNFCCC financial mechanism. The SCF and the WIM should take the lead in considering and putting in place an adequate and effective institutional structure.

The WIM and the SCF should initiate a comparative analysis of various fund options' respective strengths and weaknesses to inform decision-making by the COP either in support of the creation of a new loss and damage fund or in giving guidance to the existing operating entities of the UNFCCC financial mechanism, and potentially other institutions with relevant, specific expertise.

A loss and damage finance architecture should build on advances in the general climate finance landscape, for example the matter of direct access and devolution of responsibilities through domestic (instead of international) institutions and greater involvement and leadership of targeted and affected communities and civil society. These and other aspects are part of a larger developing country platform to shift from climate financing that involves the micromanagement of funds at the point of disbursement to more democratic global funding mechanisms with greater national ownership and autonomy in making decisions about funding priorities in recipient countries and affected communities.

Accommodating a diverse set of actions to address loss and damage

The "positive list" previously discussed shows that there is a diversity of potential actions to be funded by loss and damage finance. It will be important that the finance architecture takes into account how best to accommodate this situation. For example, spending channels to support relocation from sea-level rise impacts might be different to those that would be used for setting up or improving regional climate risk insurance pools or for funding infrastructure reconstruction efforts. In some cases, national agencies might be in the best position to spend resources while in other cases, regional cooperation is essential. Also, in some cases, quick reaction is required, whereas others involve longer-term planning (e.g. relocation).

Architecture/design of finance arm

In looking at a potential delivery system and institutional structure for loss and damage finance, it is worthwhile to discuss the suitability of existing climate funds and funding channels for this purpose, as well as considering other specialised instruments which may be qualified to support activities through loss and damage finance. There are already a plethora of existing multilateral and bilateral funds and financing instruments. The difficulty of reaching a political agreement, as well as the operational challenges of setting up a new international fund, cannot be underestimated.

It is very clear that delivering loss and damage finance should not add complexity without adding value and that it should be complementary with existing funds and financing instruments. Such considerations

¹⁴ Building upon Richards & Schalatek 2017

assist in determining whether it is helpful to consider a new mechanism for loss and damage finance under the UNFCCC.

Both the AF and the GCF are the only funds under the UNFCCC that allow for agreed full cost financing rather than only for agreed incremental cost financing as the GEF does. In the case of the AF it is always in the form of grants while for the GCF it can be in form of loans, equity investments and guarantees in addition to grants as potential financial instruments. The GCF set a precedent with interim investment guidelines, which allowed for up to 100% agreed full cost grant financing for public investments.

The AF has pioneered “direct access” to its funds, an approach that has been taken up in the GCF as a best practice to be replicated. In direct access, national implementing entities (NIE) assume the role of administrator of project and programme funds.

A key question to consider is whether such a funding mechanism would aim to fund single projects for which governments or other institutions can apply for (with the risk of micro-management), or whether it would be an umbrella fund where the board decides on the distribution of larger sums of resources to various other institutions (incl. regional ones) for more programmatic approaches.

Furthermore, existing funds like the AF or the GCF have been set up with a specific mandate and rationale, which may require some adjustments for loss and damage financing to fit explicitly within their mandate. Of course, where there is political will there would be a way, and political barriers may be overcome with a clear and compelling technical proposal.

Managing financial resources from innovative sources would be one of the tasks that need to be undertaken. Depending on their nature, this may be very similar to managing “conventional” funding from donors or may be more complex when it comes to selling emission reduction certificates, managing payments of a Climate Damages Tax and so on. The AF is the only existing UNFCCC fund which has practical experience in that. In its early years, the 2% CDM levy could be converted into financial resources available for project funding. While the GCF does not have experience in this kind of fund management, it can formally receive “inputs from a variety of other sources, public and private, including alternative sources.”

One of the main advantages for creating a new mechanism under the UNFCCC for loss and damage finance is the possibility of separating finance for loss and damage from existing funding streams for adaptation under the UNFCCC and globally, and also to provide a clear differentiation from existing development and humanitarian funding mechanisms. The same, however, could also be achieved by setting up a specific trust fund within an existing fund.

Thus, given that the main advantages for creating a new mechanism could be largely achieved through other means, and considering the difficulty of setting up another international fund with the support and buy-in of all parties under the UNFCCC, the case for establishing a new fund is not exceedingly strong. The design, set-up and full operationalisation of a new multilateral climate fund will take time that we do not have.

Whichever architecture Parties choose to operationalise the finance arm of the WIM, Parties should stipulate that multilateral funding for loss and damage should flow predominantly through the finance arm of the WIM, especially for funding generated through innovative or alternative sources. Furthermore, its design should build on a participatory and transparent process involving expertise from various stakeholders of loss and damage funding needs.

Summary of Options for an International Funding Mechanism for Loss and Damage Finance

	GEF with LDCF/SCCF	GCF	Adaptation Fund	New Loss and Damage Fund	MDBs	Bilateral/regional DFIs
Fully Operational?	YES	YES	YES	NO	YES	YES
Under UNFCCC/ Paris Agreement	YES, operating entity of the financial mechanism of the UNFCCC/ Paris Agreement; accountable to and functions under the guidance of the COP	YES, operating entity of the financial mechanisms of the UNFCCC/ Paris Agreement; accountable to and functions under the guidance of the COP	YES, established under UNFCCC Kyoto Protocol; accountable to CMP; might serve under the financial mechanism of the Paris Agreement	UNCLEAR, but should be established as an operating entity of the financial mechanism of the UNFCCC/ Paris Agreement	NO	NO
Eligibility	All developing countries and economies in transition that are UNFCCC Parties (to varying degrees)	All developing country Parties to the UNFCCC	All developing country Parties to the Kyoto Protocol	UNCLEAR- should be all developing country Parties to the UNFCCC	Developing countries according to differing eligibility criteria	Determined solely by donor country
CBDRRC applied?	YES	YES	YES	YES	NO	NO
Governance/ Independence/ Board	Independently operating institution/ GEF Council with reps. Of 32 constituencies (14 developed, 16 developing, 2 transition countries)	Independent, international institution/ 24-member Board with equal representation developed/ developing countries (including seats for LDCs and SIDS)	Own legal capacity/ Board with 16 members and equitable representation (majority developing countries, including LDCs and SIDS seats)	UNCLEAR – should be independent international fund and have ideally equitable (majority developing country) representation on Board/ Governing Council)	Independent financial institutional seats on MDB Boards reflect financial inputs as voting shares	Often not clear or transparently disclosed; determined by donor country
Trust Fund Management	Experience with operating multiple trust funds; trustees: World Bank	Currently only one trust fund; interim trustee: World Bank	Currently only one trust fund; trustee: World Bank	UNCLEAR – ideally with the capacity to operate multiple trust funds	Experience with multiple trust funds	UNCLEAR
Access Modalities	Primarily multilateral access; started direct access pilot approach	Multilateral and direct access; with enhanced direct access pilot; simplified access mandate	Pioneered direct access approach; uses also multilateral access	UNCLEAR – should prioritize (enhanced) direct access approach	NO direct access, financing only through MDBs	NO direct access, financing only through DFIs

Implementing Partners	18 partner agencies (with 5 direct access entities)	48 accredited entities (14 NIEs, 9 RIEs; 25 MIEs), including 6 private sector entities	42 accredited entities (24 NIEs, 6 RIEs, 12 MIEs)	UNCLEAR – should prioritize NIEs	MDBs implement themselves	Implement themselves or through own country aid agencies
Financial Instruments Used	Largely grants; with small non-grant pilot programme	Grants, loans, equity, guarantees	Grants	UNCLEAR – potentially multiple with preference for grant financing	Multiple, includes grants, loans, equity and guarantees; some issue bonds	Multiple, primarily grants and loans, some equity and guarantees
Full Cost/ Incremental Cost Financing	Agreed incremental cost financing only	Agreed full and agreed incremental cost financing, including grant financing	Agreed full cost financing	UNCLEAR – should include full cost grant financing option	UNCLEAR	UNCLEAR
Project/ Programme Size	Micro to small (up to USD 50 mio)	Micro to large (>USD 250 mio)	Micro (up to USD 10 mio)	Micro to large (>USD 250 mio)	Micro to large (>USD 250 mio)	Micro to large (>USD 250 mio)
Form of Financial Inputs Accepted	Public country contributions (developed and developing) via regular replenishments	Public country contributions (developed and developing); also variety of other sources, public and private, including alternative sources	Public government and private contributions; also 2 percent share of proceeds of CDM	UNCLEAR – should prioritize inputs from innovative/ alternative sources	Public country contributions (developed and developing)	Public host country(ies) contributions
Private Sector Engagement	Small pilot program of direct financial engagement	Separate Private Sector Facility (PSF); pilot approach to mobilizing private sector financing at scale; private equity funds and commercial banks accredited as MIEs and NIEs	No direct engagement of the private sector	UNCLEAR – should have the ability to engage the private sector in various forms	All MDBs engage private sector, some through separate private sector arms	Varies

Source: Richards and Schalatek (2017), p.47

7. Principles

To ensure that appropriate governance standards are applied to all loss and damage finance provided, including those provided through the financial mechanism, multilateral development banks and bilateral agreements, an overarching set of principles should be agreed upon. This also helps to deliver on Action

Area 14 of the initial ExCom work plan, now installed as a cross-cutting area in the 5-year work plan framework.

Without providing an exhaustive list, the following section provides some of the key principles that should guide loss and damage finance. These aspects are not unique to loss and damage finance alone and have also been brought up in the mitigation and adaptation finance discourse. We recommend that the WIM work with the SCF to generate a set of guiding principles for all loss and damage finance, regardless of source or channel, building on work already undertaken and including the following principles:¹⁵

Polluter pays: The UNFCCC principle of common but differentiated responsibilities and respective capabilities, which recognises that nations that have contributed and continue to contribute to climate change through historic and current emissions, applies a polluter pays approach to climate finance provision.

Predictability: International financing for loss and damage should be provided in a way that is not dependent upon donor/contributing countries' changing priorities and conditions for recipient countries to have planning security and the sustainability of approaches and measures via long-term financing. Loss and damage finance generated from innovative financing sources such as levies or taxes provides such predictability in contrast to – in the absence of assessed contributions – voluntary payments by developed countries.

Additionality: Loss and damage finance should be additional to ODA, as loss and damage support is not motivated by enhancing development but is rather motivated by the resulting harm caused by carbon emissions leading to climate change. Also, given its distinction from adaptation and mitigation finance, it should be provided on top of existing climate finance commitments, such as the US\$100 billion by 2020 long-term climate financing goal.¹⁶

Precaution: The absence of indisputable scientific evidence or methodological clarity (for example with respect to attribution) should not delay the generation and disbursement of funding for interventions to address loss and damage.

Gender Equality and Human Rights-based Approach: There is no question that it is the poorest and marginalized people who are mostly experiencing loss and damage, irrespective of whether an extreme weather event or slow-onset impact can be attributed fully to climate change. Thus, a rights-based approach to the provision of loss and damage finance is a moral imperative. While more detailed analysis on the specific human rights and gender equality dimensions of loss and damage finance is needed, there is significant experience with and related work on climate change, climate finance and adaptation interventions¹⁷ that suggest that the fairness, effectiveness and sustainability of loss and damage interventions will depend on a gender- and human-rights-based framing.¹⁸ This includes both a 'do no harm' approach as well as a proactive component that requires the design and implementation of loss and damage interventions in a way that not only avoids the violation of rights or discrimination, but instead focuses on the provision of measures in support of equality and the enjoyment of basic human rights (including right to food, adequate housing, etc.).

¹⁵ Drawing on Richards and Schalatek, 2017

¹⁶ Richards & Schalatek (2017), p.52

¹⁷ See for example the work of the Office of the UN High Commissioner on Human Rights (OHCHR) on climate change; available at:

<http://www.ohchr.org/EN/Issues/HRAndClimateChange/Pages/HRClimateChangeIndex.aspx>

¹⁸ CFU/CFF10 2016; Johl/Lador 2012; GCCA/UNDP 2012

Country/Local Ownership and Subsidiarity: The provision of loss and damage finance should be driven by recipient country and community needs, not donor/contributing country preferences to ensure true country ownership. Financing decisions should be made at the local level as much as possible, giving communities and affected people the possibility to participate in the decision-making process for interventions and ensure successful implementation and sustainability thereof.

Equitable/Direct Access for the Most Affected: Loss and damage financing should be directly and easily accessible for all impacted countries, with special provisions for those considered to be most vulnerable/affected. It should also be ensured that within those countries, finance for the most impacted, poorest and most marginalized population groups such as women or Indigenous Peoples are prioritized. Ideally, direct access will be gender- responsive through national/sub-national small grants approaches, the set-up of community-managed funds, or direct subsidies.

Appropriateness: The financing instruments used to deliver loss and damage financing should not impose additional burden or injustice on the recipient (country/community or individuals). For example, loans that could increase debt burdens must be avoided. Many observers have maintained that because of the restitution context of financing for loss and damage, grants should be the primary instrument for public finance provision. Parties should agree that the majority (we suggest at least 80%) of loss and damage finance will be provided to developing countries as grants.

8. Accounting for loss and damage finance

Loss and Damage finance should follow the same accounting and reporting rules as those for adaptation and mitigation. It is therefore important that loss and damage is included in the current negotiations on accounting under SBSTA, as well as in the ongoing negotiations on transparency. An accounting system should be agreed at the project-level, requiring full information for each activity considered to address loss and damage in developing countries. It should indicate its sources and whether it is public or private finance and new and additional. The system should be online and user-friendly and allow for input from recipient governments and civil society. This could also inform the Paris Agreement work on Article 13 which calls for an Enhanced Transparency Framework, building on and advancing current reporting systems.

9. Timeframe / work plan for implementing finance arm of WIM

It is essential to immediately begin putting in place a plan to generate significant and predictable sources of finance for loss and damage. The review of the WIM at the end of 2019 provides an opportunity to fully operationalise the WIM by putting in place a finance arm with a view to scaling-up finance for loss and damage quickly, in line with the suggested financial target of at least US\$50 billion per year by 2022 and growing thereafter. Therefore, much of the discussion outlined in this submission will need to occur between now and the end of 2019, with the following being essential:

- The Suva Expert Dialogue and the Secretariat's report thereof, which we expect to be comprehensive and objective, not avoiding potentially controversial or opposing views expressed at the dialogue;
- The Secretariat synthesis paper of the submissions made according to the activities agreed under workstream e) of the current ExCom work plan that should be made available in time for the Suva dialogue;
- Consultations with the SCF at the 8th Meeting of the ExCom, as envisaged in its five-year rolling workplan;
- Consultations with ExCom observers at all ExCom meetings until COP 25; and

- Call for submissions on the Terms of Reference for the technical paper due by 1st Feb 2019.

10. Expert Dialogue

The Suva Expert Dialogue should follow the following parameters at the least:

- It should be inclusive and interactive, involving various stakeholders including from civil society, and should build on good participatory practices (e.g. from TEMs).
- Vulnerable developing countries should be given a strong voice, as the WIM is primarily about addressing those countries' needs.
- It should also pay particular attention to identified gaps, such as the lack of additional finance available, instead of focusing on elements that transfer risks instead of providing additional finance, such as insurance.

This submission overall lays out the key issues that CAN has identified as crucial to be addressed in the dialogue. The focus should be on real and effective solutions.

Appendix A
Submission mandate from COP23, workplan and COP22

Draft decision -/CP.23¹⁹
FCCC/SB/2017/L.5

10. Invites Parties, observers and other stakeholders to submit, by 15 February 2018, their views in the context of activity 1(a) of strategic workstream (e) of the five-year rolling workplan of the Executive Committee;

Activity 1(a) of strategic workstream (e) of the five-year rolling workplan:

Strategic workstream (e): Enhanced cooperation and facilitation in relation to action and support, including finance, technology and capacity-building, to address loss and damage associated with the adverse effects of climate change					
<i>Activities</i>	<i>Expected results</i>	<i>Possible approaches to implementation (potential modalities)</i>	<i>Indicative inputs needed</i>	<i>Indicative meeting(s) to consider/start the activity</i>	<i>ExCom to the</i>
Finance (a) The Executive Committee to support the secretariat in determining the scope of the technical paper referred to in decision 4/CP.22, paragraph 2(f) and (g), with a view to making the paper available to Parties prior to the fiftieth sessions of the subsidiary bodies (June 2019) for consideration	Technical paper produced prior to the fiftieth sessions of the subsidiary bodies Scope of paper determined As an input to the review of the Warsaw International Mechanism in 2019, a technical paper to be prepared by the secretariat elaborating the sources of financial support, as provided through the	Call for submissions on type and nature of actions to address loss and damage for which finance may be required Synthesis of the submissions, and the Executive Committee to consider the submissions to determine the scope of the technical paper Invite the SCF to support the Executive Committee in defining the scope	Terms of reference for the call for submissions Detailed terms of reference for the technical paper Resources for production of the paper	Call for submissions sent out before Excom 7 [March 2018] Synthesis paper by the time of Excom 8 Consultations with the SCF at Excom 8 Paper produced by June 2019	

¹⁹

http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/draft-five-year-rolling-workplan-12-oct.pdf

<p>in the review of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts</p>	<p>Financial Mechanism, for addressing loss and damage as described in relevant decisions, as well as the modalities for accessing such support</p> <p>The technical paper to include an elaboration of finance available for addressing loss and damage as described in relevant decisions, outside the Financial Mechanism, as well as the modalities for accessing it</p>	<p>of the technical paper</p>		
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4/CP.22²⁰

2. Also recommends that:

- (f) *As an input to the review in 2019, a technical paper be prepared by the secretariat elaborating the 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;*
- (g) *The technical paper referred to in paragraph 2(f) above include an elaboration of finance available for addressing loss and damage as described in relevant decisions, outside the Financial Mechanism, as well as the modalities for accessing it;*

²⁰ <http://unfccc.int/resource/docs/2016/cop22/eng/10a01.pdf#page=10>

Appendix B

Loss and damage activities as described in relevant decisions

1/CP16²¹

Paragraph 28.

- (a) Possible development of a climate risk insurance facility to address impacts associated with severe weather events;*
- (b) Options for risk management and reduction, risk sharing and transfer mechanisms such as insurance, including options for micro-insurance, and resilience building, including through economic diversification;*
- (c) Approaches for addressing rehabilitation measures associated with slow onset events;*

7/CP17²²

3/CP.18²³

Paragraph 6 describes “action on addressing loss and damage:

- (a) Assessing the risk of loss and damage associated with the adverse effects of climate change, including slow onset impacts;*
- (b) Identifying options and designing and implementing country-driven risk management strategies and approaches, including risk reduction, and risk transfer and risk sharing mechanisms;*
- (c) The systematic observation of, and data collection on, the impacts of climate change, in particular slow onset impacts, and accounting for losses, as appropriate;*
- (d) Implementing comprehensive climate risk management approaches, including scaling up and replicating good practices and pilot initiatives;*
- (e) Promoting an enabling environment that would encourage investment and the involvement of relevant stakeholders in climate risk management;*
- (f) Involving vulnerable communities and populations, and civil society, the private sector and other relevant stakeholders, in the assessment of and response to loss and damage;*
- (g) Enhancing access to, sharing and the use of data, at the regional, national and subnational levels, such as hydrometeorological data and metadata, on a voluntary basis, to facilitate the assessment and management of climate-related risk;*

Paragraph 7 adds:

- (a) How impacts of climate change are affecting patterns of migration, displacement and human mobility;*
- (b) Collection and management of relevant data, including gender-disaggregated data, for assessing the risk of loss and damage*
- (d) Strengthening and promoting regional collaboration, centres and networks on strategies and approaches, including to address loss and damage associated with the adverse effects of climate change, including slow onset events, including through risk reduction, risk sharing and risk transfer initiatives;*
- (e) Enhanced capacity-building at the national and regional levels to address loss and damage associated with the adverse effects of climate change;*
- (f) Strengthening institutional arrangements at the national, regional and international levels to address loss and damage associated with the adverse effects of climate change;*

²¹ <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf>

²² <http://unfccc.int/resource/docs/2011/cop17/eng/09a02.pdf#page=5>

²³ <http://unfccc.int/resource/docs/2012/cop18/eng/08a01.pdf>

2/CP.19²⁴

2/CP.20²⁵

Paris Agreement²⁶

Article 8, paragraph 4:

Accordingly, areas of cooperation and facilitation to enhance understanding, action and support may include:

- (a) Early warning systems;*
- (b) Emergency preparedness;*
- (c) Slow onset events;*
- (d) Events that may involve irreversible and permanent loss and damage;*
- (e) Comprehensive risk assessment and management;*
- (f) Risk insurance facilities, climate risk pooling and other insurance solutions;*
- (g) Non-economic losses; and*
- (h) Resilience of communities, livelihoods and ecosystems.*

3/CP.22²⁷

²⁴ <http://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf>

²⁵ https://unfccc.int/files/bodies/election_and_membership/application/pdf/decision_2_cp20_loss_and_damage_committee.pdf

²⁶ http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

²⁷ <http://unfccc.int/resource/docs/2016/cop22/eng/10a01.pdf#page=8>

Appendix C

Foundational mandate for the WIM's work on finance

Decision 2/CP.19

Warsaw international mechanism for loss and damage associated with climate change impacts

5. Also decides that the Warsaw international mechanism shall fulfil the role under the Convention of promoting the implementation of approaches to address loss and damage associated with the adverse effects of climate change, pursuant to decision 3/CP.18, in a comprehensive, integrated and coherent manner by undertaking, inter alia, the following functions:
- (a) Enhancing knowledge and understanding of comprehensive risk management approaches to address loss and damage associated with the adverse effects of climate change, including slow onset impacts, by facilitating and promoting:
 - (b) Strengthening dialogue, coordination, coherence and synergies among relevant stakeholders
 - (c) **Enhancing action and support, including finance, technology and capacity building, to address loss and damage associated with the adverse effects of climate change, so as to enable countries to undertake actions pursuant to decision 3/CP.18, paragraph 6, including by:**
 - (i) Providing technical support and guidance on approaches to address loss and damage associated with climate change impacts, including extreme events and slow onset events;
 - (ii) Providing information and recommendations for consideration by the Conference of the Parties when providing guidance relevant to reducing the risks of loss and damage and, where necessary, addressing loss and damage, including to the operating entities of the financial mechanism of the Convention, as appropriate;
 - (iii) **Facilitating the mobilization and securing of expertise, and enhancement of support, including finance, technology and capacity-building, to strengthen existing approaches and, where necessary, facilitate the development and implementation of additional approaches to address loss and damage associated with climate change impacts, including extreme weather events and slow onset events;**
7. Decides that, in exercising the functions outlined in paragraph 5 above, the Warsaw international mechanism will, inter alia:
- (a) **Facilitate support** of actions to address loss and damage;
 - (b) Improve coordination of the relevant work of existing bodies under the Convention;
 - (c) Convene meetings of relevant experts and stakeholders;
 - (d) Promote the development of, and compile, analyse, synthesize and review information;
 - (e) **Provide technical guidance and support;**
 - (f) **Make recommendations, as appropriate, on how to enhance engagement, actions and coherence under and outside the Convention, including on how to mobilize resources and expertise at different levels;**

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Previous CAN submissions:

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- http://climatenetwork.org/sites/default/files/can_wim_excom6_position_paper_0.pdf
- http://climatenetwork.org/sites/default/files/can_bond_joint_submission_on_the_strategic_workstream_on_loss_and_damage_finance.pdf
- CAN (October 2016), Annual Policy Document: Marrakech - Galvanizing Ambition available at <http://www.climatenetwork.org/publication/can-annual-policy-document-marrakech-galvanizing-ambition-october-2016>
- CAN (March 2016), Financial Instruments to Address Loss and Damage Associated with the Adverse Effects of Climate Change available at https://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/can_submission_to_the_excom_of_the_wim_on_loss_and_damage_finance.pdf
- CAN (February 2016), Submission for the 4th SCF Forum on Financial Instruments to Address Loss & Damage available at http://www.climatenetwork.org/sites/default/files/can_submission_on_the_scf_forum_loss_and_damage_finance.pdf
- CAN (2015), New, Innovative Sources of Climate Finance, Position available at http://www.climatenetwork.org/sites/default/files/can_position_innovate_sources_of_finance_final_may2015_0.pdf

Others:

- Julie-Anne Richards and Liane Schalatek. 2017. Financing Loss and Damage: A Look at Governance and Implementation Options: https://www.boell.de/sites/default/files/loss_and_damage_finance_paper_update_16_may_2017.pdf
- Alexis Durand, Victoria Hoffmeister, Romain Weikmans, Jonathan Gewirtzman, Sujay Natson, Saleemul Huq, J. Timmons Roberts. 2016. Financing Options for Loss and Damage: a Review and Roadmap: https://www.die-gdi.de/uploads/media/DP_21.2016.pdf
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- Baarsch, et al. UN Environment, Climate Analytics, AMCEN, African Climate Finance Hub. 2015. Africa's Adaptation Gap 2 Technical Report: <https://daraint.org/wp-content/uploads/2012/09/CVM2ndEd-FrontMatter.pdf>