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Loss and Damage: An Inconvenient Truth

At “only” 1°C of global warming, extreme climate impacts — exceeding the adaptive capacity of countries, communities, and ecosystems — are already mounting. Loss and damage caused by climate change extends from slow onset processes like sea level rise, glacial retreat to extreme events such as floods, hurricanes, and tropical cyclones. Severe climate change consequences which the poor and vulnerable regions around the world already face.

A year of loss and damage: in July 2017 unusual heavy monsoon rains killed more than 1,200 people and affected around 43 million people in Bangladesh, Nepal, and India. The same monsoon cyclone also killed 16 people and affected millions in Karachi and Pakistan. Accounting for more than one fifth of the world's population with many critical ecosystems, this region will experience an increase in the intensity of extreme weather events in the future with further temperature rises.

Last September, in West Africa, floods caused by extreme rains claimed 25 times more lives than Hurricane Harvey with massive disasters hitting the region. In Sierra Leone, heavy rains killed more than 400 people. In Niger, 11 people died in the capital city of Niamey and 3 people died and more than 300 people were severely affected in the Tillabéri region. This flood also killed approximately 4,000 cattle and kept 157,000 people at risk of flooding.

In the Pacific, the region of the COP23 Presidency, the climate change losses and damages are unmissable. In 2016, Cyclone Winston was recorded as one of the largest and most intense tropical cyclones in the Southern Hemisphere causing severe impacts throughout the South Pacific. In Fiji, over 60% of the population was affected, 22% of

the nation's housing was damaged with over 130,000 people being displaced. In Vanuatu, Cyclone Pam affected 70% of the population, displacing 65,000 people, resulting in 11 deaths and over 17,000 destroyed buildings.

South America was also not spared from loss and damage in 2017. El Nino caused torrential rains and floods in the eastern part of South America, displacing more than 1,400 people in Ecuador and over 8000 in Argentina. Hundreds of deaths have been recorded across Ecuador, Peru, and Colombia. In Brazil, the Government declared the state of emergency for over 900 cities due to this extreme rainfall.

In the Caribbean, Hurricane Irma resulted in at least 38 deaths, 60% of Barbuda's population became homeless and 99% of its buildings were destroyed. Hurricane Maria, a second powerful hurricane, hit less than a week after Irma. Maria claimed over 25 lives in Dominica and damaged more than 80% of the houses. Studies also predict that as climate change continues to escalate, the Caribbean is projected to incur the highest damage per unit of GDP on a global scale as a result of intense hurricanes.

ECO never fears stating the glaringly obvious: climate change induced losses and damages are already happening in every corner of the world.

Equally obvious, the scale of urgency and attention that has been given to loss and damage has been inadequate. ECO challenges the parties and the negotiator to not hide from the climate reality. Be brave enough, to reach decisions that provide vulnerable countries, communities, and ecosystems the resources to face the waves of future climate related disasters.

Bangladesh National Mechanism on Loss and Damage?

Ten years ago, well before the UNFCCC proposed that countries prepare National Adaptation Plans, (NAPs) Bangladesh developed its own Bangladesh Climate Change Strategy and Action Plan (BCCSAP) with its own financial and intellectual resources. That led to the creation of the Bangladesh Climate Change Trust Fund (BCCTF) with annual contributions from the National Exchequer of around US\$100 million a year to fund hundreds of projects over the years.

However each year 33% was kept in an interest bearing bank account for emergency purposes while only 67% of the amount allocated was disbursed. Over the years the emergency or reserve fund, the 33%, grew to several hundred million as the terms of when to use the reserve fund were never finalized, so the funds were never used.

Recently, the government of Bangladesh set up an inter-ministerial committee to decide how and when to utilise the reserve fund. One idea being considered is to turn it into a national Loss and Damage Fund and develop a two-year pilot programme tasked to find out how to provide compensation to the victims of climate change.

The two year pilot phase will experiment with different aspects of loss and damage; including both fast onset as well as slow onset insurance as a potential mechanism, non-economic loss and damage, enabled migration, etc. The initial two year pilot phase would be funded from the reserve fund in the BCCTF and would also be open for the international research community to come to Bangladesh to study what works and what doesn't.

Is the Original Mandate of the WIM (to Enhance Finance) Lost and Damaged?

ECO is sure that delegates remember the hot fires of dissent that the Warsaw International Mechanism for Loss and Damage (WIM) was forged in. At COP19, in the wake of Typhoon Haiyan, Parties agreed that the WIM would enhance understanding, strengthen coordination, and enhance action and support — including finance. In fact, so hot was the passion of COP19, that terms like ‘enhance’ and ‘mobilise’ were used no less than five times in relation to finance in 2/CP19. Enthusiasm had not dimmed in the Paris Agreement, where again countries agreed to enhance action and support for loss and damage.

And yet some developed country delegates have tried to pour water and douse this fiery discussion. Instead of discussing FINANCE they are very keen to discuss FINANCIAL MECHANISMS, which, somehow seems always to focus on insurance. Insurance may play a role to address loss and damage in some instances, but it should not be confused with finance. In fact, insurance is something that requires finance; it demands premium coverage for the poor and vulnerable people and countries. Otherwise, it pushes the responsibility for dealing with the worst climate impacts onto those who did not cause climate change.

Delegates, as must be clear to anyone familiar with either the foundational mandate of the WIM, Article 8 in the Paris Agreement, or, indeed, with the impacts being faced by those on the front line of climate impacts, actual \$\$\$, £££, €€€, ¥¥¥ is essential. And a significant amount — at least US\$50 billion by 2022 — over and above adaptation and ODA finance, increasing along with the expected damages. Some sources suggest an order of magnitude of around \$300 billion by 2030.

Yes. ECO hears your gasp. This much finance would be the equivalent to a doubling of existing ODA budgets through public finance. This is why ECO recommends considering fair and equitable innovative sources of finance. One such example is a Climate Damages Tax, paid for by the fossil fuel industry for the climate damage they are wreaking on vulnerable people. An equitable Climate Damages Tax, and other innovative sources, if well designed, could raise this kind of funds in a truly polluter pays fashion. Thus meeting the original mandate of the WIM, the spirit of the Paris Agreement, and ensuring that the people on the front line of climate impacts are not left to suffer without the international support and solidarity they have been promised.

The Curious Case of Enthusiasm for Insurance

There is undoubtedly a great deal of interest in insurance right now – it seems to be the most dynamic discussion area within Loss and Damage. But is this enthusiasm well-founded? Does insurance:

- Provide **major** funding for disaster losses? Well, not really. Considering the 8 payouts from regional risk pools to least developed countries, the percentage of humanitarian needs that they met were 0.9%, 1.3%, 2%, 2.2%, 7%, 10%, 16% and 28%. Until all payouts are at the higher level, this cannot really be seen as a game changer.
- Provide funding **faster** than aid? Sometimes yes, especially for droughts, where humanitarian aid is typically late. But often some humanitarian aid arrives before cyclones hit, which enables countries to prepare, and in some cases (such as Hurricane Matthew in Haiti and Cyclone Pam in Vanuatu), by the time the payout was received, a greater quantity of aid had been given by humanitarian donors.
- Provide **certainty** of funding post-disaster? In many instances it does, but basis risk – which remains a real problem for all index-based schemes – undermines this. As experienced by the Solomon Islands which lost 9.2% of GDP but received no payout because they experienced a tropical depression rather than

a cyclone. In Jamaica where the model estimated much lower losses and hence did not make a payout. Malawi’s funding was nine months late after problems with the model. And so on.

- Apply to **all climate change events**? Insurance is inherently expensive, so can only be cost-effective for relatively infrequent disasters (even the World Bank admits that ‘catastrophe risk pools cannot make insurance cheap’). It also cannot cover the slow-onset impacts of climate change like sea-level rise and ocean acidification, which are certainties not risks.

So while insurance has a role to play, it is a relatively narrow one. Insurance is not a quick fix for loss and damage and many other solutions must be actively sought and championed.

ECO notes the lack of serious conversation about who is going to pay the premiums. Insurance is not free money. It is sobering to note that Haiti’s current maximum payout for cyclones under CCRIF is US\$35 million. If they were increase the pay-out to what the World Bank suggests would be ‘more adequate’, \$328m, annual premiums would increase to \$15m — any offers to pick up the bill?

Time to Bridge the Gap

Last November, ECO left Bonn on a hopeful note: Parties had agreed to #MindtheGAP. *The what?* Governments adopted the first-ever UNFCCC Gender Action Plan (GAP), another key milestone in the history of slow but steady inclusion of gender equality in the climate negotiations' arena. 2018 is about bridging the GAP. ECO counts on Parties to seize the multiple opportunities provided at SB48 to share their successes, challenges and lessons learnt in taking gender equality into account in their climate policies and actions.

We don't stand on an equal footing as we face climate change. Today's gender workshop is about generating a dialogue between negotiators and observers on how data on differentiated impacts of climate change on women and men and increased civil society participation in climate decision-making can lead to more appropriate and efficient policies. ECO is aware that the adaptation window was a key entry point to talk about gender under the UNFCCC, but now it is time to open the door all the way for gender in mitigation, capacity-building, and financial and technological support. Next Wednesday's gender workshop will discuss concrete ways to enhance gender balance on national delegations. And on Saturday, chairs of the different UNFCCC bodies will sit down to see how far we've come regarding mainstreaming gender under the UNFCCC and how to take it forward.

ECO does not want Parties to feel overwhelmed, but inspired by the many opportunities to engage on gender! ECO would also like to remind Parties that gender inequalities remain widespread across the globe, and actions to tackle the interlinkages between gender and climate change should be the responsibility and privilege of all Parties. Six months after the adoption of the GAP, ECO strongly encourages a wide range of Parties to demonstrate their support, either through taking the lead on the implementation of certain GAP activities or by providing funding for these vital steps toward gender equality.

So... can ECO count on you?

ACE Paris Implementation

Let's start at the beginning: Article 6 of the Convention focuses on education, training and public awareness on climate change. So it was natural that in Paris, Parties included Article 12 which commits to "cooperate in taking measures, as appropriate, to enhance climate change education, training, public awareness, public participation and public access to information, recognizing the importance of these steps with respect to enhancing actions under this Agreement." Parties recognized that the implementation of the Paris Agreement would be strengthened by ensuring that the 5 topics of Article 12, also known as Action for Climate Empowerment (ACE), are effectively promoted through all stages of the implementation of the Paris Agreement.

Yesterday many Parties and non-party actors took part in a very rich workshop reflecting on good practices and opportunities to further enhance the implementation of the Paris Agreement by incorporating ACE principles, including the rights to public participation and climate change education.

This workshop produced a lot of good ideas about implementing ACE. Throughout the workshop, participants raised the crosscutting nature of ACE and the human rights contained in it: public participation, access to information, and climate change education. The workshop primarily focused on establishing concrete suggestions for Parties to consider in negotiations under SBI. For example, ensuring public participation in developing NDCs, NAPs, and long-term strategies at the national and local level. Another suggestion was to integrate ACE into NDCs and their policies. However, it would be important to signal that only a few ACE focal points were attending the workshop.

ECO was glad to hear announced during the workshop that its outcomes will feed into the Paris Agreement Working Programme!

5 Years is the Way to Go!

ECO is delighted that yesterday's session on Common Timeframes showed progress. At the first meeting of SB 48, like at COP23 last year, a large number of parties again expressed their support for a 5 year NDC implementation period.

ECO is cheering this effort on. To avoid locking in low ambition and to harness rapidly evolving real world opportunities, 5 years is the way to go. Countries should decide on a common 5 year NDC implementation period at COP24, so that the next round of NDCs could be submitted in 2025 and be implemented from 2031 to 2035.

Big thumbs up to:

AILAC, African Group, South Africa, LDC, New Zealand, Brazil, Bangladesh, Marshall Islands. **Special recognition** goes to Switzerland for considering adjusting its domestic process to allow 5 year cycles.

Big thumbs down to:

Japan and Norway — ECO wants to understand; why you are resisting? Even in a 5 year regime, there is nothing that prevents you from sending long term signals to your domestic constituencies or even communicating an indicative 10 year target internationally.

Fence sitters

ECO is particularly watching the MoCA-leaders still sitting on the fence! EU — what's taking you so long to decide? China — ECO welcomes you now consider 5 year as an option. 5 year cycles seem to be perfectly in sync with your domestic 5 year planning. What's not to like? Canada — ECO is surprised that you are still too shy to tell us what you prefer in terms of years, is it 5 or is it 10?

Suva Expert Dialogue: Connecting Structure and Mandate

The mandate of the two-day Suva Expert Dialogue starting today is “to explore ... ways for facilitating the mobilization and securing of expertise, and enhancement of support, including finance, technology and capacity-building, for ... loss and damage” However, it seems the gremlins got into the design phase and day one seems designed to distract us from clearly discussing finance. So, ECO has a few pointers on how to connect the structure with the mandate:

1. Risk Assessment:

- Go beyond risk and conduct post-event loss and damage assessments; including of need, capacities, and support required.
- Put vulnerable people at the center of all assessments.
- Assessment of risks and capacities, particularly related to slow onset events, must be done in line with mitigation pathways and temperature-rise scenarios.
- Comprehensive assessment must consider both the economic and non-economic nature of impacts. Addressing non-economic impacts still needs finance, as well as other kinds of measures (e.g. migration and displacement).
- Needs and capacity assessment of research and implementation institutions in developing countries need to be conducted.
- Comprehensive risk assessment of vulnerable people, critical ecosystems, and biodiversity are crucial.

2. Risk Reduction:

- Stopping climate change is the best and adaptation the second-best strategy for risk reduction, but ECO knows that even then, substantial residual risks remain.
- Risk reduction means providing resources to developing countries for a range of activities, such as strengthened infrastructure and buildings (e.g. retrofitting houses and building dykes); improved early warning systems, increased coastal resilience (e.g. planting mangroves and protecting

coral reefs) and trained human resources.

- It requires sustainable and resilient economic development — both at the community and household levels.
- Appropriate policy frameworks and strong institutional capacities are required in developing countries.

3. Risk Transfer:

- Insurance is not sufficient to cover a wide range of impacts and particularly not relevant for slow onset events.
- Insurance should sit within a comprehensive risk management plan/strategy and not be treated in isolation.
- With the increasing number of extreme weather events, insurance will become economically unviable for such impacts.
- As a matter of justice, insurance premiums need to be covered through public and innovative finance in a polluter pays principle (both polluter countries and industries).
- Build institutional capacity in developing countries — including for regulation of private sector.
- Engage communities in decision-making about risk transfer mechanisms — including whether insurance is an appropriate response for poorer communities.
- Develop robust alternatives to insurance, such as a Global Solidarity Fund, financed by developed countries.

4. Risk Retention:

- Developing countries' capacity varies based on their economic situation and climate vulnerability.
- The risk retention potential depends on a country's institutional capacity, which needs to be mapped and built in developing countries.
- Substantial budgetary allocations and international public finance support is required by developing countries to boost national level mechanisms, such as social protection schemes and national disaster response funds, in light of increasing climate impacts.

What Next After the Suva Dialogue?

While engaging in the Suva Dialogue on a range of approaches to raise support and finance for loss and damage action in developing countries, ECO is sure Parties will already be thinking “What next?”

Yes, the review of the Warsaw International Mechanism is already coming up on the horizon. It will happen in 2019 and, in ECO's view, the WIM-review should be based on a clear presentation of options to move forward, so that the COP can take decisions at its 25th meeting which results in a rapid scaling-up of finance and support available towards at least US\$50 billion by 2022.

Of course, some elements of the way forward have already been agreed. The UNFCCC Secretariat will prepare a report on the meeting, and the Executive Committee of the WIM will use this report in its next session in September. One objective of the ExCom's discussion will be to define the scope of the technical paper on sources of finance for loss and damage which the Secretariat will prepare in the first half of 2019 feeding

into the review. As this should be available in time for the June SB session, ECO likes the idea of already agreeing to hold another Suva Dialogue next summer, to allow for focused discussions on the review.

But ECO also expects the ExCom to provide COP with suggestions on actions to be taken on the basis of the Suva Dialogue report (not everything has to wait for the 2019 review). COP24 negotiations could devote a particular negotiation session on the Suva Dialogue outcomes, which can inform a COP decision in Katowice.

Given there are a number of issues that need to be worked out in order to result in an effective next phase of the WIM, the ExCom should also consider setting up a specific task force, potentially jointly with the Standing Committee on Finance. This could allow for more focused work to elaborate proposals on the way forward on loss and damage finance — with broad stakeholder input — in 2019. The Suva Dialogue can only be the first step towards a strong 2019 review.