Brief Note Series: # 1
Subject: COP-27
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Finance for Loss and Damage in the COP-27 Agenda

The 27th Session of the Conference of the Parties of the UNFCCC (COP 27) holds between 6 and 18 November 2022 in Sharm El-Sheikh Climate Change Conference. COP Presidency focuses on four themes: adaptation, mitigation, finance and collaboration. After COP 26, this COP focuses on the implementation phase of the Paris Agreement and monitoring the progress since the Glasgow Climate Conference in 2021.

Beyond building blocks of the Paris Agreement, one of the key issues in the COP 27 is 'loss and damage' item. Although it is not a new subject in multilateral climate talks, it has been evolving through the increasing impacts of the global climate change crisis. The principle of the UNFCCC and effective implementation of the Paris Agreement might be experienced in the 'loss and damage'. Beyond the adaptation element of the climate policy, Article 8 of the Paris Agreement separately focuses on loss and damage.

Article 8.1: "*Parties recognize the importance of averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, and the role of sustainable development in reducing the risk of loss and damage*".

Decisions in the COP 21 which was the Paris Climate Conference and component part of the Paris Agreement highlights Warsaw International Mechanism for Loss and Damage rather than any compensation recognized in Paragraph 52 of the 1.CP/21:

> *"Agrees that Article 8 of the Agreement does not involve or provide a basis for any liability or compensation"*

Even though, the Green Climate Fund (GCF) and the Global Environmental Facility (GEF) have already provided climate finance to developing parties particularly least developed countries and small island developing states, the insufficiency of both financial mechanisms might require specific financial resources for loss and damage. Therefore, developing countries have been emphasizing finance for loss and damage.

When the related articles of the UNFCCC are revisited, it is obvious that Annex II parties are responsible for proving finance to developing countries:

Article 4.5: "*The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention.*"

Similarly, the Paris Agreement refers to developed countries recognizing their commitments to the UNFCCC.

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Article 9 of the Paris Agreement: "*Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention*"

How will loss and damages be billed?

Climate finance did not keep its promise of providing USD 100 billion by 2020. The basis for providing finance or creating a new fund for loss and damage to developing countries refers to Article 4 of the UNFCCC and Article 9 of the Paris Agreement.

With its inclusion in the main agenda, loss and damage will be discussed in greater detail and hopefully, resolved with satisfactory results for both developed and developing countries during the COP 27. But considering the conflict of interests of the parties, even though concerns for the global environment are commonly shared, this is unlikely to happen.

From developed parties, the EU's and Australia's (for the UMBRELLA GROUP) emphasis on loss and damage in their opening statements is promising for the item itself. On the other hand, if it is going to be an 'implementation COP' the establishment of a financial mechanism for loss and damage is needed/taking concrete steps is essential.

Developing parties such as Pakistan, for G-77/China and Antigua and Barbuda, on behalf of the ALLIANCE OF SMALL ISLAND STATES (AOSIS), underlined essential finance for loss and damage beyond the charity. Decisions taken should reflect the urgency and be effective enough to make a difference in the lives of those who are affected by the catastrophic effects of climate change.

Similarly, other developing countries Bolivia, for the LIKE-MINDED GROUP OF DEVELOPING COUNTRIES (LMDCs); Brazil, for ARGENTINA, BRAZIL and URUGUAY (ABU); South Africa, for BRAZIL, SOUTH AFRICA, INDIA and CHINA (BASIC); and Senegal, on behalf of the LEAST DEVELOPED COUNTRIES (LDCs), also stressed their expectation for substantive results and concrete arrangement for loss and damage.

In the light of the current energy crisis and countries' priority of energy security rather than striving for their targets in limiting global temperature rise, committing financing of loss and damage does not seem advantageous for developed countries. Suffering from the adverse effects of climate change due to their high vulnerability and the lack of adapting and coping mechanisms is not pleasant for developing countries either. Whatever the options for financing loss and damage, it is crystal clear that existing financial mechanisms are not sufficient to avert and minimize lose and damage risks.

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