



**SUBMISSION BY THE MUNICH CLIMATE INSURANCE INITIATIVE (MCII)<sup>1</sup>**

**SBI Work Program on Loss and Damage: Ideas for work streams,  
areas of discussion, and milestones up to and beyond COP18**

**6<sup>th</sup> MCII submission**

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**Keywords:** SBI Work Program on Loss and Damage, risk management, insurance, climate adaptation, climate change, Cancun Adaptation Framework, risk reduction and prevention, risk transfer, private sector

**PLEASE COMMENT:** This submission has benefited from the feedback and ideas of many different experts and delegations. We welcome your comments.

Submission by the Munich Climate Insurance Initiative (MCII), hosted at UNU, 21 Feb. 2011

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<sup>1</sup> This submission from the Munich Climate Insurance Initiative (MCII) is part of its mission to develop insurance-related solutions to help manage the impacts of climate change. MCII executive board members Koko Warner, Peter Hoeppe, Christoph Bals (with input from Sven Harmeling and Soenke Kreft), Thomas Loster, Armin Haas, Eugene Gurenko, Thomas Loster, Joanne Linnerooth-Bayer, and Ian Burton designed this submission; with further insight and guidance from MCII members Andrew Dlugolecki, Steve Coffey, Aaron Oxley, Carol Wakefield, Arun Kashyap, Paul Kovacs, Silvio Tschudi, Celine Herweijer, and others. We also thank the numerous country delegates who have talked with us about their needs for an SBI Work Program to address their questions about loss and damage in the context of adaptation. MCII was founded in response to the growing realization that insurance solutions can play a role in adaptation to climate change, as suggested in the Framework Convention, the Kyoto Protocol, the Bali Action Plan, and the Cancun Adaptation Framework. With membership on the part of insurers, climate change and adaptation experts, NGOs and policy researchers, MCII provides a forum for insurance-related expertise applied to climate adaptation issues.

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### 1. Introduction

The Cancun Adaptation Framework (contained in - /CP.16) suggests that the Subsidiary Body for Implementation (SBI) make recommendations on loss and damage to the Conference of the Parties for its consideration at COP18, as well as to strengthen international cooperation and expertise to understand and reduce loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather events and slow onset events. The Conference of Parties therefore decided in Cancun to establish a Work Program to consider approaches to address loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change.

#### Aim of this document

The aim of this document is to outline the major possible elements for the SBI Work Program on Loss and Damage, as articulated in paragraphs 25 – 29 of Draft Decision - / CP.16. This

document provides views and information on what elements should be included in the Work Program<sup>2</sup>, and ideas about the activities and timing of the Work Program<sup>3</sup>.

Three important messages of this document:

- The process must build confidence that efforts are headed towards results—this may require compromises such as the pace of discusses (some areas may require substantially more time for consideration than might be anticipated) or the combinations of implementation options. Yet the process should assure that the work put into building a shared framework of understanding will lead to sustainable solutions to address loss and damage.
- The SBI Work Program should build a shared framework of understanding upon which sustainable implementation measures to address loss and damage can be built. It should create a participatory and ongoing process, rather than “only” a series of discussions that ends at COP18.
- Recommendations of the SBI by COP18 should lay out clear milestones that build confidence in the process, even if all Parties may not be ready by December 2012 to support all suggested activities. The process should allow progress in some areas without requiring consensus in all areas. A milestone approach can offer benefits for all Parties, even if full ambitions for individual Parties or groups may not be reached by a particular point in time.

### Goals of the SBI Work Program on Loss and Damage

The Work Program on Loss and Damage should be an ongoing process of supporting implementation activities related to loss and damage associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change<sup>4</sup>. As outlined in paragraphs 25 – 29 of Draft Decision - / CP.16, the Work Program will have the following goals:

- **To provide a framework for activities<sup>5</sup> between SB 34 and SB37 and beyond.** The Work Program will, through workshops, events and other modes as appropriate, support SBI with information so that it is in a position to make recommendations on loss and damage to the Conference of the Parties for its consideration at its eighteenth session<sup>6</sup>. The UNFCCC process may benefit from views about what activities are already being undertaken, what innovative new approaches are possible to design (both under the Convention and outside of but in harmony with it), and what kinds of activities may

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<sup>2</sup> Para 28

<sup>3</sup> Para 27

<sup>4</sup> Para 26

<sup>5</sup> such as events and workshops as appropriate, para 26

<sup>6</sup> Para 29

remain unrealistic for the foreseeable future (or what kinds of criteria would be needed to make such activities possible).

- **Advance understanding of and the reduction of loss and damage.** On an ongoing basis<sup>7</sup>, the SBI Work Program will strengthen international cooperation and expertise to understand and reduce loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather events and slow onset events<sup>8</sup>. The SBI Work Program will catalyse existing and future activities on loss and damage through exchange of ideas between Parties and experts. The SBI Work Program provides a useful avenue for relevant stakeholder organizations to signal what kinds of actions would be needed from Parties to catalyse action (e.g. provision of data about risk, information about ongoing and planned risk management priorities or actions, etc.); and for Parties to signal what kinds of questions they would seek responses to from relevant organizations (e.g. about existing experience, scope of possible tools and approaches, technical requirements, assessments, etc.).
- **Promote the prevention and minimization of loss and damage.** Preventing or minimizing loss and damage is the bedrock of effective risk management. Activities related to loss and damage must be viewed as part of a climate risk management strategy that includes, first and foremost, activities that prevent human and economic loss and damage from climate variability and extremes. Activities and ultimately the recommendations by the SBI to COP18 should underscore the need to design and implement all activities with an aim to prevent and reduce loss and damage. A range of measures will be needed, but all should work towards the goal of risk reduction and take into account the principles of the Hyogo Framework of Action. All actions should strive to complement and enhance the ability of National Platforms under Hyogo to prevent and reduce loss and damage at the national and sub-national levels. Additionally, recommendations by the SBI Chair should consider what activities under the Convention can catalyse prevention and reduction of loss and damage internationally, and in areas where concerted international efforts can fill gaps which individual governments—especially in vulnerable countries—may struggle to fill alone. For activities undertaken under the auspices and guidance of the Convention, SBI recommendations should consider that progress in prevention and avoidance of loss and damage could help Parties qualify for participation in additional measures such as insurance or other forms of risk management beyond risk reduction.

The SBI Work Program on Loss and Damage offers a unique opportunity to provide a structured channel of bringing relevant information to Parties. This will help Parties to explore, analyze, and then implement solutions for addressing loss and damage in the context of climate change. As outlined above, the Work Program aims, in the course of the approximately next 15 months, to support Parties in addressing their questions about loss and damage, and helping them create solutions to these challenges. This is an unparalleled platform which will bring together all Parties in the UN System and the combined experience of expert communities from disaster risk management and adaptation, and public and private sector experience from across the world. Some guiding principles should be reflected, regardless of the final structure and set of activities

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<sup>7</sup> e.g. leading beyond COP18, with a time period to be defined or open ended as appropriate

<sup>8</sup> Para 25

which Parties decide upon for the SBI Work Program on loss and damage. The principles below should help guide the structuring of the Work Program so that **the first major milestone at COP18 will make a significant step forward in the implementation of a range of solutions for loss and damage.**

## **2. Build confidence that efforts are headed towards results**

### **Elements that should be included in the Work Program until and beyond COP18**

To move towards the goals above, the SBI Work Program on Loss and Damage could have work streams corresponding to the three areas noted in para 28 (a, b, c) where SBI should make recommendations to Parties by COP18. The work streams would support the goals outlined above, and engage stakeholders with relevant specialized expertise<sup>9</sup>.

**Work stream 1: Micro and meso level risks of loss and damage at the country and sub-country level** (Para 28(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). **Many approaches are already in place in countries throughout the world to address these kinds of risks, and it is anticipated that looking at these experiences will generate many lessons learned and momentum for pilot projects and testing of ideas.**

**Work stream 2: Macro level risks of loss and damage at the country level** (Para 28(a) Impacts associated with severe weather events). There may be fewer relevant experiences with combined disaster risk reduction and risk transfer tools for macro level risks; but experiences here will help shape Party views about possible elements that could be implemented under the Convention, and elements that may be implemented outside of but in harmony with the Convention.

**Work stream 3: Longer-term foreseeable loss and damage** (Para 28 (c) spanning micro, meso, and macro levels. Approaches for addressing rehabilitation measures associated with slow onset events). It is possible that the least experience may have been gathered in this area. **Parties may benefit from the articulation of guiding principles to help shape thinking and approaches for these longer-term risks and their potentially profound consequences.**

**It is helpful to frame the discussion in terms of clear work streams (either as clearly defined agenda items, or as separate but complementary discussions) so that progress in one area is not dependent on progress in another.** This approach will help ensure that Parties are supported in their goal to increase understanding of loss and damage issues by having a clearly structured and transparent structure. Additionally, the approach will ensure that Parties are supported in a pragmatic discussion that moves towards the articulation of implementation options which can then be sent to COP18 for consideration.

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<sup>9</sup> Para 28 (d). It is understood that para 28 (d) (engagement of stakeholders) would be beneficial in each work stream but is not a theme in itself.

Figure 1 below illustrates these work streams. The work streams are meant to start as soon as SBI approves the Work Program on Loss and Damage; but as noted above it would be highly desirable for the **Work Program to continue after COP18** to support Parties in questions related to the implementation of approaches to loss and damage.

Figure 1: Work Streams and activities

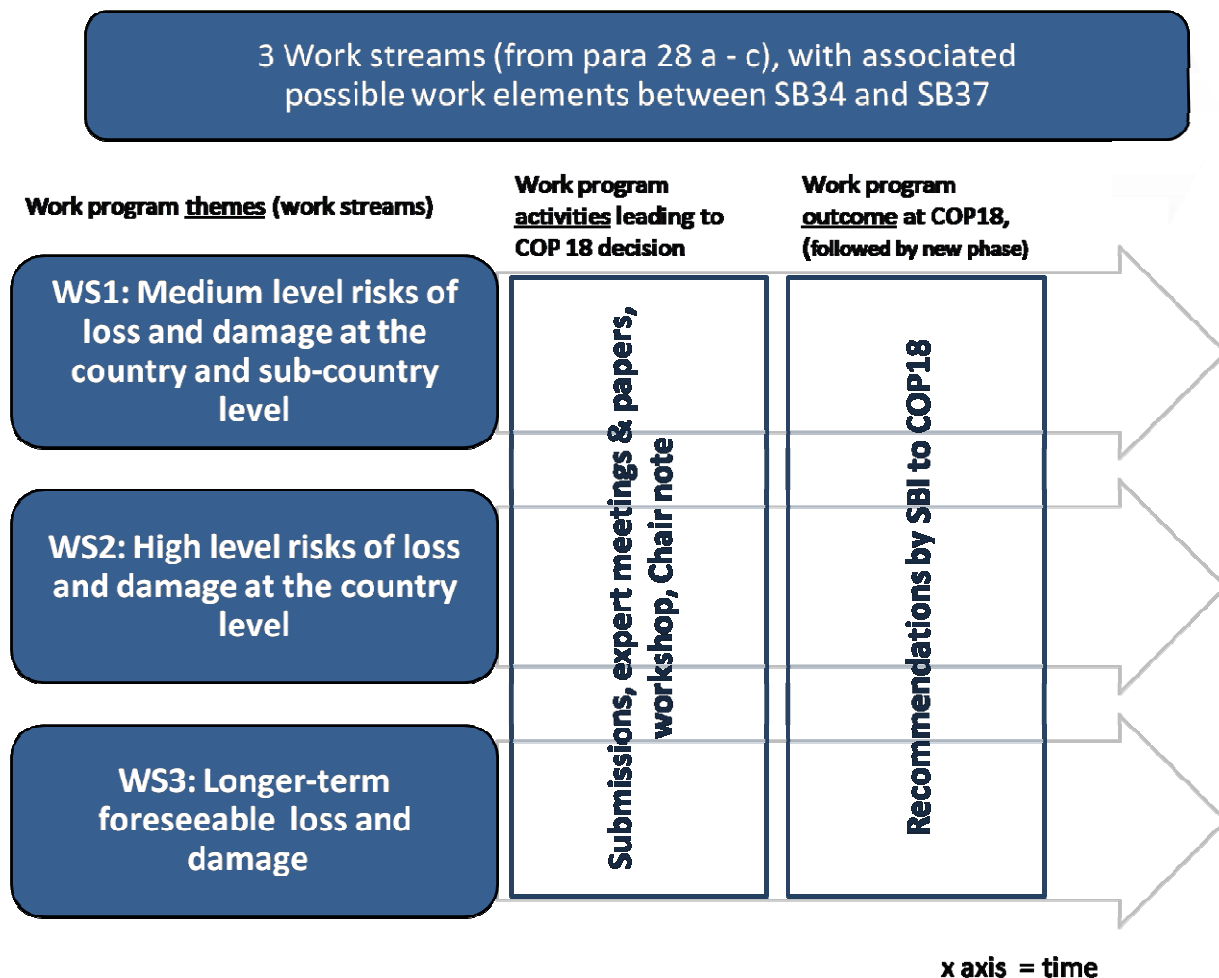


Figure 1 comment: Work streams 1, 2, and 3 could either be **separate agenda items in one discussion**, **OR** could be undertaken as **separate but complementary discussions**.

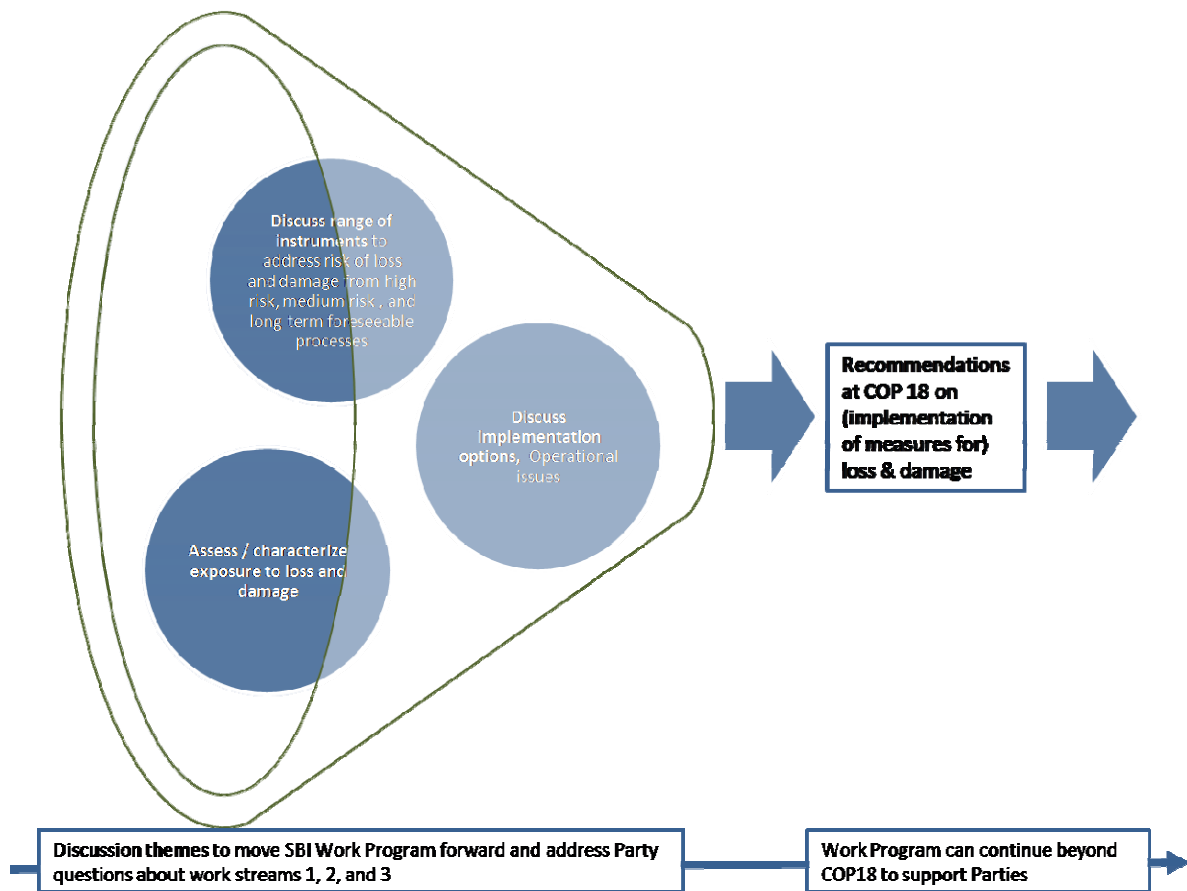
The next section of this submission provides more detail about the possible sequence of discussion and thematic content in each work stream, as well as an annex outlining questions Parties may consider under each work stream to help organize the information presented to Parties and ensure that Parties and relevant Observer organizations have an idea of what kind of information are needed to move discussions forward.

3. **Build shared framework of understanding and action to address loss and damage**

**Possible areas of discussion in each work stream, and thematic content**

The work streams could encompass three areas considered important for thinking about, designing, and implementing measures to address loss and damage, to support the formation of recommendations for COP18. These three areas are outlined below (the elements from paragraph 28 (a - c). **Annex 1 provides more information about the kinds of themes and questions** that could be discussed under each one of these headings and for each respective work stream (micro and meso risk, macro level risk, and longer-term foreseeable loss and damage). Figure 2 below illustrates the different areas of discussion for each workstream.

**Figure 2: Areas of discussion**



**Assess and characterize exposure to loss and damage<sup>10</sup> relevant to risks from extreme events at the micro, meso, and macro levels (workstreams 1 and 2)<sup>11</sup>, and longer-term foreseeable risks (workstream 3)<sup>12</sup>.**

<sup>10</sup> Exposure could be assets like man-made (such as infrastructure), natural (such as ecosystem services like fresh water), and social (such as livelihoods). As the SBI Work Program focuses on issues related to the implementation of measures to address loss and damage, there may be an argument for addressing the first three assets (man-made, natural, and social), and recognizing the importance of (but not valuing) things like human life and health culture, and ethics which are of inestimable worth and value.

<sup>11</sup> Paras 28(a) and 28(b) deal with weather variability and extreme events (often of a rapid-onset nature).



Risk management options are needed more today than ever (see, e.g. Stern et al. 2007), yet one of the basic requirements for effective management and reduction of loss and damage is risk assessment and understanding what is exposed to loss and damage. This is especially the case for developing countries where data is sometimes less available. The SBI Work Program on Loss and Damage should help them understand what tools are needed<sup>13</sup> to help Parties characterize exposure (i.e. risk assessment, mapping, typologies of assets exposed to loss and damage) through rapid-onset events like weather extremes, or through slower-onset foreseeable events related to climate change<sup>14</sup>. It could prove interesting to explore whether assessment activities could also be useful for other areas of adaptation, such as to draw attention to sectors, geographic regions, etc. which may need particular attention. This area of discussion could begin discussion of the role of the Convention in supporting/catalyzing the assessment, mapping, modeling, and evaluation of risks<sup>15</sup>.

**Range of instruments and their respective functions<sup>16</sup> to address exposure to loss and damage related to medium and macro level risks (workstreams 1 and 2)<sup>17</sup>, and longer-term foreseeable risks (workstream 3)<sup>18</sup>.** This level of discussion in each work stream would explore experience using particular instruments/approaches for the kinds of exposure to loss and damage addressed in each work stream. This area could help articulate lessons learned, good practice, challenges, analysis of relevance of various instruments in the context of adaptation, etc.

**Options for implementation of activities<sup>19</sup> to address loss and damage relevant to micro and meso and macro level risks (workstreams 1 and 2)<sup>20</sup>, and longer-term foreseeable risks (workstream 3)<sup>21</sup>.** as appropriate. This area could explore alternative combinations of elements needed for implementation, both under the Convention as well as options that could be implemented in ways that are complementary to Convention activities. This area of the discussions could explore what implementation options would look like, depending on different

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<sup>12</sup> Para 28(c) refers to longer-term foreseeable exposure to loss and damage, such as sea level rise and desertification processes.

<sup>13</sup> Also refer to the WMO „Climate Services for All“ program.

<sup>14</sup> Para 28 (b and c). It could be helpful for Parties to help sort out „what is the nature of the problem“ and understand the relationship between loss and damage and either weather-related extreme events, or longer-term foreseeable processes. Implementation of measures will likely look different, depending on whether impacts are associated with rapid-onset events or slow-onset processes. So it could make sense to start the discussion by characterizing and assessing exposure to loss and damage.

<sup>15</sup> UNFCCC (2008). „Report on the workshop on risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance: Summary by the chair of the workshop.“ Available on the UNFCCC website, document FCCC/AWGLCA/2008/CRP.7 from 6 December 2008.

<sup>16</sup> Para 28 (b and c).

<sup>17</sup> Paras 28(a) and 28(b) deal with weather variability and extreme events (often of a rapid-onset nature).

<sup>18</sup> Para 28(c) refers to longer-term foreseeable exposure to loss and damage, such as sea level rise and desertification processes.

<sup>19</sup> Para 28 (a, b and c). Once Parties have had a chance to examine areas of concern (assets at risk of loss and damage), the range of possible tools to address rapid-onset events and longer term foreseeable events and their functions, then Parties can begin considering options for development of approaches to address loss and damage. These options could outline design elements for approaches for managing rapid-onset loss and damage issues (climate risk insurance facility and other forms of insurance linked to disaster risk reduction) and for managing foreseeable slow onset processes (options for operational design for such approaches).

<sup>20</sup> Paras 28(a) and 28(b) deal with weather variability and extreme events (often of a rapid-onset nature).

<sup>21</sup> Para 28(c) refers to longer-term foreseeable exposure to loss and damage, such as sea level rise and desertification processes.



**combinations of issues such as Party needs**, institutional arrangements/ operational entity, governance considerations, alternative financial arrangements, etc. Implementation options should consider placing the avoidance and reduction of loss and damage as a leading priority.

The three areas suggested above could be taken in any order that Parties desire. However, a logical sequence could be to first characterize exposure (“what is the area that requires addressing?”), second discuss the relevant range of instruments, and third discuss implementation options for each work stream. The section that follows explores activities and a possible timeline of work streams.

#### **4. Define milestones for progress: Activities and milestones of work streams 1, 2, and 3**

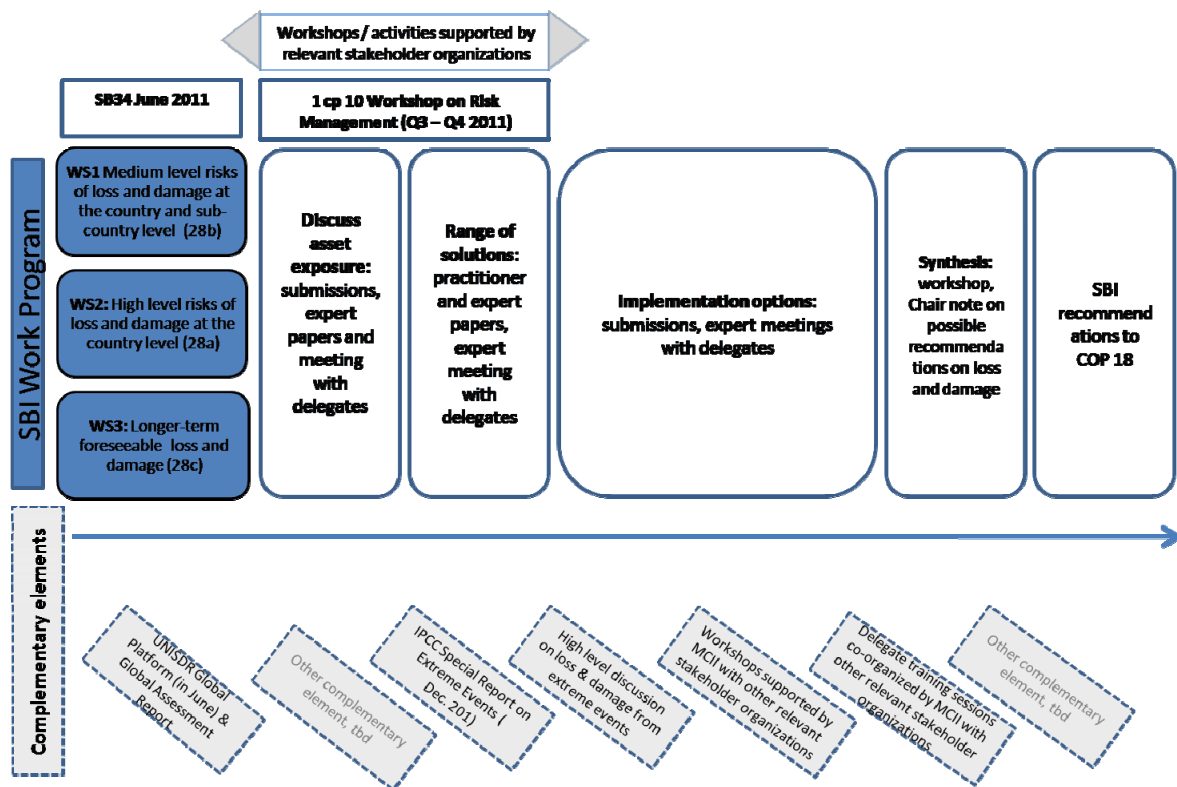
Work streams 1, 2, and 3 will contain elements that help Parties explore approaches to address loss and damage<sup>22</sup>, including workshops, expert meetings as appropriate, approaches to address loss and damage. The Work Program on Loss and Damage should have an open-ended lifespan, but 18 months would concentrate on exploring themes that support delegates in decisions about design of a risk management approach for adaptation (for a decision at COP18). The Work Program content could address the three work streams and discussion areas in the period between the 34<sup>th</sup> and 37<sup>th</sup> sessions of SBI.

Figure 3 below illustrates how the parallel work streams 1, 2, and 3 could be structured between SB34 to SB37 when SBI would make recommendations to COP18. Following this illustration, the document has a general description of the kinds of activities that could take place during each time period. If desired, each work stream could encompass its own separate calls for submissions, expert meetings, and capstone workshop. Alternatively, the overall Work Program on Loss and Damage could combine the elements across the work streams (e.g. have one call for submissions about asset exposure, but request submissions to be clearly organized along the lines of the work streams -- micro and meso level risks, macro level risks, and longer-term foreseeable loss and damage). As outlined above, it would be useful for the elements of the Work Program to be organized in a way that progress (or lack thereof) in one area/work stream is not a prerequisite for effective discussions in another.

**Figure 3: Work streams, discussion areas, and activities between SB34 and COP18**

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<sup>22</sup> Para 26



**Note about timing:** Figure 3 above suggests a general way for structuring the Work Program. Parties may have the need to vary timing of the individual Work Streams, both to fit the state of discussions and to fit the underlying knowledge base. The timing of elements in the work stream, as well as the timing of complementary elements may therefore be different in each work stream. One challenge of the SBI Work Program as described in para 29 of the Cancun Adaptation Framework is the time lag between Parties agreeing on the elements of the work program and the actual implementation<sup>23</sup>. As the work program aims to provide recommendations by COP18, this represents an important time consideration. Options for addressing this challenge include utilizing the 1/CP.10 risk management workshop already agreed to in Cancun to help jumpstart discussions in the time period between Party agreement and the six month rule. Another option is for relevant stakeholder organizations to co-organize relevant workshops and activities under the SBI work program. Figure 3 above utilizes the 1/CP.10 SBI Risk Management workshop as a platform to begin SBI Work Program discussions (to be held between SB34 and Autumn 2011). In-session workshops at each SB until COP18 could also be an option, but would require balance with the already-full schedules of meetings.

Based on Figure 3, the following kinds of activities could be undertaken in the Work Program.

<sup>23</sup> The six month rule generally states that UNFCCC requires six months between the time a decision is made in the process until activities can realistically be undertaken. If parties were to agree to the elements of the SBI Work Program in June of 2012, the first possible new activities which could be undertaken would be at COP17. If Parties reach agreement at COP17, then June 2012 would be the first point at which UNFCCC-organized activities would likely take place.

- **1/CP.10 Risk Management Workshop and /or complementary workshop organized by relevant stakeholder organization (June – December of 2011).** **The Work Program would focus on discussions that help Parties assess and characterize potential loss and damage, and methods and tools to assess asset exposure to loss and damage for the three parallel work streams: micro and meso level risks<sup>24</sup>, macro level risks<sup>25</sup>, and longer-term foreseeable loss and damage<sup>26</sup>.**
  - Call for submissions. The UNFCCC could issue a call for submissions on questions relevant to the theme of asset exposure, and then prepare a synthesis report based on those submissions to be made available for consideration by SBI at its thirty-fifth session at COP17. The call for submissions should be designed to complement (not duplicate) the issues addressed by the IPCC Special Report on “Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation” (SREX)<sup>27</sup>.
  - Expert paper(s) and meeting (between August and mid-October 2011). If deemed useful and appropriate, the UNFCCC or relevant stakeholder groups could organize one or more expert meetings, including delegates, to conduct more in-depth discussions on the assessment of exposure to loss and damage relevant to work streams 1, 2, and 3. The UNFCCC could call for expert papers, or commission a consultant paper, on the assessment of exposures to loss and damage and associated metrics and methods.
  - **A complementary special event to highlight the IPCC Special Report on Extreme Events (SREX) at COP17 (SB35)<sup>28</sup>.** **A special event should focus on those findings of the SREX of greatest relevance to loss and damage, and activities to address and reduce loss and damage. It will be useful to ensure that Parties to the UNFCCC receive a synthesis for policy makers in a timely manner and that those delegates working on loss and damage have an opportunity to be briefed by the IPCC and SREX lead authors.**
- **Expert meeting(s) to discuss range of instruments and their functions** to address the issues of concern for affected vulnerable countries (e.g. rapid-onset events and foreseeable slow-onset processes and the range of tools for the differentiated patterns of loss and damage for each of the three work streams).
  - Call for submissions. The UNFCCC could issue a call for submissions on questions relevant to the range of instruments for addressing loss and damage, and then prepare a synthesis report based on those submissions to be made available (for example, for consideration by SBI at its thirty-sixth session). Note that the call for submissions could emphasize experience and lessons learned from implementation.
  - Expert paper(s) and meeting . If deemed useful and appropriate, the UNFCCC could organize an expert meeting, including delegates, to conduct more in-depth

<sup>24</sup> Para 28 (b)

<sup>25</sup> Para 28 (a)

<sup>26</sup> Para 28 (c)

<sup>27</sup> Refer to <http://www.ipcc-wg2.gov/AR5/extremes-sr/index.html> for more information about SREX, its chapter outline, etc. A meeting from 14 – 17 November 2011 is planned to approve the report, followed by dissemination and (likely) presentation to Parties at COP17.

<sup>28</sup> The SREX is scheduled to be finalized in November 2011.

discussions on the assessment of exposure to loss and damage for micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable risks (work stream 3). The UNFCCC could call for expert papers, or commission a consultant paper<sup>29</sup>, on the assessment of exposures to loss and damage and associated metrics and methods.

- **Discuss institutional options and operational considerations for approaches** to address loss and damage associated with micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable processes (work stream 3).
  - Call for submissions. Preceding this workshop, the UNFCCC could issue a call for submissions on questions and views about institutional options and operational considerations for addressing loss and damage from micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable processes (work stream 3). The Secretariat could then prepare a synthesis report based on those submissions to be made available for consideration by SBI (for example, at its thirty-sixth session). Note that the call for submissions could emphasize operational considerations, arrangements for implementation and institutions, description of roles, alternative financial arrangements, etc.
  - Expert paper(s) and meeting . If deemed useful and appropriate, the UNFCCC could organize an expert meeting, including delegates, to conduct more in-depth discussions on options for making operational the range of approaches identified in the Work Program on loss and damage. Experts could be called upon to present experiences with different operating models, governance, financial considerations, necessary elements like data and technical issues, etc. The UNFCCC could call for expert papers, or commission a consultant paper.
- **Stocktaking workshop before COP18 to synthesize Work Program progress thus far**. It would be useful to have a pre-COP18 workshop for Parties to summarize the main findings about asset exposure, range of possible instruments, and operational options to address loss and damage associated with micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable processes (work stream 3).
  - Stock-taking workshop for each work stream. It would be useful to have a stocktaking workshop to summarize the most important findings of each work stream: what are the problems/asset exposure for macro, micro and meso-level, and longer-term foreseeable loss and damage associated with climate change? What are the range of instruments that could be used to address the levels of risk represented in each of the three work streams? What range of options exist to operationalize / implement approaches to address these respective levels of risk?
  - Note by SBI Chair. It would be useful for the SBI Chair to issue a note at an intersessional to articulate some of the possible recommendations SBI might

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<sup>29</sup> See the technical paper prepared in 2008 by the UNFCCC (<http://unfccc.int/resource/docs/2008/tp/09.pdf>) in preparation for the risk management workshop held at COP14 in Poznan (workshop report: <http://unfccc.int/resource/docs/2008/awglca4/eng/crp06.pdf>).

make to COP18, based on the activities of the Work Program on Loss and Damage to that point in time.

- **SB37 workshop to further discuss Work Program, major findings, and prepare recommendations to COP18 on loss and damage** associated with micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable processes (work stream 3).
  - In-session SBI workshop to discuss possible recommendations (SB37 at COP18).
  - Call for submissions. Preceding this workshop, the UNFCCC could issue a call for submissions from Parties and relevant stakeholder groups possible recommendations about loss and damage from micro and meso level risks (work stream 1), macro level risks (work stream 2), and longer-term foreseeable processes (work stream 3).
  - High level discussion at roundtable at COP18 to discuss recommendations of SBI. An alternative could be a ministerial-level discussion in the lead-up to COP18.

## 5. Complementary activities to the Work Program on Loss and Damage

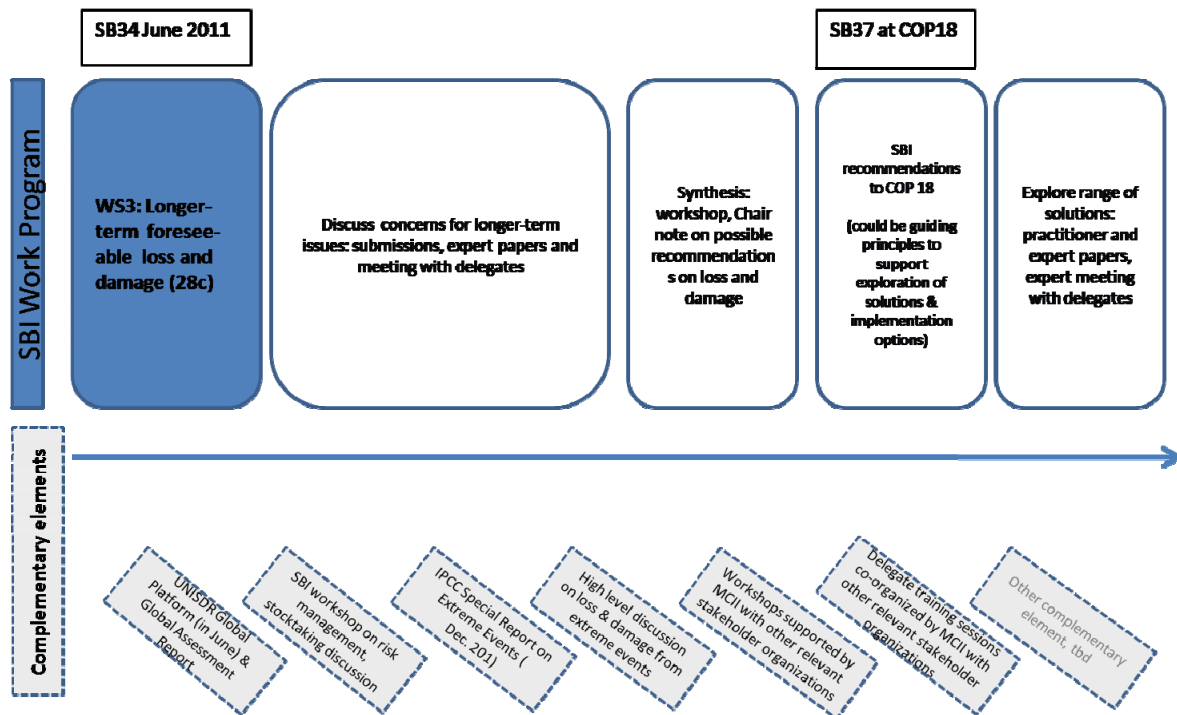
- **SBI workshop on risk management under 1/CP.10**. As noted above, and iff desired by Parties, it would be recommendable to use this workshop as part of the Work Program. Careful coordination and design of the 1/CP.10 workshop is needed, and coordination with the SBI and UNFCCC as they shape this workshop.
- **IPCC Special Report on Extreme Events**. Make special note of the findings of the IPCC SREX, and consider having the synthesis document presented in a special workshop or side event during an appropriate SBSTA or LCA meeting, or complementary to the UNFCCC climate negotiations. Ensure that Parties receive a synthesis for policy makers in a timely manner. This could be complemented by a briefing of scientists / lead authors of the SREX.
- **SBSTA: Submissions invited from relevant organizations about the scientific basis and questions related to loss and damage in particular regions, ecosystem types, etc. to provide a comprehensive view of the kinds of issues countries face related to loss and damage**. To facilitate timely provision of such contributions, a Work Program annex could make suggestions about specific questions that require addressing and the relevant time periods when such papers would be needed to inform SBI and SBSTA discussions. Part of this would be formal and part of this, if appropriate and agreed by the Chairs of SBI and SBSTA and the UNFCCC, would be informal consultations by the Chairs. **Nairobi Work Program: Invite specific inputs and pledges from (especially scientific) organizations related to loss and damage (in NWP work streams on risk management, insurance, adaptation, etc.)**. Similar to the point on SBSTA, an annex in the Work Program could make suggestions about specific questions, areas where feedback about lessons learned would be needed, and possible complementary NWP activities such as NWP workshops could be useful.
- **UNISDR Global Platform (May 2011) and Global Assessment Report: UNISDR's Global Platform and the upcoming Global Assessment Report will provide useful**

information for SBI discussions, particularly about the nature of asset and other value exposure to extreme weather events (Work Streams 1 and 2) and to a range of approaches that can help manage potential loss and damage from extreme weather events. Emphasis on risk reduction options and the avoidance of loss and damage are of particular importance. It would be helpful if Parties could note these elements/sources of information in the SBI Work Program on Loss and Damage.

- **MCII volunteers to co-organize a workshop** on a relevant theme, as appropriate and desired by Parties.
- **MCII volunteers to co-organize a series of training workshops** to support delegates in familiarizing themselves with technical terms, different ways of addressing loss and damage, etc. together with other relevant stakeholder organizations. These training sessions could be organized as desired immediately before sessions or relevant SBI Work Program workshops to capitalize on participants' time.

Finally, Figure 4 suggests that some workstreams may need to move through the sequence of discussions at different paces. For example, discussions on longer-term foreseeable loss and damage may require a longer amount of calendar time to discuss issues like exposure and assessing the issues. Figure 4 below shows a possible option for Work stream 3 (longer-term foreseeable loss and damage). Parties may find that this topic requires a different amount of time to discuss, as the articulation of approaches to manage loss and damage from foreseeable longer-term processes like sea level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts, salinization, land and forest degradation, loss of biodiversity and desertification may be in an early stage. If Parties so wished, they may choose for some Work stream discussions to advance at a more rapid pace (from "problem", to range of solutions, to implementation options) while others may require a slower, more in-depth pace to allow sufficient consideration of the issues at hand. The SBI Work Program on Loss and Damage should support Party discussions on an ongoing basis, in part for the reason that some areas (possibly such as longer-term foreseeable loss and damage) may require time beyond COP18 to consider implementation options.

**Figure 4: Timeline for discussions in each Work Stream may vary according to Party needs**



**Work Program on Loss and Damage Beyond COP18:** Ongoing process of knowledge transfer on loss and damage to facilitate implementation.

Up until and beyond COP18, the Work Program will represent an ongoing process of knowledge accumulation and transfer to support better understanding of loss and damage issues. The Work Program will provide an ongoing channel to bring relevant expertise about the management and reduction of loss and damage to Parties, and to collect information and experience gathered in the implementation of approaches to manage and reduce loss and damage, including risk reduction and insurance measures in various areas of the world.

## 6. Conclusions

The topic of loss and damage has advanced substantially from Bali onwards. The SBI Work Program has the opportunity to further foster confidence in the process as one that helps create solutions to some of the shared challenges of climate change. The work program should be designed with enough flexibility that Parties and relevant stakeholder observers will have both the chance for sufficient transfer of information, as well as moving forward even without perfect certainty in all areas. Measured progress over time and the ability to design solutions that offer some benefits for all Parties will contribute to a positive dynamic both in the climate negotiations as well as in other arenas where implementation of solutions occurs<sup>30</sup>.

The SBI Work Program on Loss and Damage should help Parties explore what combinations of tools could be used to address loss and damage at the micro, meso, and macro levels (with the

<sup>30</sup> It would be useful if the Work Program had a modality for updating information on an ongoing basis, providing inputs on ongoing implementation activities and feeding back lessons learned outside of the UNFCCC process.



primary aim to prevent and reduce loss and damage, and also to help share risks that cannot further be reduced). It would be helpful to explore the added benefits to adaptation of effective risk management. A range of tools may be used to address the temporal and spatial dimensions of climate-related risks. **The process should not expect to find one silver bullet solution; rather, the SBI Work Program should look for combinations of tools that can be implemented at different levels, both under the Convention and outside of (but complementary to) the Convention. This will be as much a time of discussion and preparation for a decision about implementation under the Convention, as it will be in catalyzing experiments, pilot approaches, and learning on the ground.**

### **Annex: Questions that the SBI Work Program on Loss and Damage could address**

Annex 1 outlines questions that this call for submissions under the SBI Work Program could address. The questions below are indicative of issues that might be discussed under the Work Program, but are not exhaustive. It is important to send a clear signal to relevant stakeholder organizations about what kind of information is needed at what stage in the Work Program. This will facilitate knowledge transfer and help prepare Parties to make a set of decisions about the implementation of measures to address loss and damage at COP18. As noted in the text above, the Work Program should be designed to complement (not duplicate) the issues addressed by the UNISDR Global Platform, the IPCC Special Report on “Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation” (SREX)<sup>31</sup>, among others. The focus should be on preparing Parties to reach a set of decisions related to implementation of measures to address loss and damage.

#### **Assessment of exposure potential: Key questions for discussion**

- Learning from current experience with assessing and characterizing exposure to loss and damage
- What methodological issues do Parties need to be aware of?
  - What kinds of data are needed for what level (micro, meso, macro)? Are they the same?
  - What databases are available to support assessment, and where are the gaps<sup>32</sup>? What is the current asset base and what might assets look like in coming decades? Is there a way to consider economic and social development in assessment activities now and in the future?
  - How can existing data be harmonized (i.e. between physical asset databases and social asset valuation)?
  - What are the tradeoffs in different assessment methods that are relevant to policy? What is best practice?
- What kinds of implementation issues might arise depending on different assessment methods?

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<sup>31</sup> Refer to <http://www.ipcc-wg2.gov/AR5/extremes-sr/index.html> for more information about SREX, its chapter outline, etc. A meeting from 14 – 17 November 2011 is planned to approve the report, followed by dissemination and (likely) presentation to Parties at COP17.

<sup>32</sup> It is expected that many gaps exist, particularly in areas like longer-term issues, environmental assets and livelihoods.

- What kinds of data and information are needed to assess and characterize exposure to loss and damage?

Additional questions could help the SBI Work Program on Loss and Damage explore synergies between assessment of loss and damage and other areas under adaptation. Some of the following questions arise about how to implement adaptation measures that encourage risk reduction and management, including insurance<sup>33</sup>:

- How can adaptation needs in individual countries be determined?
- How can different risk prevention, reduction and transfer measures be selected and implemented in an integrated adaptation strategy?
- When is it advisable to protect against climate related risks through prevention and risk reduction measures?
- When is it advisable for developing countries to insure against climate related risk?

#### **Range of tools and their functions: Key questions for discussion**

- Learning from current experience with range of instruments
  - What instruments have been used for micro and meso, macro, and long-term foreseeable risks?
  - What tools are applicable in what circumstances and are there indicators for what is cost effective in a particular situation?
  - What experiences and lessons learned are available for Parties about using different tools for rapid and slow onset risks.
  - What is known about the design of different tools to achieve adaptation objectives?
  - What is known about tools that operate in the public domain? In the private domain? In both?
- What do we know about the links between loss avoidance and reduction, and the range of instruments?
  - Do we have experience combining risk reduction and risk transfer tools to expand adaptation options (i.e. a toolkit approach rather than a single-tool approach).
  - What do we know about the synergies between tools in practice?
- What criteria could Parties consider in evaluating what kinds of instruments might be appropriate to their needs, based on the assessment of potential loss and damage for micro and meso, macro, and longer-term foreseeable risks<sup>34</sup>?

#### **Implementation options: Key questions for discussion**

- Learning from current operational approaches
  - How were currently operational approaches set up (FONDEN, CCRIF...), a synthesis of lessons learned is better than handbook of examples of existing tools.

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<sup>33</sup> Adaptation needs depend on the specific risk landscape of a region or country. A variety of risk management tools can contribute, insurance related tools in particular encompass the ability to assess exposure potentials and price risk (Gurenko 2004, MMC 2005, Kartha et al. 2006, Skees et al 2008).

<sup>34</sup> This knowledge assists Parties in thinking through how much they can reduce loss and damage, and what parts of loss and damage may need additional tools such as risk transfer. The ECA methodology has helped to price risk and support the search for cost-effective solutions.

- In existing practice, what are the roles of governments, private sector, other actors?
- Roles and responsibilities, governance arrangements
  - What are the range of potential roles of the Convention in the design of institutions / options to address loss and damage?
  - What would the relationship between different implementation options and the UNFCCC?
  - What options are available for the design of an operating entity?
  - Governance, funding, payments, what would implementation options look like—for rapid-onset events, for slow-onset events—are different instruments needed? Would different instruments need coordination or could they be independent of each other? What is the appetite for financially incentivizing private companies (the existing big Re's) with adaptation financing?
- Operational considerations
  - What options exist for institutional design (considerations of institutional lightness and tradeoffs, and institutional memory and capacity, operational guidelines and standards, day to day management, how to set up, how to operate).
  - What are the technical requirements for various options (such as information base, knowledge base and expertise, etc.)?
  - What time horizons should any institutional framework be built to address and support? Is there any kind of exit strategy or would this effectively be a permanent entity?
- Financial arrangements
  - What would be the estimated costs of various options for implementation? How could these costs be financed (who will pay, at what levels, linked to what kinds of activities)?
  - In the case of financial risk transfer approaches, what levels of capitalization is needed to achieve sustainability?