

## **Heads of Delegations informal consultations on Loss and Damage**

**Cairo, Egypt, 10-11 September 2022**

### **Chair's summary**

#### **Introduction**

On 10–11 September 2022, we convened an in-person, informal meeting of the Heads of Delegation to continue to exchange views on Loss and Damage, with a view to facilitating a successful outcome on loss and damage at COP 27.

The meeting was attended by representatives from close to 30 of Parties and groups. It was informed by the inputs and views of civil society, the GCF and Adaptation Fund secretariats. The concept paper, including the agenda of the meeting, can be found [here](#).

Many participants emphasized the fundamental importance of scaling up the efforts on greenhouse gas emissions reduction to keep the 1.5°C goal alive and continue reducing vulnerabilities and adapting to the adverse effects of climate change, as the enhanced mitigation and adaptation will contribute to reducing the risk of loss and damage.

The discussions focused on 1) the approach for the calls for *funding arrangements on loss and damage* under the COP 27 and CMA 4 agendas, 2) visions on the Loss and Damage outcome for COP 27, 3) the current status of finance for loss and damage and ways to make progress at COP 27, 4) aspects relating to the Santiago Network, and 5) other relevant and cross cutting issues concerning loss and damage.

#### **Visions for the loss and damage outcome for COP 27**

Parties shared views on an envisioned 'package' for loss and damage outcomes at COP 27. The discussions generally converged towards including the following elements:

- 1) Establishment of an agenda item to consider loss and damage funding arrangements and to pave a way towards a process to consider establishment of relevant arrangement(s), though with diverse views on the scope and timeframes of such an item;
- 2) Santiago Network operationalization, including the terms of reference for the secretariat/coordinating body, and a process with a set of criteria and timeframe to identify a host and the governance structure concerning the operations of the Network, including possible advisory and oversight body;
- 3) Strengthening finance for loss and damage, including, for example, a call for multilateral development banks and financial institutions for more support for loss and damage including in relation to disaster risk reduction;
- 4) Giving visibility and relevance to external, relevant ongoing work and initiatives outside of the UNFCCC process, such as the G7's Global Shield, the UN Secretary-General's early warning system initiative;
- 5) Recognition of ongoing work under the Warsaw International Mechanism (WIM), e.g., the Executive Committee's new five-year rolling workplan, work of the five expert groups under the WIM.

Some Parties viewed the remaining Santiago Network negotiations to be of a technical nature that should be concluded in the first week of COP 27, leaving the opportunity for political-level engagement in the deliberations on finance for loss and damage.

Lastly, some Parties expressed that implementation of Article 8 (Loss and Damage) is an integral element in achieving the full implementation of the Paris Agreement, along with mitigation, adaptation and means of implementation.

### **Proposal for the new agenda item to discuss loss and damage finance**

On the approach for the G77 proposal on the new agenda item, there was a general consensus on the need for a formal space, i.e., an agenda item, under the UNFCCC to consider ways to enhance finance for loss and damage. Pending a decision on such an agenda item, four key aspects – ‘when (timeline)’, ‘where (placement)’, ‘what (scope)’ and ‘who (sources and eligibility)’ – were highlighted that would need further discussions. On the timeline, key differences of views include, 1) first letting the mandated Glasgow Dialogue run its course (SB 58, June 2023 and SB 60, June 2024) to enhance collective understanding of what ‘fit-for-purpose’ finance for loss and damage would entail, then later make a decision as appropriate, and 2) establishing at COP 27 financial arrangement or arrangements, either with an agreement on the full scope or with provisions to roll out associated modalities and functions, including through discussions under the Glasgow Dialogue.

On the placement of such new agenda item, views expressed range from consideration under both the COP and CMA which would then result in a common outcome or different outcomes reflecting existing mandates and context pertaining to each supreme body, or consideration to only take place under the CMA. A need for clarifying linkages with the existing relevant mandates was also indicated in this context, including in relation to the Glasgow Dialogue to avoid parallel tracks of consideration, and a shared understanding in Paris for not involving or providing a basis for any liability or compensation. Different views were also shared on its scope - whether to focus on financing efforts for ‘addressing’ loss and damage, maintain the framing of ‘averting, minimizing and addressing loss and damage’ in line with, for example, the language that mandated the Glasgow Dialogue, or the areas of financing to be consistent with those identified in Article 8 of the Paris Agreement. Participants also shared views on other aspects that would concern the determination of the scope, such as a possible form which varied from a dedicated and new provision to augmenting current provisions and arrangements, including regional and/or local funds. Participants noted that these different views would have implications for the title of such an agenda item.

Aspects relating to ‘who’ are two-fold. One aspect relates to sources of such finance, which some Parties pointed out a need to diversify and broaden the contributor base beyond traditional sources in the UNFCCC process, emphasizing the scale of finance needed for loss and damage context, especially if such finance would not be at the expense of existing funding for adaptation and mitigation. Another aspect concerns the primary beneficiaries of financial support for loss and damage – e.g., whether consideration is needed around differentiation/priority criteria among developing countries for accessing such finance, with a view to directing limited resources towards the places they are most needed.

All Parties viewed that a smooth adoption of the agenda would send a positive signal toward a successful COP, demonstrating the willingness to find common ground.

### **Finance for Loss and Damage**

All Parties recognized the need for more finance for loss and damage. The Green Climate Fund and the Adaptation Fund secretariats presented the relevant support they provide, which mainly focused on averting and minimizing loss and damage, for example, through strengthening climate resilience and establishing/strengthening early warning systems. Many Parties pointed out that among the financial gaps that exist across the spectrum of currently available finance by the Convention financial mechanism, the largest gap remains in addressing loss and damage.

Regarding the provision of guidance to the climate funds under the UNFCCC relating to Loss and Damage, one Party, referring to Article 11 of the Convention, mentioned that additional guidance

must focus on policies, programming priorities and eligibility criteria of the funds and that these funds are governed by the respective Board / Council, adhering to the Governing Instruments or the MOU set by the COP.

Some Parties indicated that the frequency of the meetings (a few times a year) of the governing bodies of the funds is incompatible with the need for making decisions for the rapid response required for loss and damage situations. In this regard, one Party suggested defining impact-based goals for the operating entities of the financial mechanism to adjust the current system to ‘fit for purpose’ for loss and damage context. In this context, a need for reforming the way multilateral development banks function, including establishing sovereign guarantees, was also mentioned.

Many developing countries, however, cautioned against turning the climate crisis into a debt crisis if financial resources for loss and damage take the form of loans. To that end, many Parties strongly called for a grants-based approach to finance for loss and damage, citing the challenging circumstances that developing countries are already faced with, such as post-pandemic recovery and the implications of the war that are stretching national and individual household resources.

Against this background, many Parties called for financial resources to be made available to address loss and damage beyond current arrangements (e.g., humanitarian relief after extreme events), for economic and non-economic losses and damages, as well as those associated with slow onset events. One Party specifically called for the provision of dedicated financial resources for the reconstruction after extreme weather events.

In noting the current gaps in the provision of support relating to loss and damage to developing countries, some Parties emphasized the importance of widening the scope of discussions beyond the UNFCCC to acknowledge and build upon the existing, possibly complementary, support arrangements. Examples of the existing arrangements mentioned include support by multilateral development banks, the G7 Global Shield initiative, the UN SG’s Early Warning System initiative, risk financing facilities such as the African Risk Capacity initiative and those under the disaster risk reduction domain.

A number of Parties expressed support for establishing a finance facility to address loss and damage, which is to be based on the provision of new and additional finance by developed countries, and details to be discussed under the new agenda item. However, other Parties viewed that the ecosystem for finance for averting, minimizing and addressing loss and damage finance has to be discussed holistically without prejudging the form and that such consideration should not be prescriptive of a particular outcome of the discussions.

Most of the Parties openly shared the sentiment that the Glasgow Dialogue as established at COP 27 is not sufficient in responding to the urgent need for scaling up finance for loss and damage, and a variety of non-mutually exclusive views were shared for enhancement in this regard, including further elaborating the mandate of the Dialogue to give more guidance and requesting for reporting on the discussions, continuing the Dialogue beyond the current timeframe, and/or deciding that there will be an outcome of financial arrangement(s) from the Dialogue, noting that the Dialogue should be more than a talk-shop. There was a suggestion to utilize the Glasgow Dialogue during the next two years to roll out guiding terms, principles and aspects relating to the form of enhanced financing,. The importance of the logic of “form follows functions” was emphasized by many in discussing funding arrangements for loss and damage, along with the complementarity between the mandated Glasgow Dialogue and the proposed agenda item to discuss finance for loss and damage.

In addition, some Parties underlined a need for expanding the traditional donor basis to include public, private and innovative sources of finance to address the loss and damage funding gaps. However, at the same time, there was a caution against focusing on initiatives and activities outside of the UNFCCC process, which could deviate the attention from the principle of Common But

Differentiated Responsibilities and Respective Capacities under the Convention and the obligation of developed countries concerning the costs of climate change impacts in the developing countries.

Finally, some Parties highlighted the linkages on loss and damage finance at COP 27, including the Global Stocktake and the New Collective Quantified Goal for climate finance from 2025.

### **The Santiago Network**

Parties generally agreed on the need to adopt a decision at COP 27, which should contain the agreement on the structure of the Network, the terms of reference for the convening or coordinating body (SN secretariat), and the criteria and process for the selection of the host institution(s) of the SN secretariat, with a timeframe to select a host by SB 58 and conclude institutional arrangements, such as a memorandum of understanding, at COP 28. One Party cautioned against the agreement at COP 27 being taken at the cost of creating arrangements that do not fully meet the agreed functions of the Santiago Network.

Some viewed the host organization acting as the SN secretariat, while others alluded to a possibility of more than one entity as the host institution(s) providing administrative support to the SN secretariat. An idea of a consortium of partners that are well embedded in the climate process and have the ability and experience to engage a wide range of stakeholders and manage a global network was expressed by some Parties.

The focus of a broader discussion on governance and structure centered around where advisory functions for the Santiago Network would be placed. Differences of views, expressed in previous consultations and SB 56, largely remained – the ideas include utilizing the existing arrangements under the WIM or establishing a new and stand-alone advisory body with proposed members ranging from (and including a combination of) governments, the WIM Executive Committee, the Executive Committee's expert groups and bodies within the UNFCCC. Many Parties viewed the advisory services as the key to ensuring the Network's operation would be needs-driven.

Many commonalities emerged regarding the Network Secretariat's role and responsibilities, such as managing day-to-day operations of the Network, including receiving and responding to requests and establishing and maintaining the Network. There was an understanding by all participants that the SN secretariat would manage and disburse the funds. Therefore, the host institution(s) would need to have fiduciary rules and regulations and fair tendering processes in place.

Several groups and Parties referred to the CTCN as a model to draw lessons from, such as in terms of its structure, the accountability process to the COP and the CMA, and predictability in funding.

Regarding the roles of relevant organizations, bodies, networks and experts, several Parties suggested that they should, whenever possible, help leverage more funding, or co-finance activities, especially in the case of UN agencies or others operating at the international level.

Several Parties reiterated that the UNFCCC secretariat should continue providing interim support in connecting countries seeking assistance with relevant organizations, networks, bodies and experts.

The two-day informal meeting with constructive and open conversations helped narrow key questions and identify priority issues that need to be further consulted in the lead-up to COP 27. All parties underlined that they are fully committed to making progress and having meaningful outcomes on loss and damage at COP 27.