



Ms. Pepetua Latasi  
Ms. Sheeren D'Souza  
Co-Chair of the Executive Committee of the Warsaw  
International Mechanism for Loss and Damage associated  
with Climate Change Impacts

Date: 20 April 2016  
Reference: YV, AK, JH  
Direct line: +49 228 815-1289

Dear Ms. Latasi,  
Dear Ms. D'Souza,

On behalf of the Standing Committee on Finance (SCF) and with the view of enhancing the collaboration between our Committees, we would like to take the opportunity to provide you with an update on the progress of work of the SCF with respect to Action Area 7 (c and e) as well as Action Area 1 of the workplan of the Executive Committee.

In relation to **Action Area 7(c)** of the workplan of the Executive Committee, the SCF is exploring how to consider financial instruments that address the risks of loss and damage associated with the adverse effects of climate change in the context its **2016 Biennial Assessment and Overview of Climate Finance Flows**. A general outline is included in the annual report of the Committee to COP21. A Zero Order Draft has been considered by the SCF at its 12<sup>th</sup> meeting in April 2016. The information and data-gathering will continue in the following months. The SCF will consider the matter at its next meeting (July, tbc) and aims to conclude the work for the 2016 BA at its meeting in September/October (tbc). The work for the preparation for the 2016 BA is co-facilitated by the SCF co-chairs Mr. Seyni Nafoussi and Ms. Outi Honkatukia.

In relation to **Action Area 7(e)** and as you are aware, at its 11<sup>th</sup> meeting in October 2015, the SCF decided to dedicate its **2016 forum** on “*financial instruments that address the risks of loss and damage associated with the adverse effects of climate change*”, in response to the invitation by your Committee. On January 2016, the SCF issued a call for inputs on, inter alia, possible events and partners to host the forum and several inputs were received.<sup>1</sup> We would also like to take this opportunity to thank the Executive Committee for its input.

At our recent meeting, held from 6-7 April, the SCF agreed on the objectives of the forum, which you will find in the annex. These objectives will guide the design of the programme of the two-day forum and will serve as basis for aligning the forum with the overall focus of a potential partnering event, as appropriate.

During this meeting, the SCF also discussed options for the forum venue<sup>2</sup>. The SCF noted that additional information was needed in order to make a decision on the forum venue and requested the co-facilitators of the working group on the forum with the support from the

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<sup>1</sup> Available at: [www.unfccc.int/9410.php](http://www.unfccc.int/9410.php)

<sup>2</sup> For the options considered by the SCF, see document SCF/2016/12/5, annex 3, available at: [unfccc.int/6881](http://unfccc.int/6881).



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secretariat to solicit the additional information required, with the view to the SCF making a decision on the selection of the forum venue by 30 April 2016. We would also like to take this opportunity to thank your Committee for the active participation in the recent SCF meeting and the input provided by your member Mr. Gottfried von Gemmingen on the forum.

With respect to **Action Area 1** of the Executive Committee, the SCF agreed to consider your request in the context of its work outlined above. The SCF will take stock at the end of this year and will consider potential follow-up activities in relation to Action Area 1, as appropriate.

We are pleased to inform you that the co-facilitators of the working group on the forum have expressed their availability to engage virtually with the Executive Committee at its upcoming meeting on matters related to the forum. We wish you a productive meeting and fruitful discussions.

The SCF looks forward to continuing to work closely with the Executive Committee.

Sincerely yours

(Signed by)

Seyni Nafu and Outi Honkatukia

Co-Chairs of the Standing Committee on Finance



## **Annex: Agreed objectives of the 2016 SCF Forum**

In 2016, the Standing Committee on Finance (SCF) will dedicate its forum to the theme of *financial instruments that address the risks of loss and damage associated with the adverse effects of climate change*. This is in response to the invitation by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with climate change impacts (the Executive Committee), as included in the action area 7e) of its initial 2-year workplan.

### **I. Objectives**

#### **a. Overall objective**

To discuss and share information, knowledge and good practices, among expert organizations (both public and private), practitioners and UNFCCC stakeholders, on financial instruments and tools that address the risks of loss and damage associated with the adverse effects of climate change<sup>3</sup> with a view to identifying possible conclusions and/or recommendations on the possible next steps.

#### **b. Specific objectives**

1. To enhance understanding of existing financial instruments that address the risks of loss and damage across different levels (e.g. local, national, regional and international) and sectors including both the public and private sectors.
2. To generate practical insights on how various financial instruments are structured and operate across types and aspects of loss and damage (for example in the context of rapid or sudden-onset events, slow-onset events, and economic vs. non-economic losses), how they can be more effective and address the most vulnerable countries, populations and the ecosystems they depend on, by sharing case-studies and learning from experiences of countries and finance providers.
3. To explore limits, gaps, benefits and good practices from the existing financial instruments, looking also at what types and aspects of loss and damage are not covered by existing financial instruments, or what types and aspects are covered by other fora, so as to identify further action and/or research that need to be undertaken in this respect.
4. To identify challenges and opportunities for scaling up and replicating good practices on financial instruments and tools across different areas, regions or contexts, including promote potential innovative financial instruments.

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<sup>3</sup> In the context of Action Area 7 of the initial workplan of the Executive Committee of the Warsaw International Mechanism for loss and damage, which is to encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage associated with the adverse effects of climate change to facilitate finance in loss and damage situations in accordance with the policies of each developing country and region, taking into account the necessary national efforts to establish enabling environments. These financial instruments and tools may include: comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools.