



Climate Action Network

Submission for the 4th SCF Forum on financial instruments to address loss & damage

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Climate Action Network International (CAN) is the world's largest network of civil society organizations working together to promote government action to address the climate crisis, with more than 950 members in over 110 countries. www.climatenetwork.org

Background:

At its eleventh meeting held in October 2015 in Bonn, Germany, the Standing Committee on Finance (SCF) decided to respond positively to the invitation, by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, to dedicate its 2016 forum to the theme of financial instruments that address the risks of loss and damage associated with the adverse effects of climate change, in the context of Action Area 7 of the workplan of the Executive Committee. The Standing Committee on Finance (SCF) invites its members and interested stakeholders to submit their inputs on the scope and purpose of the Forum and also to provide relevant information/case studies that would inform the Forum.

CAN International sees an important role for the SCF forum to discuss financial instruments to address loss and damage and is grateful for the opportunity to provide inputs on the scope and purpose of the Forum and also to provide relevant information as well as case studies to inform the Forum.

Introduction

CAN believes that finance for loss and damage should pay particular attention on how loss and damage associated with the adverse effects of climate change affects particularly vulnerable developing countries, vulnerable populations and the ecosystems that they depend on, and how approaches to address loss and damage associated with the adverse effects of climate change can be designed and implemented to benefit these populations.

CAN is concerned that international adaptation finance as a means to prevent adverse consequences for vulnerable people is already insufficient given the scale of the challenge in developing countries, and loss and damage beyond what countries and communities manage to adapt to results in significant additional costs, as well as non-economic impacts. Furthermore, it is important to recognise that L&D also depends on different warming levels. If adaptation finance is inadequate, then at each warming level the resilience capacity of community and ecosystem will be compromised making them more vulnerable to slow and extreme disasters. So the Forum should also highlight L&D costs due to inaction/delayed action on mitigation and adaptation. Overall, CAN suggests a strong focus for the Forum on the side of finance generation.

1. Scope and purpose of the Forum

We propose that the Forum could examine the following:

- The various scenarios and accordingly scale of finance needed [to address/for] loss and damage;
- A cyclical review of finance needs and to create a separate pool as a fund for L&D - this will be linked with humanitarian finance flows partially;
- The interaction between finance for loss and damage, finance for adaptation, and humanitarian finance;
- Existing sources of finance and financial instruments utilised to address loss and damage;
- New proposals for financial instruments for loss and damage, including those that can generate truly additional resources;
- Sources of finance and financial instruments from other fields that may contain elements that could be usefully applied to loss and damage from climate change;
- The specific circumstances, including challenges in generating finance for loss and damage, and in disseminating finance for loss and damage, and the relevant limits that exist for some specific instruments;
- Co-benefits of financing instruments that also meet other objectives;
- Special instruments identified to be mobilised in emergency to meet urgent finance needs and process for quick dissemination.

The outcomes from the Forum should include recommendations for next steps and a clear roadmap towards developing new sources of finance for loss and damage by 2020.

2. Relevant information/case studies to inform the Forum

The following studies and information can help to inform the Forum on the specific proposed areas of engagement:

2.1 The scale of finance needed for loss and damage, taking into account levels of warming

- Oxfam (Climate Action Tracker 2015) 2050 economic damage for developing countries could be \$1.85 trillion per year (about 1.45% of GDP) for current INDCs.
- AMCEN/UNEP Africa's Adaptation Gap 2 Report (2015) with all cost effective adaptation Africa loss and damage is estimated at ~\$100bn per year by 2050 for warming below 2°C, at least double that if warming goes above 4°C.
- UNEP Adaptation Gap Report (2014) the indicative cost of adaptation and the residual damage (loss and damage) for the LDCs ~US\$50 billion/year by 2025/2030 and possibly double this value (US\$100 billion/year) by 2050 at 2°C.
- Climate Vulnerability Monitor 2 (2012), from DARA and the Climate Vulnerability Forum climate change caused net global economic losses of \$609 billion in 2010, expected to increase to \$4.3 trillion by 2030. 80-90% of these costs are projected to fall on developing countries, with the LDCs suffering the worst.

- Dr Chris Hope (in Parry et al. 2009) estimated that by 2060 global loss and damage will be about US\$1.2 trillion per year.
- Burke, Hsiang, and Miguel (Nature 2015) said existing Integrated Assessment Models under-estimate future climate-change costs. Rather at 5°C GDP falls 25 - 75%.

2.2 The interaction between finance for loss and damage, finance for adaptation and humanitarian finance

- The recent High Level Panel report, [Too Important to Fail - addressing the humanitarian financing gap](#),

2.3 New ideas for financial instruments for loss and damage

- The Carbon Levy aims to reverse the injustice of the fossil fuel industry outsourcing the true cost of their product onto those who have done least to cause climate change – the poorest and most vulnerable. The Carbon Levy would be a global fossil fuel extraction levy paid into the loss and damage mechanism and generating \$50 billion per year based on the polluter pays principle.

An outline of the concept is here:

- <http://climatejustice.org.au/issue/carbon-majors/>.
- Two key reports are:
 - http://climatejustice.org.au/wp-content/uploads/2015/06/CJP-HBF-big_oil_coal_and_gas_producers_must_pay_for_their_climate_damage.pdf
 - <http://climatejustice.org.au/wp-content/uploads/2015/10/Making-A-Killing-FINAL-webversion.pdf>
 - AMCEN/UNEP Africa's Adaptation Gap 2 Report (2015) explored three possible options for climate financing: mining/fossil fuel levies, financial transaction tax, and levies on transport fuel.
 - http://apps.unep.org/publications/index.php?option=com_pub&task=download&file=-Africa%E2%80%99s_Adaptation_Gap_2_.pdf
- Climate Action Network outlines a number of innovative sources of climate finance, including a Carbon Majors Levy, share of proceeds of emissions trading schemes including the EU ETS, aviation and maritime levies.
 - <http://www.climatenetwork.org/publication/can-position-new-innovative-sources-climate-finance-may-2015>
- The recent High Level Panel report, [Too Important to Fail - addressing the humanitarian financing gap](#), identified a number of voluntary levies - including on aviation and fuel.
- Sources of finance and financial instruments from other fields that may contain elements that could be usefully applied to loss and damage from climate change. For example the international oil spill compensation fund (IOPC), the nuclear damage regime, the financial transaction tax, solidarity levies on air travel.

2.4 The specific circumstances, including challenges in generating finance for loss and damage, and in disseminating finance for loss and damage, and the relevant limits that exist for some specific instruments

- Existing instruments,
- Particularly vulnerable communities,

- Limits to various instruments e.g.: Limits to insurance in relation to slow onset events, high frequency events and very poor people, insurance premiums growth.

2.5 Co-benefits of financing instruments that also meet other objectives

- Some financing instruments, eg the Carbon Levy, would also meet polluter pays objectives, draw from a new source of finance and act to provide a form of price on carbon.
- Other co-benefits might include incentives to reduce or minimise the chance of loss and damage.

3. Working modalities of the Forum

- Presentations, roundtable discussions,
- Possibilities for virtual participation, webcast, possibility to propose questions through twitter and others.

4. *Potential institutions and events to partner with in the organization of the Forum*

Building on the experience from the previous Forums, where the SCF worked with a wide range of partner institutions and held the Forum in conjunction with relevant events, the SCF agreed to explore partnerships for the upcoming fourth SCF Forum and hence invites its members and interested stakeholders to the Forum to provide information on potential organizations with whom to partner as well as events (ideally taking place between May and September 2016), with which the Forum could be held in conjunction.

We strongly recommend partnering with **Climate Week (September 19-26) linked to the UN General Assembly 2016 in New York**. This would be well spaced between the June intersessional and the Marrakesh COP, provide an opportunity to engage a wide range of stakeholders from inside and outside the field of climate finance, and provide a positive platform to gain attention. ExCom 4 is due to be held 19-23 September, and holding the Forum either immediately before or after this meeting (therefore in conjunction with Climate Week) would have organisational advantages.