Climate Justice Programme, International Centre for Climate Change and Development (ICCCAD)

Submission to the Standing Committee on Finance regarding its 2016 Forum:
Financial instruments that address the risks of loss and damage associated with the adverse effects of climate change

Scope and purpose of the Forum

We propose that the Forum could usefully examine:

- The scale of finance needed to loss and damage;
- 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;
- 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 relevants limits that exist for some specific instruments;
- Co-benefits of financing instruments that also meet other objectives.

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.

Relevant information/case studies to inform the Forum

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℃, at least double that if warming goes above 4oC.
- 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 2oC.
- 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%.

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,

New ideas for financial instruments for loss and damage will be particularly important to explore

- **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
- The Climate Action Network outlines a number of innovative sources of climate finance, including a Carbon Majors Levy: http://www.climatenetwork.org/publication/can-position-new-innovative-sources-climate-finance-may-2015
- **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.

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

- Existing instruments;
- Drawbacks and limits to the application of existing instruments, and therefore resulting gaps: eg: limitations in the applicability of insurance and the injustice of shifting cost from polluters to the poor forced to pay insurance levies (if no support provided).

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

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

We strongly recommend partnering with **Climate Week (September 19-26) as part of 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.

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