

SUBMISSION BY THE REPUBLIC OF BULGARIA AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Serbia.

Sofia, 15 February 2018

Subject: Submission on views in the context of activity 1(a) of strategic workstream (e) of the five-year rolling workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage

I. Introduction:

1. In response to an invitation for submissions to Parties, observers and other stakeholders in relation to a mandate stemming from decision x/CP.23 para 10, the EU appreciates the opportunity to submit its views on activity 1(a) of strategic workstream (e) of the five-year rolling workplan of the Executive Committee in view of the preparation of the technical paper the Secretariat is mandated to undertake as per decision 4/CP.22 para 2 (h).
2. The European Union and its Member States (EU) welcome the decision to hold the Suva expert dialogue as mandated at COP23 which will help inform the preparation of the technical paper mentioned above. The EU puts forward this submission as an input to help prepare for the expert dialogue as well as the technical paper.
3. The Suva expert dialogue is an opportunity to explore a wide range of information, inputs and views on ways to facilitate the mobilization and securing of expertise, and enhancement of support, including finance, technology and capacity-building, for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change. The dialogue provides an opportunity for a better and shared understanding of the activities and outcomes that developing countries are seeking support for in particular in relation to Article 8 of the Paris Agreement, and to elaborate on new approaches and lessons learnt from existing initiatives, efforts and support that are relevant to minimizing, averting and addressing loss and damage. In particular, the dialogue can serve as a forum to identify initiatives

with a strong potential to be scaled up, and where action by all Parties could be enhanced.

II. General considerations and lessons learned

4. The imminence and severity of the consequences of climate change is becoming increasingly evident. According to scientific research climate change is contributing to increased intensity and frequency of a number of extreme weather events, and is driving long-term changes to weather patterns, climate and ecosystems. The degree to which communities and countries will be affected by climate change will be determined by a combination of their exposure and vulnerability, and how far they will be able to become resilient in the face of change, by adapting or transforming livelihoods and economies.
5. In addition, climate change will interact with other socioeconomic and environmental stressors, for example gender inequality, demographic changes, urbanization and changes in demand for food and energy. Given the cross cutting nature of the issue, the EU would like to highlight that action will need to be tailored to the circumstances of each country and community when undertaking efforts to avert, minimize and address loss and damage associated with the adverse effects to climate change.
6. In order to achieve climate resilient and sustainable development a comprehensive approach and the use of a combination of measures and actions are needed to deal with the threat of loss and damage. Moreover, it is essential that all countries participate, contribute and cooperate to strengthen the response, domestically and internationally, to the threat of a changing climate.
7. We note that the surest way of averting and minimizing loss and damage is by reducing GHG emissions in order to hold the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C.
8. Climate risks can only be managed successfully if every country puts in place comprehensive and effective climate mitigation and adaptation plans, which should include disaster risk reduction and preparedness plans supported by appropriate risk finance. Averting and minimising the impacts of slow onset events requires that potential risks are identified and addressed as an integrated part of the development planning and priority setting process in all sectors prone to be affected by climate change.

9. Effective planning processes will need to be holistic and consider economic, environmental, physical, financial and social factors (including consideration of gender, age and disability) as well as how to adjust action as context changes. For example the *Building Resilience to Climate Extremes and Disasters*¹ (BRACED) programme works across 13 countries in looking for practical ways to deal with climate extremes - including increasing drought frequency and desertification – in order to inform policy.
10. Systematic collection and dissemination of data, effective forecasting, scenario modelling, early warning and prediction systems are important to identify and evaluate risks for men, women and vulnerable groups and put in place (gender) responsive and preventive measures. For example such work on risk and data is being carried out within the *Climate Risk and Early Warning Systems (CREWS)* Initiative and the *Weather and Climate Information Services for Africa (WISER*²) programme.
11. International action, including investments, will be most effective if they align with and support well-informed national plans, social protection schemes and an effective enabling environment. The EU calls on all countries to participate in supporting the efforts of countries in the elaboration of such plans in view of enhancing adaptive capacity and building resilience. For example, sustained peer learning and exchange is facilitated in the *NAP Global Network*³, bringing together policy-makers and practitioners.
12. Climate change has the potential to exacerbate tensions over access to resources, sparking conflict and displacement. It is important to work towards a comprehensive response to the link between climate change and mobility, addressing at once security, climate resilience, disaster risk management, food security, natural resource management and environmental degradation and sustainable urban/rural development.
13. Some disasters will overwhelm even the best-prepared local capacity. In such cases, international humanitarian assistance should be provided in such a way as to not only mobilise resources in the immediate aftermath of a disaster, but also support the preparedness for when such situations occur again in the future. This would be consistent with the principle to “build back better” and the principle of “no harm”. In the immediate aftermath of a disaster, being able to rapidly access resources, e.g. through contingent credit and insurance, is key to help reduce humanitarian impacts, i.e. save lives and livelihoods, and save resources through rapid crisis response.

¹ www.braced.org

² <https://devtracker.dfid.gov.uk/search?query=WISER&includeClosed=0>

³ <http://napglobalnetwork.org/>

14. In view of the above the EU would like to highlight the fact that approaches to avert, minimize and address loss and damage, which also refer to means of implementation, are inextricably linked to efforts at mitigation, adaptation, disaster risk reduction, disaster preparedness and response. The existing climate finance landscape, including the operating entities of the Financial Mechanism, alongside national budgets and other development and humanitarian finance can all help to support the effective implementation of efforts to avert, minimize and address loss and damage. Effective action on loss and damage will require integration of adaptation, disaster risk reduction, disaster response and development planning. A comprehensive approach, which takes into account risks that are outside climate variability would be needed to avert, minimize and address loss and damage, and in particular slow-onset events.
15. Support is most effective and efficient if it involves planning ahead to better anticipate and reduce the impact of disasters, and tackle the longer term threats of loss and damage associated with the adverse impacts of climate change in order to address disaster threats and slow onset change. For example, catastrophe risk pools (e.g. *African Risk Capacity*, *Caribbean Catastrophe Risk Insurance Facility*, *Pacific Catastrophe Risk Assessment and Financing Initiative*) are emerging as a cost-effective vehicle to help countries access rapid financing for disaster response. Additionally, catastrophe risk pools can be complemented by other financial instruments, such as other insurance tools (including parametric insurance, risk swaps, options and loss warranties), derivatives, catastrophe bonds, contingent funds/credits, disaster relief funds as well as budget reserves and reallocations, to find the right balance of financial protection and (opportunity) costs.
16. Any such vehicle need to have a smart design in order to trigger enhancement of resilience and reduce impacts of climate change risks. For example, *the R4 Rural Resilience Initiative*⁴ enables the poorest farmers to access crop insurance by participating in risk reduction activities which, in turn, lowers the risk premiums. For larger scale projects, resilience bonds take into account infrastructure improvements that reduce financial risks and thus the interest or principal needed to be repaid on the bond in case no disaster occurs.
17. Cost-effective financial protection against extreme weather events relies on a combination of instruments dealing with events of different frequency and severity. Financial instruments for adaptation and resilience-building, such as grants, trust funds, loans or lines of credit, can contribute to manage the risks from gradual changes which occur at a rate that societies can adapt to (e.g. gradual sea level rise with creeping forms of coastal erosion). For some

⁴ <http://www1.wfp.org/r4-rural-resilience-initiative>

adaptation or risk reduction outcomes, low-income households or individuals can rely on micro grants, savings and credits which may be part of social protection schemes.

18. Carefully designed financial instruments for risk reduction, risk transfer and risk retention may be applicable in the case of extreme sudden onset events that are triggered through the interaction between gradual changes and sudden events (e.g. heavy floods due to the interaction of sea level rise and storm surges) or due to the surpassing of tipping points (e.g. sudden salinization of groundwater due to sea level rise). For example, payments could be prompted by parametric insurance schemes based on slow onset event parameters, such as sea level rise. The African Risk Capacity Insurance Company recently employed this technique to expand their efforts to apply to long-term droughts. But there is broad agreement that addressing slow onset events through smart combinations of financial instruments and tools requires further research, refinement and innovation and that global cooperation and support is required in this regard.
19. Setting in place the right kind of infrastructure and development will be critical to averting, minimising and addressing loss and damage. The capacity of the private sector to make informed decisions that are fit for the future and getting the regulation right to encourage effective and efficient investments will be critical to success. Therefore, the role of the private sector will need to be further explored, in particular to identify ways to encourage it to efficiently and effectively support the efforts of countries facing loss and damage, such as through improved incentives for private capital to support climate-smart infrastructure.
20. Furthermore, long-term planning must take into account potential climatic changes, including reducing the risks and impacts associated with slow-onset events, in designing more climate-resilient development pathways. This would help minimize the impact of climate change on communities and countries. For this, scientific knowledge, effective forecasting and scenario modelling need to be integrated in policy and planning processes. For example, the cross-cutting project *IMPACT*⁵ strengthens the connections between scientific assessments of climate impacts, vulnerability and adaptation to help enable access to finance and help Small Island Developing States (SIDS) and Least Developed Countries (LDCs) implement concrete projects.

⁵ https://www.international-climate-initiative.com/en/nc/details/project/impact-16_II_148-495/?cookieName=search_results&source=single&iki_lang=en

III. Action at different levels

21. From the outset, the EU would like to highlight that quite some substantive work in relation to support, including on finance, technology and capacity-building, relevant for loss and damage has been undertaken at different levels which we consider of added value and which should be the basis for the deliberations of the technical paper and the Suva expert Dialogue. Any such stocktake needs to be comprehensive in order to avoid duplication of efforts and maintain effectiveness and efficiency. Therefore the EU would like to recall inter alia:

- ✓ The work of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM)'s Executive Committee (ExCom) on
 - key messages in the context of Action Area 7 of the initial two-year workplan⁶
 - information paper on best practices, challenges and lessons learned from existing financial instruments at all levels⁷
 - the compendium on risk management approaches⁸
 - the Fiji Clearing House for Risk Transfer as a source of knowledge and solutions⁹
 - The database of current work on slow onset events¹⁰
 - COP23 side event on risk financing for slow onset events
- ✓ The 2012 Technical paper on Slow onset events¹¹
- ✓ The summary report of the 2016 Forum of the Standing Committee on Finance on financial instruments that addresses the risks of loss and damage associated with the adverse effects of climate change¹²
- ✓ The background note of the Technology Executive Committee – Recommendations for entry points for collaboration with the WIM¹³
- ✓ The EU submission to the ExCom on best practices, challenges and lessons learned from existing financial instruments¹⁴

⁶ http://unfccc.int/adaptation/groups_committees/loss_and_damage_executive_committee/items/9727.php

⁷ [pdf/aa7_d_information_paper.pdf](http://unfccc.int/adaptation/groups_committees/loss_and_damage_executive_committee/items/10326.php)

⁸ http://unfccc.int/adaptation/groups_committees/loss_and_damage_executive_committee/items/10326.php

⁹ <http://unfccc-clearinghouse.org/>

¹⁰ <http://www4.unfccc.int/sites/NWP/Pages/soesearch.aspx>

¹¹ <http://unfccc.int/resource/docs/2012/tp/07.pdf>

¹² <http://unfccc.int/resource/docs/2016/cop22/eng/08.pdf#page=29>

¹³ TEC/2017/14/14

¹⁴ https://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/nl-03-16-excom_eu_submission.pdf

22. It is also important to reflect on the substantial work done and the expertise, capacity building and finance available to assist countries in initiating and implementing national and local planning processes leading to more climate resilient development pathways. Such planning is an essential element of averting, minimising and addressing the adverse effects of climate change on sustainable development and the risk of loss and damage associated with the adverse impacts of climate change.
23. The **Technology Executive Committee** (TEC) has identified outputs/work that may be relevant for potential collaboration with the WIM ExCom and recommended coastal zones and early warning systems as two sectors of common interest of both bodies. The aim is to enhance understanding of technologies that reduce or avert loss and damage and adaptation technologies that could be relevant to loss and damage. This has been integrated into the Rolling Work Plan of the TEC¹⁵. Furthermore the **Climate Technology Centre and Network** (CTCN), as the implementation arm of the Technology Mechanism, has provided various types of support for developing countries in enhancing their climate technology efforts, including capacity-building activities, e.g. webinars on green infrastructure for development of climate resilience and on coastal management technologies. The CTCN provides technical assistance in various ways. Technical assistance requests from developing countries are published on the CTCN website¹⁶. Several of these requests have relevance for loss and damage aspects.
24. Building and strengthening the capacities to tackle climate change and the likely impacts in the specific natural and socio-economic context is essential to avert, minimize and address loss and damage. As recommended in decision 4/CP.22, the **Paris Committee on Capacity-Building (PCCB)** and the ExCom should enhance their collaboration, cooperation and partnership and the EU sees value in further enhancing the collaboration, cooperation and partnership.
25. Under the umbrella of the UNFCCC, the operating entities of the Financial Mechanism, such as the **Green Climate Fund (GCF)**, as well as other relevant institutions are supporting and will continue to support country-driven initiatives that are relevant to loss and damage associated with the adverse effects of climate change. In this context and given the cross-cutting nature of support relevant to loss and damage, relevant action is embedded in multiple portfolios, programmes and projects.

¹⁵ http://unfccc.int/ttclear/misc/_StaticFiles/gnwoerk_static/TEC_documents/74d5eb7001834aafaca82d9400a3bc8e/185fa9a5ef4645149cae4c5eed0f40a6.pdf

¹⁶ <https://www.ctc-n.org/technical-assistance/data>

26. As for the GCF, the Fund orients its resources in a manner that maximizes its impact on addressing climate change, including i.a. enhancing the resilience of: (i) people's livelihoods (e.g. GCF project in Malawi supporting early warning weather and climate information systems and improving the resilience of vulnerable communities) ; (ii) their health, educational outcomes, and well-being; (iii) infrastructure and the built environment (e.g. GCF project in Tuvalu supporting the construction of climate proofed seawall against sea level rise and high wave tipping); and (iv) ecosystems and the services they provide (e.g. GCF project in Ethiopia introducing new approaches to water supply and management systems capable of increasing the productive capacity of the community and the carrying capacity of the water ecosystems). At the project/programme level, this means that the Fund can support e.g. strengthening institutional and regulatory systems, increasing the generation and use of climate information, and strengthening awareness of climate threats and risk-reduction processes.
27. Both **SCCF (Special Climate Change Fund)** and **LDCF (Least Developed Countries Fund)** offer support to sectors that are relevant to loss and damage (especially for risk management and displacement) among others to coastal zone management (e.g. SCCF project in Sao Tome on disaster preparedness and response for coastal communities), disaster risk management, climate information services and integration of climate change considerations into national and local development planning processes (e.g. LDCF Project in Bhutan supporting the development of the disaster Management Act), including to address long-term, slow onset impacts of climate change. The Global Environment Facility Programming Strategy on Adaptation to Climate Change for LDCF and SCCF also highlights promoting access to insurance as one of the possible areas for action. Supporting NAPA preparation (National Adaptation Programme of Action) and the process to formulate and implement NAPs (National Adaptation Plans) also contribute to minimizing and averting loss and damage, including non-economic losses and slow-onset events.
28. The **Adaptation Fund** finances climate adaptation projects in a variety of sectors including coastal zone management and disaster risk reduction which are also relevant for reducing loss and damage.
29. Appropriate actions – based on long-term planning that considers potential future climate scenarios – are supported by all the above Funds, as well as other sources of support, including bilateral and multilateral cooperation and the private sector. These types of actions are crucial for addressing slow-onset events at the outset, by reducing vulnerabilities and exposure to them.

30. For instance, nature/ecosystem based adaptation and disaster risk reduction actions can be an effective tool to help minimize and address the impacts of climate change, including slow onset events. Enhancing coastal ecosystems, such as wetlands or mangroves, can be an effective measure against sea level rise: in Guyana, for instance, the **Global Climate Change Alliance (GCCA)** promotes the restoration and plantation of new mangrove forests to strengthen sea defences and support for coastal zone biodiversity. The project has not only supported the restoration and replanting of mangroves, but also provided local communities with alternative livelihood opportunities, thus making them more resilient in the face of external shocks. In Senegal, the GCCA works to fight coastal erosion and impacts caused by sea level rise through an integrated approach which includes: policy support (development and implementation of an Integrated Coastal Zone Management plan), nature and ecosystem based approaches (restoration of wetlands and of filao trees) and technical solutions (upgrading of drainage canal etc.).
31. The *Great Green Wall for the Sahara and Sahel Initiative* is a programme of the African Union, with support of the EU, FAO and GM-UNCCD, bringing together more than 20 countries from the Sahelo-Saharan region, is another example of tackling the detrimental social, economic and environmental impacts of slow-onset events. As desertification and land degradation have a strong negative impact on the food security and livelihoods, the initiative aims to support the efforts of local communities in the sustainable management and use of forests, rangelands and other natural resources in drylands.
32. As a recent example, the EU would like to highlight the French initiative “**One Planet Summit**”¹⁷ where nearly 130 countries, joined by federal states, regions, NGOs, philanthropists, Banks and other Non-State Actors, showed determination in the fight against climate change and agreed on 12 commitments with the aim of finding new means of financing the ability of our societies to cope with inevitable transformations induced by climate change, of further speeding up the reduction of greenhouse gas emissions, and of ensuring that climate issues are central to the finance sector. Some of the commitments will have an impact in relation to dealing with loss and damage as e.g. the creation of a Water and Climate Projects Funding Platform for Africa, a Land Degradation Neutrality Fund to restore deserted land, the launch of the “Tropical Landscape Financing Facility” or as highlighted in commitment #1 which aims to facilitate the rebuilding of the Caribbean in response to extreme events in island states with the mobilisation of \$ 3 billion in a public-private partnership within an 8 billion investment plan to make the Caribbean the first Climate Smart Zone.

¹⁷ <https://www.oneplanetsummit.fr/en/>

33. The **Sendai Framework for Disaster Risk Reduction 2015-2030** aims to substantially reduce disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. UNISDR and GFDRR are working closely with International Financial Institutions when supporting developing countries in reducing the risk and/or “build back better” in recovery, rehabilitation and reconstruction. The European Commission adopted in 2016 its Action Plan on the Sendai Framework¹⁸ with the aim to provide a disaster risk-informed approach for all EU policies. The European Union is implementing the Sendai Framework, and is also supporting partner countries in its implementation. For instance, the 2016 EU Action Plan on the Sendai Framework for Disaster Risk Reduction¹⁹ represents an important cross-cutting contribution to many EU policies to developing a risk informed approach. It covers both developing countries and EU Member States, and sets out a coherent agenda for enhancing risk prevention, building the resilience of societies and leveraging investments through different EU policies, notably development, humanitarian aid, civil protection cooperation, but also critical infrastructure protection, flood risk management, water and biodiversity protection, global health, and food and nutrition.
34. In relation to **human mobility**, IOM, the Platform for Disaster Displacement (PDD), UNHCR, the Red Cross/Crescent and many other organisations are aiming to support the most vulnerable countries to cope with displacement, migration and planned relocation. In addition, the UNGA adopted the “New York Declaration for Refugees and Migrants” resulting in the establishment of two global compacts – one for refugees (UNHCR in the lead) and one for migration (IOM in the lead) both aiming to strengthen the international response to large movements of people.
35. Planned relocation can be considered as a last resort option to protect affected communities. Relocations need to be adequately prepared and planned in a rights-respecting manner to lead to the most positive outcomes possible for those involved. For example, the EU has been supporting socioeconomic development of Kiritimati Island to ensure a better and conducive environment for the possible natural migration of inhabitants of South Tarawa. In addition, the EU works with international fora such as G7, G20 and the UN Security Council on such topic and supports the work of the PDD and of IOM.

¹⁸ http://ec.europa.eu/echo/sites/echo-site/files/1_en_document_travail_service_part1_v2.pdf

¹⁹ http://ec.europa.eu/echo/sites/echo-site/files/1_en_document_travail_service_part1_v2.pdf

36. Risk transfer mechanisms are an additional effective tool to avert, minimize and address loss and damage. As a follow up to the G7 InsuResilience and by building on G20 and V20, the **InsuResilience Global Partnership** has been launched at COP 23 in Bonn. The central objective of the Partnership is to enable more timely and reliable post-disaster response and to better prepare for climate and disaster risk through the use of climate and disaster risk finance and insurance solutions, reducing humanitarian impacts, helping poor and vulnerable people recover more quickly, increasing local adaptive capacity and strengthening local resilience. This complements ongoing efforts in countries to avert, minimize and address climate and disaster risks.
37. The World Bank's **Capital-at-Risk Notes Program** supports the Caribbean Catastrophe Risk Insurance Facility (CCRIF) by issuing catastrophe ("cat") bonds for all of its member states. Cat bonds are an instrument to transfer disaster risks from the bond issuer to the capital markets. In case a disaster strikes, funds can be disbursed quickly and the issuer's obligation to pay interest and/or repay the principal to investors is either deferred or completely forgiven.
38. The World Bank also designed a contingent financing line, called **Deferred Drawdown Option (Cat DDO)**, that provides immediate liquidity to countries to address shocks related to natural disasters and/or health-related events. It serves as early financing while funds from other sources such as bilateral aid or reconstruction loans are being mobilized. Its maximum size equals 0.25% of GDP or the equivalent of US\$500 million, whichever is less.