

## DRAFT TEXT

on

### COP agenda item 8(f) / CMA agenda item 8(f)

#### Matters relating to finance

#### Matters relating to funding arrangements responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage

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Draft text by ministers<sup>1</sup>

## Sharm el-Sheikh directive on responding to loss and damage associated with the adverse effects of climate change

*The Conference of the Parties / The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,*

*Noting* the increasing urgency of enhancing efforts to avert, minimize and address loss and damage associated with the adverse effects of climate change in the light of continued global warming and its significant impacts on vulnerable populations and the ecosystems on which they depend, as illustrated by the findings in relevant recent scientific reports, including the contributions of Working Groups I and II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change,<sup>2</sup>

*Noting* that keeping the global average temperature rise to below 1.5 °C will be essential to limiting future loss and damage,

*Recalling* the principles of the Convention,

*Also recalling* the Paris Agreement,

*Further recalling* previous work under the UNFCCC as part of the consideration of the current state of finance for addressing loss and damage associated with the adverse effects of climate change,<sup>3</sup>

*Acknowledging* the many institutions and stakeholders involved in financing activities for averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events,

*Welcoming* related initiatives announced at the twenty-seventh session of the Conference of the Parties, including, but not limited to, the Global Shield against Climate Risks and the United Nations Secretary-General's Early Warnings for All,

*Acknowledging* that existing funding arrangements fall short of responding to current and future impacts of climate change,

*[Recalling* the three elements of understanding with which these agenda sub-items were adopted,]

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<sup>1</sup> This item and the outcomes thereof are without prejudice to the consideration of similar issues in the future.

<sup>2</sup> IPCC. 2022. Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. H Pörtner, D Roberts, M Tignor, et al. (eds.). Cambridge, United Kingdom: Cambridge University Press. Available at <https://www.ipcc.ch/report/ar6/wg2/>.

<sup>3</sup> For example, the 2016 Forum of the Standing Committee of Finance on financial instruments that address the risks of loss and damage, a technical paper on the elaboration of the sources of and modalities for accessing financial support for addressing loss and damage (FCCC/TP/2019/1), the Suva expert dialogue on loss and damage associated with climate change impacts, and the 1<sup>st</sup> Glasgow Dialogue, to discuss funding arrangements for activities to avert, minimize and address loss and damage.

1. *Acknowledges* the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, especially in the context of ongoing and ex post (including rehabilitation, recovery and reconstruction) action;

2. *Decides* to establish:

Option 1:

A fund, as part of new and enhanced funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage, complementing these arrangements with financial support from other sources, funds, processes and initiatives, including outside the Convention and the Paris Agreement;

Option 2:

At COP 28/CMA 5, new and enhanced funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage, with a view to establishing a fund as part of these arrangements and complementing these arrangements with financial support from other sources, funds, processes and initiatives, including outside the Convention and the Paris Agreement;

Option 3:

At COP 28/CMA 5, new and enhanced funding arrangements to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage, with a view to complementing these with financial support from other sources, funds, processes and initiatives, including outside the Convention and the Paris Agreement;

3. *Establishes* an ad hoc task force/high-level expert group, in accordance with the terms of reference contained in the annex, to make recommendations based on, inter alia, elements for operationalization included in paragraphs 4 and 5 below and activities contained in paragraph 7 below, for consideration and adoption at COP 28/CMA 5 (November–December 2023), with a view to operationalizing the funding arrangements referred to in paragraph 2 above at COP 29/CMA 6 (November 2024);

4. *Agrees* that the recommendations to operationalize the funding arrangements referred to in paragraph 2 above shall consider, inter alia:

(a) (only for options 2 and 3) Establishing a new multilateral fund under the Convention and/or the Paris Agreement;

(b) Strengthening the role of one or both of the operating entities of the Financial Mechanism and/or of other funds under the Convention and the Paris Agreement;

(c) Expanding sources of funding;

(d) Identifying innovative sources of funding;

(e) A mechanism that coordinates and channels new and existing funding arrangements;

5. *Agrees* that the recommendations to operationalize the funding arrangements referred to in paragraph 2 above shall consider, *inter alia*:

(a) Establishing one or more new funds, global or regional, outside the Convention and the Paris Agreement;

(b) Ways to widen fiscal space for vulnerable countries in the aftermath of climate-related disasters, such as debt deferment clauses in agreements with multilateral financial institutions, increased flexibility and speed of access to finance, and continued efforts to address debt vulnerabilities among official bilateral creditors through existing processes;

(c) Enhancing the responsiveness of United Nations entities, intergovernmental organizations, and bilateral, multilateral and international financial institutions involved in

supporting and financing activities related to addressing loss and damage associated with climate change impacts;

(d) Facilitating the responsiveness of United Nations entities, intergovernmental organizations, and bilateral, multilateral and international financial institutions that are relevant but have not traditionally supported activities and measures for addressing loss and damage associated with climate change impacts;

(e) Encouraging multilateral development banks to respond to loss and damage, such as through increased capitalization, including of regional development banks, increased appetite for risk and support for rehabilitation, recovery and reconstruction measures;

6. *Decides* that the ad hoc task force/high-level expert group referred to in paragraph 3 above will consider the following in making its recommendations, inter alia:

(a) The current landscape of institutions, including global, regional and national, that are funding activities related to addressing loss and damage, and ways in which coherence, coordination and synergies among them can be enhanced;

(b) The gaps within that current landscape, including the types of gap, such as relating to speed, eligibility, adequacy and access to finance, noting that these may vary depending on the challenge, such as climate-related emergencies, sea level rise, displacement, relocation, migration, insufficient climate information and data, or the need for climate-resilient reconstruction and recovery;

(c) The priority gaps for which solutions should be explored;

(d) The most effective ways in which to address the gaps, especially for the most vulnerable populations and the ecosystems on which they depend;

(e) Potential sources of funding, recognizing the need for support from a wide variety of sources, including innovative sources;

7. *Also decides* to undertake the following for informing the recommendations referred to in paragraph 3 above:

(a) Request the secretariat to conduct two workshops in each of 2023 and 2024, with the participation of a diversity of institutions, relevant to addressing loss and damage associated with climate change impacts;

(b) Invite Parties and relevant organizations to submit via the submission portal<sup>4</sup> by XX date views on topics for and the structure of the 2<sup>nd</sup> Glasgow Dialogue<sup>5</sup> and the workshops referred to in paragraph 7(a) above;

(c) Invite United Nations agencies, intergovernmental organizations, and bilateral, multilateral and international financial institutions to submit inputs on how they might enhance access to and/or the speed, scope and scale of availability of finance for activities relevant to addressing loss and damage, including potential limitations and barriers and options for addressing them;

8. *Further decides* that the activities and considerations referred to in this decision will be undertaken taking into account the discussions at the 2<sup>nd</sup> and 3<sup>rd</sup> Glasgow Dialogues, to take place at the fifty-eighth (June 2023) and sixtieth (June 2024) sessions of the Subsidiary Body for Implementation respectively;

9. *Decides* that the 2<sup>nd</sup> and 3<sup>rd</sup> Glasgow Dialogues will build on the 1<sup>st</sup> Glasgow Dialogue, held at the fifty-sixth session of the Subsidiary Body for Implementation, and that they shall focus on funding arrangements relevant for, inter alia, responding to economic and non-economic losses, slow onset events and extreme weather events, and that they will inform the work of the ad hoc task force/high-level expert group;

10. *Requests* the Chair of the Subsidiary Body for Implementation to provide a summary report on each Glasgow Dialogue no later than four weeks thereafter;

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<sup>4</sup> <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>.

<sup>5</sup> See decision 1/CMA.3, para. 73.

11. *Invites* the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts and its expert groups, technical expert group and task force to provide inputs to the Glasgow Dialogue and the workshops referred to in paragraph 7(a) above taking into account the submissions referred to in paragraph 7(b) above;
12. *Reiterates* decision 1/CMA.3, paragraph 64, in which developed country Parties, the operating entities of the Financial Mechanism, United Nations entities and intergovernmental organizations and other bilateral and multilateral institutions, including non-governmental organizations and private sources, are urged to provide enhanced and additional support for activities addressing loss and damage associated with the adverse effects of climate change;
13. *Requests* the secretariat to prepare a synthesis report on existing funding arrangements and innovative sources relevant to addressing loss and damage associated with the adverse effects of climate change as an input to the special event referred to paragraph 16 below;
14. *Invites* the United Nations Secretary-General to convene the principals of international financial institutions and other relevant entities with a view to identifying the most effective ways to provide funding to respond to needs related to addressing loss and damage associated with the adverse effects of climate change;
15. *Also invites* international financial institutions to consider, at the 2023 Spring Meetings of the World Bank Group and the International Monetary Fund, the potential for such institutions to contribute to funding arrangements, including new and innovative approaches, responding to loss and damage associated with the adverse effects of climate change;
16. *Requests* the secretariat to organize a special event on the margins of the fifty-eighth session of the Subsidiary Body for Implementation to facilitate the sharing of views and insights arising from the activities and deliverables referred to in paragraphs 13–15 above;
17. *Also requests* the President of the Conference of the Parties at its twenty-seventh session, in collaboration with the incoming President of the Conference of the Parties at its twenty-eighth session, to convene ministerial consultations prior to the twenty-eighth session of the Conference of the Parties / fifth session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to advance consideration and understanding of a possible outcome on this matter at that session;
18. *Further requests* the secretariat to prepare a synthesis report on the outcomes of the activities and deliverables referred to in paragraphs 13–17 above to inform the recommendations to be developed by the ad hoc task force/high-level expert group referred to in paragraph 3 above.

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## Annex

### **Terms of reference for the ad hoc task force/high-level expert group on loss and damage**

#### **I. Mandate**

1. The ad hoc task force/high-level expert group will make recommendations for consideration by the Conference of the Parties (COP) at COP 28 (November–December 2023) and 29 (November 2024) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at CMA 5 (November–December 2023) and 6 (November 2024) in accordance with paragraph 3 of this decision.
2. The ad hoc task force/high-level expert group will serve as a coordination mechanism that guides and oversees, as appropriate, the activities referred to in paragraph 7 of this decision.
3. The work of the ad hoc task force/high-level expert group will be concluded with the adoption no later than at COP 29 and CMA 6 of decisions on new and enhanced funding arrangements responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage.

#### **II. Composition**

[placeholder]

#### **III. Modalities of work**

4. The ad hoc task force/high-level expert group will hold at least two meetings per year.
  5. The UNFCCC Executive Secretary, in consultation with the President of COP 27, will convene the 1<sup>st</sup> meeting of the ad hoc task force/high-level group prior to the fifty-eighth session of the Subsidiary Body for Implementation (June 2023).
  6. The meetings of the ad hoc task force/high-level expert group will be open to observers with the aim of engaging stakeholders at the national level, practitioners, and local communities and indigenous peoples in contributing their priorities in relation to the explored solutions.
  7. Decisions of the ad hoc task force/high-level expert group shall be taken by consensus.
  8. The ad hoc task force/high-level expert group will be guided by the best available science in conducting its work.
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