To loss-damage@unfccc.int

Re: ‘type and nature of actions to address loss and damage for which finance may be required’

Financing Loss and Damage: what is used versus what might happen.
A comment for: “Loss & Damage, UNFCCC”.

John Handmer
School of Science
RMIT University
Melbourne
Australia
John.handmer@rmit.edu.au

&

Johanna Nalau
Climate Change Program and Tourism Institute
Griffith University
Gold Coast
Australia
j.nalau@griffith.edu.au

Loss and damage resulting from climate related extremes and disasters need to be restored or otherwise managed. A general shift in the discussion from a focus on the harm caused by climate change to the concept of climate risk suggests that the needed funding could be found in the financial instruments typically used to fund risk (Climate Analytics 2018). There are two major issues here: one concerns whether the concept of “harm” should be fully replaced by “risk”; and the other concerns the universality of the financial instruments familiar to the risk industry.

The concept of “risk” can be very abstract and future focused. This focus might make it very appealing to many in a climate change policy context. However, it can also obscure the reality that change has already resulted in harm for many (Handmer and Nalau, 2017). Change has been dramatic in northern polar regions with severe impacts for many native Alaskans and Greenlanders, and people in northern Russia. Climate change has also affected the island nations of the Pacific (Leal Filho and Nalau, 2018) and a proportion of the recent severe impacts of weather and climate events have been attributed to climate change, by those directly affected as well as by government. Some impacts have been severe, for example, widespread destruction from Cyclone Pam, and contamination of water supplies and food gardens by sea water (Nalau et al., 2017). This contamination is making human occupation of some areas unviable. Some community relocations have been attributed to the changing climate.
There has long been debate about how those who suffer harm should be supported. Compensation has been ruled out by developed countries, but people’s livelihoods suffer and costs are incurred regardless of the terminology and concepts used. As discussed below, these costs are met directly by those at risk, and through a variety of support mechanisms.

Much of the commentary on instruments for financing Loss and Damage concentrates on the familiar: with what is used in wealthy countries with strong financial sectors reaching across society, and strong governments. This is the area of formal loans, insurance, bonds etc: language familiar to big business, strong states and international aid agencies and NGOs.

This might be the most appropriate approach at a global level for climate risk of the future. However, much of the world already experiencing severe Loss and Damage is not like this and we would suggest unlikely, for the short and medium term, to take advantage of these funding mechanisms. In this submission, we draw on the South-West Pacific but there are many other areas as well. The governments are mostly weak with limited capacity and financial power, the majority of the people live outside or at the edge of the cash economy and are at least partly subsistence, insurance outside government and the small middle class is unknown. This is the case for example in the country of Vanuatu, consistently rated at the top of the World Risk ranking (Birkmann et al., 2011).

Emergency and disaster related effort in the South West Pacific is heavily geared towards humanitarian work (GTZ), and has been criticised for this and for the relative lack of effort in prevention and risk reduction. But governments, aid donors and NGOs cannot ignore humanitarian imperatives in favour of longer term risk reduction. This is an issue that has been the subject of intense debate and saw MSF (Medicins san Frontiers) pull out of the International Humanitarian Summit on the grounds that too much attention was on future risk reduction and development at the expense of meeting immediate critical needs. In the small island countries of the Pacific, this is a key issue; the immediate demands and available resources, including expertise, do not allow for the longer term and uncertain payoffs of risk management or even for the tangible and clearly beneficial “building back better” - especially in the absence of clarity about these concepts and outcomes. Nevertheless, in deploying disaster and emergency management approaches for climate risk management, within the context of climate change, some attention must be devoted to identifying and preparing for future risk.

We suggest that the most valuable support or contribution to assist with dealing with Loss and Damage will not come from the standard instruments used in wealthy states and in the global financial sector, but through other financial mechanisms. For the foreseeable future these will be the mechanisms most commonly employed today in post disaster support and recovery, the Pacific and other poorer regions. These include people’s own resources and those of their community and other local communities, remittances, grants and other forms of aid from international, national and local groups and faith based organisations – with important differences between urban, rural and remote communities. An important question concerns how the international community will support these currently more informal and smaller mechanisms that are supporting people with disasters and decisions to build back? There is a risk that the well meaning actions of international aid could undermine rather than strengthen existing local efforts.

For example, in Samoa, many small and medium sized tourism businesses are unable to afford insurance coverage for their operations. This has meant that during difficult periods the
businesses are supported through informal resources such as remittances from family members living in New Zealand (Parsons et al., 2017). Therefore, there is a need to understand the current on-the-ground mechanisms for financial support among vulnerable communities who are experiencing loss and damage, and to track which forms of such assistance appear most effective in reducing climate risks and associated losses and damages. There is much existing knowledge collated in NGO and donor reports, which could prove very useful in understanding financing in local contexts.

This discussion of financial instruments highlights that there is also a need to identify what Loss and Damage baselines and associated reporting will look like (Handmer and Nalau, 2017). Some examples exist for how loss and damage can be assessed at a community level (Van der Geest and Schindler, 2017), but national reporting or assessments are likely to become increasingly relevant.

References:


