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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**

Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

Fourth session

Sharm el-Sheikh, 6–18 November 2022

Agenda item 8(f)

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**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**

Matters relating to finance

Proposal by the President

Draft decision -/CP.27 -/CMA.4

Funding arrangements for responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage¹

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

Recalling the Convention and 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 I² and II³ to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change,

Also noting that keeping the global average temperature rise to below 1.5 °C will be essential to limiting future loss and damage and *expressing alarm* that the contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate

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

² Intergovernmental Panel on Climate Change. 2021. *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*. V Masson-Delmotte, P Zhai, A Pirani, et al. (eds.). Cambridge: Cambridge University Press. Available at <https://www.ipcc.ch/report/ar6/wg1/>.

³ Intergovernmental Panel on Climate Change. 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: Cambridge University Press. Available at <https://www.ipcc.ch/report/ar6/wg2/>.

Change, in line with other best available science, concluded that the gravity, scope and frequency of loss and damage will continue to increase with every additional fraction of a degree of temperature increase,

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,⁴

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 and are not sufficient to address the existing funding gaps related to providing action and support in responding to loss and damage associated with the adverse effects of climate change,

Recalling paragraph X of the reports on these sessions of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, in relation to the adoption of agenda sub-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”, of the Conference of the Parties at its twenty-seventh session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session,

1. *Acknowledge* 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. *Decide* to establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage, including with a focus on addressing loss and damage by providing and assisting in mobilizing new and additional resources, and that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement;
3. *Also decide*, in the context of establishing the new funding arrangements referred to in paragraph 2 above, to establish a fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage;
4. *Establish* a transitional committee on the operationalization of the new funding arrangements for responding to loss and damage and the fund established in paragraph 3 above (hereinafter referred to as the Transitional Committee), in accordance with the terms of reference contained in the annex, to make recommendations based on, inter alia, elements for operationalization included in paragraph 5 below, for consideration and adoption by the Conference of the Parties at its twenty-eighth session (November–December 2023) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023) with a view to operationalizing the funding arrangements referred to in paragraph 2 above, including the fund referred to in paragraph 3 above;

⁴ Including but not limited to 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 1st Glasgow Dialogue, to discuss funding arrangements for activities to avert, minimize and address loss and damage.

5. *Agree* that the recommendations to operationalize the funding arrangements and the fund referred to in paragraphs 2–3 above shall consider, inter alia:

(a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund referred to in paragraph 3 above;

(b) Defining the elements of the new funding arrangements referred to in paragraph 2 above;

(c) Identifying and expanding sources of funding;

(d) Ensuring coordination and complementarity with existing funding arrangements;

6. *Decide* that the Transitional Committee referred to in paragraph 4 above will be informed by the following, 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 decide* to undertake the following activities for informing the recommendations referred to in paragraphs 4–5 above:

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

(b) Request 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;

(c) Invite Parties and relevant organizations to submit via the submission portal⁵ by 15 February 2023 views on topics for and the structure of the 2nd Glasgow Dialogue⁶ and the workshops referred to in paragraph 7(a) above;

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

9. *Decide* that the 2nd and 3rd Glasgow Dialogues will build on the 1st Glasgow Dialogue, held at the fifty-sixth session of the Subsidiary Body for Implementation, and that the 2nd Dialogue shall focus on the operationalization of the new funding arrangements established in paragraph 2 above and the fund established in paragraph 3 above as well as on maximizing

⁵ <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>.

⁶ See decision 1/CMA.3, para. 73.

support from existing 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 Transitional Committee;

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

11. *Invite* 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;

12. *Also invite* 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;

13. *Reiterate* 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;

14. *Request* 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 and the 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;

15. *Also request* the secretariat to prepare a synthesis report on the outcomes of the activities and deliverables referred to in paragraphs 7(b), 11, 12 and 14 above to inform the recommendations to be developed by the Transitional Committee referred to in paragraph 4 above;

16. *Decide* that the secretariat shall support and facilitate the work of the Transitional Committee.

17. *Take note of* the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in paragraphs 2–16 above

18. *Request* that the actions of the secretariat called for in this decision be undertaken subject to the availability of financial resources.

Annex

Terms of reference for the Transitional Committee on the operationalization of the new funding arrangements for responding to loss and damage and the associated fund

I. Mandate

1. The Transitional Committee will make recommendations for consideration by the Conference of the Parties (COP) at COP 28 (November–December 2023) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at CMA 5 (November–December 2023) in accordance with paragraphs 4–5 of this decision.
2. The Transitional Committee 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 Transitional Committee will be concluded with the adoption no later than at COP 28 and CMA 5 of decision(s) related to the new funding arrangements responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage, and the fund established in paragraph 3 of this decision.

II. Composition

4. The Transitional Committee shall have 24 members, to be nominated no later than 15 December 2022, comprising 10 members from developed country Parties and 14 members from developing country Parties, with geographical representation as follows:
 - (a) Three members from Africa, including a representative of the President of COP 27;
 - (b) Three members from Asia and the Pacific, including a representative of the incoming President of COP 28;
 - (c) Three members from Latin America and the Caribbean;
 - (d) Two members from small island developing States;
 - (e) Two members from the least developed countries;
 - (f) One member from a developing country Party not included in the categories listed above.

III. Modalities of work

5. The Transitional Committee shall be chaired by two co-chairs, one from a developed country Party and one from a developing country Party.
6. The Transitional Committee will hold at least three meetings per year.
7. The UNFCCC Executive Secretary, in consultation with the President of COP 27, will convene the 1st meeting of the Transitional Committee no later than 31 March 2023.
8. Recommendations of the Transitional Committee shall be adopted by consensus.
9. The Transitional Committee will be guided by the best available science in conducting its work.