

## **UNFCCC- Subsidiary Body of Implementation**

### **Theme III – The Role of the Convention in enhancing the implementation of approaches to address loss and damage associated with the adverse effects of climate change**

*(Bolivia, Ecuador, China, El Salvador, Guatemala, Thailand, Philippines, and Nicaragua)*

#### **1. Context**

Developing countries require systematic consideration and support from Annex II Parties in taking appropriate action on loss and damage from the adverse effects of climate change. Loss and damage from the adverse effects of climate change is the unfortunate result of developed country Parties' insufficient ambition in addressing the historical accumulation of greenhouse gases in the atmosphere and in achieving the objective of the Convention. The scope of loss and damage related to the adverse effects of climate change ranges from that incurred from climate variability and intensity, climate-related extreme events, to slow-onset events – steadily incremental changes in climate that goes beyond the natural weather variability which cause loss and damage from the adverse effects of climate change to systems upon which humans rely in order to live and flourish. Main economic sectors face growing climatic stressors and could become unviable, and livelihoods and decent living standards are in jeopardy. Ultimately loss and damage from the adverse effects of climate change can result in lost development opportunities, non-economic losses, and a barrier to achieving sustainable development. Therefore, a process to address loss and damage from the adverse effects of climate change needs to be developed under the Convention, with clear roles in the near-term assigned to the Adaptation Committee, consideration of the matter should be taken up also under the financial mechanism, and a structured discussion to establish institutional arrangements for an international mechanism to address loss and damage associated with the adverse effects of climate change.

Adaptation to climate change and addressing loss and damage to the adverse effects of climate change have multiple synergies, overlaps and are not necessarily separate. They can both build on disaster risk reduction approaches. However, the loss and damage from the adverse effects of climate change concept is “beyond adaptation”, is additional to adaptation, focusing on challenges of both identifying and addressing the instances when adaptation is not longer possible. These instances may arise due to sudden onset events, slow onset climatic processes which cause loss and damage, and/or the combination of various sudden onset and slow onset processes leading to crossing tipping points in socio-ecological systems. The combination of these events might create chain-reactions, where, for example, populations begin moving away from certain areas as to slow-onset salinization of aquifers accelerated by extreme storms render their homelands inhabitable. A range of approaches already exist to address loss and damage from the adverse effects of climate change, but these are insufficient to prevent and manage the sweeping scale of real and potential future “residual” loss and damage from the adverse effects of climate change. Approaches to address loss and damage require further action, particularly those associated with slow-onset impacts, including sea level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts, salinization, land and forest degradation, loss of biodiversity and desertification.<sup>1</sup>

#### **2. UNFCCC principles and provisions relevant to the discussion on Loss and Damage from the adverse effects of climate change**

The UNFCCC is the relevant policy forum for discussing loss and damage from the adverse effects of climate change. Loss and damage from the adverse effects of climate change is directly related to the successful or unsuccessful fulfilment of the objective of the Convention. The Convention should therefore take the lead in addressing it and coordinate work on loss and damage from the adverse effects of climate change. An institutionalized process to address loss and damage from the adverse effects of climate change needs to be put in place, with roles assigned to the Adaptation Committee, and consideration of the matter taken up also under the financial mechanism.

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<sup>1</sup> Paragraph 25

The Convention contains relevant principles for addressing loss and damage from the adverse effects of climate change that should be taken into consideration as Parties debate next steps on this matter. Annex II Parties have committed to provide and facilitate financial and technical support for developing countries adaptation efforts.

### **3. The UNFCCC and action at the international level: What is needed?**

Addressing loss and damage from the adverse effects of climate change will require action at the international level. While this can make use of institutions and mechanisms that already exist under the Convention, the nature of the issues requires additional efforts and institutions to systematically consider and address the needs of developing countries. The following sections identify principal types of action that must be undertaken under the Convention, which can also be implemented through an international mechanism. Action is required, inter alia, in the following three key areas: 1) Provide financial assistance, including long term financing for loss and damage from the adverse effects of climate change; 2) Promote coordination and cooperation on addressing technical and other capacity needs related to adaptation action, including loss and damage from the adverse effects of climate change; and 3) Support approaches to address loss and damage from the adverse effects of climate change with support by Annex II countries to developing country Parties.

#### **3.1. Provide financial assistance, including long term financing for loss and damage from the adverse effects of climate change**

The Convention has established clear provisions and obligations for developed country Parties to address the impacts and special needs and concerns of developing countries, and especially particularly vulnerable developing countries, in the areas of funding, technology and financial instruments, such as insurance. Hence any additional requirements for accessing support should be matched with long-term, scaled-up, predictable, new and additional financial resources, technology and capacity-building, consistent with relevant provisions of the Convention, to undertake the required risk reduction measures and address irreversible loss and damage. The financial mechanism, including the GCF, must complement the existing voluntary DRR and catastrophe aid mechanisms. Types of activities or actions required through long-term finance in developing countries might include:

- Research and development;
- Long-term planning efforts;
- Start-up funds for regional and national risk reduction;
- Establishment of a 'solidarity fund' to provide compensation for residual or unavoidable loss and damage from the adverse effects of climate change from slow-onset processes;
- Rehabilitation support to address loss and damage from the adverse effects of climate change;
- Ways to address and provide alternatives or compensation for lost development opportunities.

#### **3.2. Promote coordination and cooperation on addressing technical and other capacity needs related to adaptation action, including loss and damage from the adverse effects of climate change, including:**

The Convention has a role to play to ensure developing countries to assess and address loss and damage. Assessments must be based on the impacts of anthropogenic climate change in the coming decades, rather than on current frequencies and severities of extreme events. Vulnerability and risk drivers are not the cause of losses: loss and damage result from the adverse effects of climate change. Damage and loss can be exacerbated due to underlying vulnerabilities, but vulnerability is not the cause of climate change, manifested, inter alia, through changes in climate variability and intensity, extreme events, or slow onset events:<sup>2</sup>

- Enhancing data collection, including establishment of foundational requirements, assessment tools and processes to collect data on loss and damage from the adverse effects of climate change at the appropriate level, in a manner that is sensitive to vulnerable populations;
- Enhancing, upon request, the ability of countries to conduct needs assessment and baseline assessments in order to be able to analyse and make informed decisions on various risk management policies, including enhancing understanding and coordinating assessment methods for slow onset changes at national and regional levels, including through regional cooperation and regional activities;
- Enhancing, upon request, the ability of countries to establish institutional and operational modalities at the local, national and regional level to channel support, including after disasters.

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<sup>2</sup>Including sea level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts, salinization, land and forest degradation, loss of biodiversity and desertification.

### **3.3. Support approaches to address loss and damage from the adverse effects of climate change with support by Annex II countries to developing country Parties**

- Coordinating and supporting technical assistance and acting as a clearing-house for expertise and good practice relevant to adaptation, disaster risk reduction and specific approaches to address loss and damage associated with the adverse effects of climate change;
- Enhancing understanding, coordination, and cooperation on financial measures that can assist developing countries affected by extreme losses;
- Enhancing understanding, coordination, and cooperation to strengthen social safety networks and resilience-building efforts as part of national and subnational responses to loss and damage from the adverse effects of climate change, including support under the GCF.

### **4. The role of the Convention with respect to gaps in addressing L&D: Additional work in managing long-term issues and emerging challenges**

There are a number of important gaps related to loss and damage from the adverse effects of climate change that must be addressed under the Convention:

- *Slow-onset impacts & events*: While consideration of slow onset processes and their impacts will be incorporated in the work under points discussed above, this area requires further work to enhance understanding of the particular types of damage, set baselines, assess parameters and possibly common methods to address loss and damage from the adverse effects of climate change. The Convention should also consider and support specific actions and measures to rehabilitate particular damage situations, catering for the specific needs that exist in that loss situation.
- *Migration*: The needs of climate migrants (from migration, displacement and planned relocation) require appropriate consideration. Many people will be forced to move from affected areas and adequate provisions will need to be designed in collaboration with relevant international institutions and other stakeholders to consider how to address the issue of migration, displacement, and planned relocation. The COP has the capacity to make recommendations to other international bodies along these lines and accordingly to help coordinate their efforts.
- *Identification of tipping points*: The process under the Convention and the work in this field could also serve to enhance understanding of processes to observe and warn about potential triggering of key tipping points.
- *Non-economic losses*: Both economic and non-economic losses must be addressed by a mechanisms on loss and damage from the adverse effects of climate change. Money cannot adequately compensate people for the loss of life or health, homes and assets, livelihoods, territory, culture, or ecosystems that will result from radical changes in climate, whether at local, regional or global levels.
- *Increasing certainty for longer-term planning and managing variability with insurance-like tools*: The work under the work programme to date has identified opportunities and challenges for developing countries to employ insurance-related measures, including in the regulation of international insurance, and there is a need for the design of tools to address longer-term incremental loss and damage associated with climate change. The Convention could also look into establishing an insurance facility in the medium-term and support regional schemes such as regional risk transfer pools to ameliorate the immediate impacts of extreme weather events, while seeking complementary longer-term regional solutions.

### **5. An international mechanism to address loss and damage from the adverse effects of climate change under the Convention**

A permanent process to address loss and damage from the adverse effects of climate change needs to be developed under the Convention, with clear roles in the near-term assigned to the Adaptation Committee, consideration of the matter taken up also under the financial mechanism, and a structured discussion to establish institutional arrangements. This Mechanism should be put in place to, inter alia, react to damage, rather than to simply raise adaptive capacity.

A mechanism to address loss and damage from the adverse effects of climate change needs to be developed under the Convention, with clear roles in the near-term assigned to the Adaptation Committee, and consideration of the matter taken up also under the financial mechanism. It should be put in place to, inter alia, react to damage, rather than to simply raise adaptive capacity.

A decision in Doha must include the establishment of an international mechanism to address loss and damage. In this context, we recognize, and will continue to do, the importance of regional diversity, and the international mechanism will not be an homogeneous single approach, which needs to be under the Convention to oversee this complex issue.

An international mechanism on loss and damage from the adverse effects of climate change under the Convention will be a facility to support developing countries' needs with respect to loss and damage from the adverse effects of climate change and can drive enhanced understanding, coordination and cooperation on addressing loss and damage from the adverse effects of climate change around the world. In brief, a mechanism is needed under the convention to provide Parties with means to:

- Assess loss and damage from the adverse effects of climate change: technical capacity and capacity building, finance
- Address loss and damage from the adverse effects of climate change through risk reduction and risk transfer: finance and technical capacity.
- Address residual loss and damage from the adverse effects of climate change, including through specific tools, capacity and finance for assessing and addressing risks and impacts from sudden and slow onset changes.

### 5.1 Functions of an international mechanism:

- **Assessment of loss and damage from the adverse effects of climate change:** Some foreseeable loss and damage from the adverse effects of climate change may be avoided. Some loss and damage from the adverse effects of climate change is built into the climatic system and will occur regardless of the nature of mitigation and adaptation practices. The special needs of particularly vulnerable developing countries must be accounted for in assessing the avoidable or unavoidable nature of loss and damage from the adverse effects of climate change. This role could include coordinating and providing guidance on standards for assessing loss and damage like guiding the data collection and analysis activities of relevant institutions.
- **Addressing loss and damage from the adverse effects of climate change, including through a compensation and rehabilitation fund:** Unavoidable loss and damage from the adverse effects of climate change may be addressed through risk sharing mechanisms, but total loss and damage from the adverse effects of climate change will need to be redressed through compensation and rehabilitation mechanisms. This role could include coordinating and supporting technical assistance and acting as a platform for exchange of good practice and expertise relevant to adaptation, disaster risk reduction, resilience building, and risk transfer; establishing and supporting regional networks of collaborative partners within and external to Governments, etc. A fund could be established through the GCF to facilitate approaches to address loss and damage at the regional, and national level.
- **Leadership of the Convention, including for the coordination of work on loss and damage from the adverse effects of climate change:** The Convention could under this mechanism take systematic efforts to support responses to slow-onset damage, link with UN institutions working on migration, link with other UN Convention processes such as the CBD and the CCD, and other UN and international organizations as appropriate.

Loss and damage from the adverse effects of climate change is directly related to the successful or unsuccessful fulfilment of the objective of the Convention; therefore, the Convention process should take the lead in addressing it and coordinate work on loss and damage both inside and outside the Convention.

### 5.2. Governance

This will be governed by the COP, which shall consider and decide if establishing a specific expert body under its authority to carry out specific functions is necessary, and provide the mandate accordingly. Additionally, the respective roles of the COP, the subsidiary bodies and other bodies under the Convention require further consideration. The COP shall give political direction, and the subsidiary bodies, including the Adaptation Committee, must contribute at implementation or technical levels as needed. The role of the Convention is to maintain oversight, control, and guidance of the relevant processes. The COP will give further consideration on the kind of framework needed at the national and international level, particularly to ensure that any arrangement is responsive to national circumstances and driven by country needs. At the international level there should be a mechanism to support national decision-making processes, upon request of Parties concerned.

## **6. Recommendations to the SBI on loss and damage to address the needs of developing countries under the Convention**

SBI37 will make recommendations on loss and damage for consideration by COP18. A COP decision should contain several elements, many which have been already outlined by G77 and China during the negotiations at SBI36. The UNFCCC is the relevant policy forum to take concrete action to address loss and damage, both under and outside the Convention, and the COP must exercise its responsibility as such – it contains relevant principles for addressing loss and damage that should be taken into consideration as Parties debate next steps on loss and damage. Considering the role of the Convention, and consistent with the obligations of Parties and international law, the SBI must recommend the following elements for a Doha COP decision:

**6.1 Establishment of an international mechanism on loss and damage and steps for the elaboration of its modalities.** Negotiations in Doha must focus on filling the existing gaps in institutional and legal frameworks to address loss and damage, including through an institutional mechanism to address slow-onset impacts and other unavoidable damages. An institutionalized process under the COP to address loss and damage needs to be put in place, with roles assigned to the Adaptation Committee (AC), and consideration of the matter taken up also under the financial mechanism, including the Green Climate Fund (GCF). Details of this mechanism are contained in Section 5.

**6.2 Identification of the role of the Adaptation Committee.** The Adaptation Committee has the duty to promote coherence on adaptation. Given the important overlaps and synergies between adaptation and approaches to address loss and damage, the AC can be asked to provide technical support and guidance to the Parties with a view to facilitating the implementation of adaptation activities in a manner that fosters approaches to address loss and damage.

Similarly in performing its role, *inter alia*, in strengthening, consolidating and enhancing the sharing of relevant information, knowledge, experience and good practices, at the local, national, regional and international levels, taking into account, as appropriate, traditional knowledge and practices, the Adaptation Committee could play an active role in providing technical support and guidance to the Parties on some of the work remaining specific to loss and damage. This role could include the elaboration of modalities and technical aspects of an international mechanism to address loss and damage, as well as to provide recommendations to bodies of the Convention and strengthen related work under the Convention.

Additionally, the AC could be requested to play an active role and engage actions necessary outside the Convention, in accordance with its role of promoting synergy and strengthening engagement with national, regional and international organizations, centres and networks, in order to enhance the implementation of adaptation actions, in particular in developing country Parties, including to identify and recommend appropriate actions to address emerging needs and gaps, including outside the Convention. This work could include matters related to engaging relevant stakeholders in advancing agreed actions related to loss and damage, such as other UN institutions and civil society. Some of the issues to consider under this work can be matters related to, *inter alia*, migration, disaster risk reduction, agriculture and fisheries. For example, the AC could engage with the UN International Strategy for Disaster Reduction where parallels might be sought with the governance system for addressing impacts of extreme events and identify common actions on disaster risk reduction and humanitarian intervention as part of a proactive and reactive response to loss and damage.

A particular issue that the could be tasked to the AC in the interim is to further explore the multiple challenges for developing countries in operating catastrophe insurance and alternative non-market instruments. The work under the work programme to date appears to identify this area as a gap. This work could be done in collaboration with the SBI as part of a second phase of the programme of work.

Further, the Convention needs to further consider tipping points, and research to enhance capacity at national level to consider loss and damage in national planning. The work under themes 1 and 2 of the loss and damage work programme has begun to identify and better understand slow-onset processes, and this should continue under the SBI. This work could be continued with inputs of the work on-going in other processes, including Art 5, including to enhance our understanding of tipping elements and tipping points, and possible early warning mechanisms for the potential triggering of key tipping elements, both ecological as well as societal. Based on this enhanced understanding, this collaboration between the SBI Loss and Damage second phase could recommend appropriate actions.

**6.3 A second phase of the work programme on loss and damage under the SBI.** A second phase of the programme under the SBI could help maintain the momentum and focus on some of the emerging issues under the current three themes, particularly employing leadership from constituted bodies and subsidiary bodies. The current work programme has identified opportunities and challenges for developing countries with respect to approaches to loss and damage, many of which have been mentioned in this briefing. For example, additional work focused on the implementation of approaches to address slow-onset events could be a key element under a second phase of the work programme on loss and damage, including on how insurance and non-insurance tools could be employed to manage adverse effects from slow-onset processes whilst longer-term solutions are being explored. As noted earlier, slow-onset processes will require action and measures to address loss as well as to remediate and rehabilitate damage – to livelihoods, to both natural and managed ecosystems, and other productive resources. The SBI could work to further elaborate approaches to address slow-onset processes, particularly at national level. In this sense, collaboration with the on-going work on the development and implementation of National Adaptation Plans (NAPs) could be timely. Additionally, the SBI could also work in collaboration with experts and stakeholders on how to strengthen social safety nets, such as social security and other measures directed to responding to local and community needs.

Similarly, discussions on the elaboration of modalities for support of NAPs, including on the identification of needs at national level, requires special consideration of elements related to work on loss and damage. The assessment of loss and damage, in particular, could be an element included in the formulation of NAPs, and bodies under the Convention, as well as other experts involved in the modalities, could collaborate in a second phase of the work programme to make loss and damage part of such on-going work.

The SBI could also continue to explore macroeconomic tools to manage loss and damage to create a buffer for developing countries, as well as help the international community better plan for financial needs associated with the additional challenge posed by loss and damage. This work could complement, without pre-empting or replacing the need, the work required for the elaboration of the modalities of an institutional mechanism on loss and damage discussed also in this section.

**6.4 Request and recommendations to the Financial Mechanism.** The level of funding required to prevent, manage, and compensate for loss and damage related to slow-onset impacts varies greatly from country to country and between regions, although it is clear that overall significant amounts will be needed above and beyond financial needs for adaptation. Therefore, there is an immediate need for consideration of financial resources required related to loss and damage, in order to develop a collective understanding of where overlaps might occur with current adaptation finance and where there may be unique needs. Clearly resources specific for loss and damage will need to be new and additional to existing resources. Discussions on finance for loss and damage must be integrated into on-going processes related to long-term finance.

To fully adhere to the precautionary principle in the context of loss and damage requires the support and implementation of proactive approaches to manage slow-onset climate hazards. Allocation of finance to specific actions related to loss and damage, particularly where synergies with adaptation are not sufficient, must become part of the conversation on long-term finance.

## **7. Promoting cooperation and coordination outside the Convention**

While the UNFCCC is the relevant policy forum to take concrete action to address loss and damage, there are many critical issues that do not fall within its mandate and the scope of its work. Therefore, the extent to which Convention is able to achieve its objective under Article 2 will have consequences for matters outside the Convention, and the Convention should seek to collaborate with other institutions to address such issues. As mentioned before, the AC could be requested to play an active role and engage in actions necessary outside the Convention, in accordance with its role of promoting synergy and strengthening engagement with national, regional and international organizations, centres and networks, in order to enhance the implementation of adaptation actions, in particular in developing country Parties, including to identify and recommend appropriate actions to address emerging needs and gaps. The AC could be charged with carrying out an element of a continued work programme on loss and damage focused on external cooperation and coordination. Such work could include:

**7.1 Integrating the work of regional centres and networks.** Regional centres and networks could have an important role to play both in the assessment and addressing of loss and damage, enhancing synergies related to research and regionally appropriate mechanisms. The AC could incorporate this coordination into its work plan with regards to the work related to regional centres. The role that some institutions are already playing supporting research, modelling, and decision-making, as well as on project implementation, exemplifies the role that these actors could have both in the context of an international mechanism, as well as under a second phase of the SBI work programme.

**7.2 Climatechange-induced displacement, migration and planned relocation.** The Adaptation Framework already calls for work on measures to enhance understanding, coordination and cooperation with regard to climate change induced displacement, migration and planned relocation, where appropriate, at the national, regional and international levels.<sup>3</sup> This work has been identified in several regional meetings as important; adequate support will need to be designed in collaboration with relevant international institutions to consider how to address the issue of migration. Many people will be forced to move from affected areas, including from low-lying islands and coastlines and from areas affected by permanent changes to the ecosystems and other resources on which they depend for their lives and livelihoods. Industrialized countries should do their fair share in helping these people build new lives, and in some instances accept their fair share of the people exiled from their homes and countries by climate change. The complicated issue of displacement, migration and planned requires adequate and considered attention, including further research and collaboration among a range of relevant international institutions. As the COP has the capacity to make recommendations to other international bodies along these lines, the Doha outcome could specifically target this issue and call for joint-discussions with the UN High Commissioner for Refugees and the International Organization for Migration as part of the SBI Loss and Damage Work Programme Second Phase, with collaboration of the AC. Existing international frameworks dealing with issues of displacement and migration will need to be expanded to handle movement resulting from the pressures imposed by slow-onset processes.

**7.3 Making international finance respond to loss and damage context.** The Convention, as the policy-relevant forum, has the capacity to convene discussions on how financial measures could assist countries in coping with loss and damage, for example deferral of payments to international institutions, debt relief, and other similar measures. Financial shocks and lost development opportunities from the potential for large-scale economic disruption brought on by slow-onset climate change hazards will require significant coordination of international trade and investment flows. Addressing loss and damage resulting from slow-onset processes, in the context of sustainable development, will require different approaches than those used to address financial shocks resulting from extreme events. For example, slow-onset impacts may permanently diminish the tourism industry in many developing countries due to the loss of ecosystems, animal and plant diversity, and other tourist-attracting resources. These issues need to be considered as part of the Loss and Damage Work Programme Second Phase, in collaboration with actors outside the UNFCCC, and could be systematically addressed through the International Mechanism.

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<sup>3</sup>Paragraph 14(f).