

COP-27: Loss and Damage Fund

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What is Loss and Damage fund ?

Loss and damage refer to the negative consequences that arise from the unavoidable risks of climate change. These damages are most severely faced by developing and underdeveloped countries even though their impact on climate change is negligible. The fund being referred to here is financial compensation to mitigate the losses being suffered by these nations due to adverse affects of climate change

How can funds be mobilized to compensate for loss and damage?

The fund will initially draw on contributions from developed countries and other private and public sources, such as international financial institutions, with an option for other major economies to join down the line. Along with that, there have been talks about expanding the sources of funding to developing nations and nations with high carbon footprints. This fund will be provided to developing countries that are particularly vulnerable to the adverse effects of climate change. Pakistan, being recently devastated by flooding that put a third of the country underwater and recently affected by Hurricane Ian are some examples.



How did it get agreed upon ?

In the early 1990s, the Alliance of Small Island States, a group of low-lying coastal and small island countries i.e. Vanuatu, began calling for the establishment of a loss and damage fund as the United Nations was creating a framework to deal with climate change on an international level.

Everyone agreed to the concept that everyone is responsible for combating the environmental crisis, but countries need to be accounted for on the basis of their socioeconomic status and the total carbon footprint added by them since their industrial revolution. Since then, the idea has always been a part of annual U.N. climate summits. However, it was often talked about only in terms of bargaining with no solid results to show for them, something developing nations and activists would strive to bring forward and rich countries try to silence them through the high degree of influence they possess.

In COP-27, It was proposed by G77 (including china and India) and

least-developed countries and island states. The United States was the last one to accept the proposal only after the threat of European delegates to leave the talk.



Will the Loss and damage fund be effective ?

Theoretically, the Loss and Damage fund will have two fold benefits.

1. Compensate the under-developed countries for damages due to adverse effects of climate change caused by them.
2. Pressurizes the rich nations to reduce their carbon footprint and hence reduce climate change.

But, practically this is far from feasible.

In 2010, the Green Climate Fund was established with a similar goal. However, the project made slow progress, and even now, in 2022, 12 years after the agreement, part of the promised funding is yet to be released.

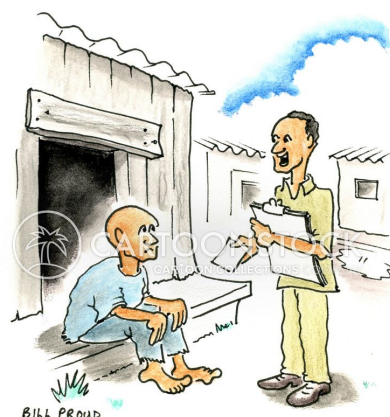


At COP19, the Warsaw International Mechanism for Loss and Damage associated with climate change impacts was instituted but the proposal ended up being watered down, with no financial mechanism agreed.

Despite there being a revolutionary agreement to mitigate climate effects through financing at the COP21 Conference of 2015, global investment in these funds is still lacking behind the year target of 100 billion dollars yearly that was supposed to be reached by 2020.

Moreover, these historical figures aside, many of these investments by countries are in the form of loans allowing these government

institutions to fulfill the target with little financial risk while at the same time, pushing the poorer countries further into their debt.



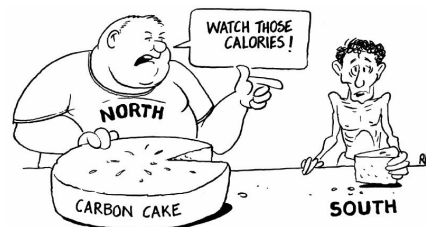
"We're collecting carbon credits for the first world."

What problems will it face in regard to implementation?

Unlike this, other forms of climate finance investments have the prospect of returns down the line i.e. Infrastructure and projects for non-conventional sources of energy have the chance that in near future, investors will invest in them. Direct reparations on the other hand have a risk of limitless reparations without any result.

The biggest problem of the fund is of splitting the bill. What amount

of money that a country must be accountable for and how to distribute the funds among countries in need as there is a margin for scams both ways? The distribution of this responsibility is a major problem as to what should it depend on, the carbon footprint ratio, financial edge, etc as everyone wants to play the blame game as an excuse to keep the money to themselves. And on the other side, the affected countries are prone to play the victim card as to exaggerate their expenses to have a larger share to themselves. Lastly, only to raise eyebrows, even more, the fund in its current form is just a framework without details on tackling the problem, and only encourages countries to contribute to the fund. So, the tough battle is yet to be fought against the rich nations.



Thus, until these significant obstacles in the fund are addressed, much-needed financial aid will only trickle rather than flow from the hands of wealthy major polluters to impoverished vulnerable nations.