



# Sealing the deal:

COP27 reaches significant  
agreement on the Loss and  
Damage Fund



In November 2022, over 45,000 individuals attended the United Nations Climate Change Conference (COP27) in Egypt, an annual gathering of countries seeking to tackle the global challenge of climate change.<sup>1</sup>

Over the last few years, a key focus of these conferences has been to drive forward policy related to limiting global warming to well below 2 degrees Celsius (preferably to 1.5 degrees Celsius) compared to pre-industrial levels. This was a legally binding agreement made in the Paris Agreement, an international treaty on climate change adopted by 196 countries following COP21 in Paris in 2015.<sup>2</sup>

However, a key issue facing the world today is that we are not on track to limiting global warming to the targets set; indeed, we have used most of our carbon budget.

Since 1850, humans have pumped around 2,500bn tonnes of CO<sub>2</sub> (GtCO<sub>2</sub>) into the atmosphere, leaving less than 500GtCO<sub>2</sub> of remaining carbon budget to stay below the 1.5 degrees Celsius target of warming. This means that effectively, the world has collectively utilized 86% of the carbon budget for a 50-50 probability of staying below 1.5 degrees Celsius.<sup>3</sup>

This bleak future is echoed by a recent report by the UN Climate Change which highlights that current pledges by national governments to limit carbon emissions puts the world on track for a 2.5 degrees Celsius warmer world by the end of the century. In order to limit global warming to 1.5 degrees Celsius, the UN's Intergovernmental Panel on Climate Change indicates that greenhouse gas emissions must peak by 2025 and rapidly decline by 45% by 2030.<sup>4</sup>

The consequence of this future is that developing countries (i.e., those countries least able to afford to take steps to mitigate climate change risks and whose economies and populations are least able to withstand significant impacts) will be most affected by climate change.

However, a key issue facing the world today is that we are not on track to limiting global warming to the targets set; indeed, we have used most of our carbon budget.

As a result, COP27 provided one very important stride forward, and in many ways a breakthrough agreement, in setting up a Loss and Damage Fund for vulnerable countries hit hard by climate disasters.

"This outcome moves us forward," said Simon Stiell, the UN Climate Change Executive Secretary. "We have determined a way forward on a decades-long conversation on funding for loss and damage – deliberating over how we address the impacts on communities whose lives and livelihoods have been ruined by the very worst impacts of climate change."<sup>5</sup>

Loss and damage refers to the most severe impacts of extreme weather on the physical and social infrastructure of poor countries, and the financial assistance needed to rescue and rebuild them. These are the negative consequences that arise from rising sea levels, prolonged heatwaves, desertification, the acidification of the sea, and extreme events such as bushfires, species extinction, and crop failures. As the climate crisis unfolds, these events will happen more and more frequently, and the consequences will become more severe.

Historically, G20 countries have emitted the majority of the greenhouse gases driving the climate crisis. The African continent, for example, contributes the least to climate change, yet it is the most vulnerable to its impacts. Meanwhile, G20 countries represent around 75 per cent of historic global greenhouse emissions. As an example, Pakistan, which recently witnessed US\$30 billion in damages from severe flooding that covered a third of its landscape, and was attributed to climate change, emits less than 1 per cent of global emissions.<sup>6</sup>

United Nations Environment Programme (UNEP) research shows that finance for adaptation for developing countries falls short of what is needed. Its 2022 Adaptation Gap Report indicates that international adaptation finance flows to developing countries are five to ten times

below estimated needs, and will need over US\$300 billion per year by 2030.<sup>7</sup> Loss and damage finance needs are closely connected to the world's ability to mitigate and adapt to climate change.

Clearly, the creation of such a fund is a political challenge with the expectation that developed countries, who are responsible for the majority of greenhouse gases and therefore the upwards direction of climate warming, fund the adaptation and mitigation projects and provide compensation for loss in developing countries; hence, the years of discussion and the historic breakthrough achieved at COP27. Nevertheless, determined pressure from Pakistan, the president of the G77 (developing countries) negotiating block, had the desired effect. As the Pakistan Climate Change Minister, Sherry Rehman, said clearly at the beginning of COP27, "We are on the frontline and intend to keep loss and damage and adapting to climate catastrophes at the core of our arguments and negotiations. There will be no moving away from that."

Over the course of the coming year, representatives from a number of countries will work together to decide what form the Loss and Damage Fund should take, which countries should contribute, and where and how the money should be distributed.

To highlight the relevance of this fund and its importance in the delicate relationship between developed and developing countries, Antonio Guterres, Secretary-General of the United Nations, said the fund is "an important step towards justice" for poor countries that have done little to cause the climate crisis, but are suffering its worst impacts. "Clearly this will not be enough, but it is a much-needed political signal to rebuild broken trust. The voices of those on the frontlines of the climate crisis must be heard."<sup>8</sup>

Perhaps COP27 will be best remembered for the creation of the Loss and Damage Fund, a historic breakthrough and a definite

step forward to rebuilding trust between developed and developing countries. It is a vital step in sharing the burden as we all face the same climate challenges ahead. ●

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#### Endnotes

1. UN Climate Change News, November 20, 2022.
2. The Paris Agreement, UNFCCC.
3. "Which countries are historically responsible for climate change?", Carbon Brief, <https://www.carbonbrief.org/analysis-which-countries-are-historically-responsible-for-climate-change/>.
4. <https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>.
5. <https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>.
6. "What you need to know about the COP27 Loss and Damage Fund," UNEP.
7. "Too little, too slow," UNEP Adaptation Report (2022).
8. "What the new 'loss and damage' fund needs for success," United Nations Development Programme, Nov 22, 2022, <https://www.undp.org/blog/what-new-loss-and-damage-fund-needs-success>.