

Loss and Damage under the UNFCCC: ways forward for the Warsaw International Mechanism

Ariadna Anisimov, Lola Vallejo (IDDRI)

Under the UNFCCC, promotion of the implementation of approaches to address the adverse effects of climate change is dealt with through the Warsaw International Mechanism (WIM) for Loss and Damage. The WIM is periodically reviewed to take stock of progress and negotiate its mandate. The review is highly anticipated this year at COP25. Central discussion points are on the governance of the WIM and the implementation tools envisaged to address, avert and minimise loss and damage. Interpretations of the mandate on *action* and *finance* reflect diverse views on the role of the Mechanism and limitations of comprehensive risk management solutions.

Addressing loss and damage requires urgent action to mitigate the effects of anthropogenic climate change and meet the global challenges of adaptation and mitigation. Nationally Determined Contributions (NDCs) to mitigate emissions currently align with warming above 3°C. Even under scenarios consistent with the Paris Agreement goal to limit warming to 1.5°C, impacts on land and ocean will incur severe effects on biodiversity, ecosystems, health and water stress as well as forced human mobility.

The WIM established in 2013 (at COP19) has three main roles: (a) increase understanding, (b) facilitate exchange and (c) enhance action and support on loss and damage. Most vulnerable countries (Least Developed Countries (LDCs) and Small Island Developing States (SIDs)) are negotiating for the WIM to move from technical studies to concrete action plans. This Issue Brief presents strides in knowledge and understanding of loss and damage and surveys opportunities on ways forward for the WIM.

KEY MESSAGES

The WIM succeeded in fostering a better scientific understanding of loss and damage, with progress on concept definition and evidence. This understanding provides a basis for extending comprehensive risk management approaches, i.e. pairing risk reduction and risk transfer such as insurance, traditionally explored under the UNFCCC. The UNFCCC should take note of emerging research on attribution science to contribute to risk assessments that could help inform approaches.

The review of the WIM should clarify governance issues by identifying which body the WIM ExCom should report to (COP or CMA). Transparency in governance facilitates dialogue and coordination to agree upon the work program of the WIM and to convey a coherent global message on loss and damage.

A lack of specific criteria to characterise the diversity of impacts contributes to the difficulty to finance loss and damage. The WIM could facilitate dialogue on a set of methodologies to assess and evaluate different types of loss and damage, which could inform tracking and reporting processes, and the design of appropriate national policy responses.

The Suva dialogue and recent technical paper by the UNFCCC secretariat released in June 2019 clarifies available financial instruments for loss and damage. The Convention should facilitate dialogue on the risk and magnitude of climate impacts targeted by relevant funding for adaptation and disaster risk reduction. Consequently, arising loss and damage from residual impacts should be a core component to these funding streams.

1. KNOWLEDGE BASE OF LOSS AND DAMAGE: A MIXED PICTURE

The first function of the WIM is to enhance knowledge and understanding of *comprehensive risk management* (CRM) approaches. This role entails to address gaps, facilitate sharing information and data, and exchange best practices and lessons learned. These activities clarify what loss and damage means by effects 'beyond adaptation' and informs ways to address and minimise them. The UNFCCC exploratory two-year work programme proposed at COP20 contributed to concept understanding, empirical evidence and an elaboration on CRM approaches (see Table 1). Separately, research in attribution science explains the links between anthropogenic climate change and climatic events presenting useful insights on methodologies to assess risks and evaluate loss and damage relevant to the WIM Mechanism.

Loss and damage is a complex issue due to the diversity of effects it involves, which refer to economic and non-economic losses (social, cultural, health) on various time-scales (sudden extreme and slow-onset events) already occurred or projected. The WIM does not provide a model definition but mentions various components for comprehensive clarity, which includes different kinds of climatic events, the range of adverse effects and attention to displacement. The Mechanism further clarifies loss and damage in relation to shortfalls in mitigation and adaptation, which paved the way for the implementation of Article 8 in the Paris Agreement.

Empirical evidence informs how loss and damage manifests in different social and ecological contexts. Studies are available on Africa, Asia and the Pacific (Warner & van der Geest, 2013). Expert work groups and the ExCom guide the implementation of the WIM's mandate and continue to clarify the nuances of the scope of effects by drawing from country experiences and bridging science and policy (Decision COP 4/CP.22). This overlap facilitates in-depth work on specific topics, such as the ExCom-TEC Joint Expert Dialogue (June 2019) on loss and damage in coastal zones. Similarly, The Task Force on Displacement improves scientific basis of forced human mobility due to climate change patterns. Empirical evidence reinforces conceptual clarity and highlights areas for action.

Conceptual clarity and empirical evidence inform the ways to address loss and damage consistent with the first function of the WIM. The Convention proposes options under the umbrella of comprehensive risk management approaches categorised as risk assessment, risk transfer, risk reduction, social protection and transformational approaches, and risk retention. These economic options (insurance, contingency/emergency funds, solidarity schemes, bonds) require access to finance and market arrangements that are often subject to scrutiny due to questionable appropriateness in developing countries. The Suva Dialogue (COP23) highlights opportunities and limitations of the options and discusses context specific technical needs and capacities for the potential success of these measures.

To expand on CRM approaches, the growing interest of attribution science that evaluates the links between climatic events

TABLE 1. Gaps and progress made on enhancing knowledge and understanding of loss and damage

Gaps	Progress made
Conceptual understanding	There is substantial progress in understanding the concept of L&D and the WIM treats its components, considered as impacts of anthropogenic climate change The WIM further clarifies the scope of L&D: adverse effects from extreme events and slow-onset and different types of losses (economic, non-economic, displacement)
Empirical gap: need for evidence	Studies provided on realised and projected loss and damage in Africa, Asia and Pacific COP19 report on L&D by the World Bank on extreme events Research improves the evidence of L&D across different socio-ecological contexts) (for example, see projects carried out under the International Centre for Climate Change and Development (ICCCAD)
On attribution science	Emerging research area on linking the effects of climate change, including L&D to anthropogenic factors Still in the nascent stage, however research on applicable methodologies is growing quickly and can contribute to risk assessments
Comprehensive risk management	COP23 Suva Expert Dialogue on comprehensive risk management (CRM) (risk assessment, risk transfer (integrating insurance), risk reduction, social protection and transformational approaches and risk retention) Fiji Clearing House for Risk Transfer created to serve as repository and interactive platform on insurance and risk transfer mechanisms Technical paper on financing instruments developed by the Secretariat (June 2019)

to anthropogenic forces could provide valuable contributions to risk assessments. At the crux of this nascent research topic lies a discussion on assessment methodologies and implications for climate litigation involving national and international jurisdictions. Similarly, there is room to explore the role of legal tools in the context of displacement and international mobility important on the agenda for vulnerable countries and small islands states (Thomas & Benjamin, 2019). The plan of action (2019-2021) approved by the Task Force on Displacement aims to enhance understanding of the scale of displacement globally and facilitate support on relevant laws and policies to avert and minimise these effects. Taking note of scientific research outside of the WIM should be at the forefront of enhancing knowledge on innovative ways to address loss and damage.

2. GOVERNANCE ISSUES

Governance will be a core component of the WIM review. Transparency of governance is key to carry out function two of the WIM, on *strengthening dialogue, coordination, coherence and synergies* among relevant stakeholders. Governance of the WIM links to the establishment of Article 8 in the Paris Agreement. The Agreement carves out an important political space for loss and damage and links it to adaptation and resilience in climate negotiations and policies. Furthermore, Decision 18/CMA.1 introduces the modalities, procedures and guidelines for the transparency framework for action and support, which includes reporting on averting, minimising and addressing loss and damage as part of information related to climate change impacts (Chapter IV).

The institutional arrangements for the WIM and its establishment is under the COP with the ExCom as the constituted body. The implementation of the Paris Agreement states that the Mechanism shall be subject to the authority and guidance of the Conference of the Parties Serving as the meeting of the Parties to the Paris Agreement (CMA), but does not explicitly remove the authority and guidance of the COP. There is a need to settle on the governing body and relevant reporting modalities, as this will have implications on decision-making processes surrounding the Excom's work program. The review should also address tensions around interpretations of the texts. Paragraph 51 of Decision 1/CP.21 excludes any kind of liability from the implementation of Article 8 in the Paris Agreement, however the decision is not legally binding as the Agreement itself (Mace & Verheyen, 2016). There remains scope to clarify how this COP decision influences interpretation of the Agreement, as countries most vulnerable to loss and damage may envisage the role of the WIM as a pathway for compensation (Doelle & Seck, 2019). Most vulnerable countries also recall the critical role of the Convention in promoting the implementation of approaches to address loss and damage, as defined in Decision 3/CP.18. Therefore, a decryption of the text entails clarification of the WIM's (1) institutional arrangements including the governing body (2) strengthening dialogue to formulate a coherent long-term vision of the Mechanism.

In addition, the global stock take (GST) mandate across the Paris Agreement, including loss and damage, might present

new elements to the WIM. COP Decision 18/CMA.1 on modalities, procedures and guidelines for the transparency framework states that interested Parties may provide information related to enhancing understanding, action and support to avert, minimise and address loss and damage.

3. ACTION AND SUPPORT

Most vulnerable countries to loss and damage anticipate that the WIM review will address contentious questions on actions in finance by taking stock of outcomes. The third function of the Mechanism aims at *enhancing action and support, including finance, technology and capacity-building* (3/CP.18). The Convention so far only deals with finance by describing CRM approaches. Progress has been made since the creation of the Fiji Clearing House for risk transfer which serves as a *"repository for information on insurance and risk transfer, in order to facilitate the efforts of Parties to develop and implement comprehensive risk management strategies"* (Decision 1/CP.21, paragraph 48) (COP23). Regional insurance arrangements (African Risk Capacity Strategic Framework, Caribbean Catastrophe Risk Insurance Facility) and global partnerships (InsuResilience) allow for the quick allocation of funding to cope with the aftermath of disasters. Nevertheless, developing country Parties, particularly LDCs and SIDS, express a number of barriers to insurance instruments such as access to finance to reduce or retain risks.

TABLE 2. Relevance of financing to loss and damage

	Type of financing	Relevance to loss and damage	Events: extreme, slow-onset	Limitations/opportunities
UNFCCC funds				
Adaptation Fund	Grants	Yes, in the scope of adaptation interventions, risk reduction, EWS, social protection measures	Yes	Does not address Non-economic losses (NELs)
Least Developed Countries Fund	Grants	Yes, in the scope of adaptation interventions & DRM	Yes	Does not address NELs & difficulty to access the fund
Special Climate Change Fund	Grants and bilateral/multilateral financing	Yes, adaptation & transfer of technologies	Yes	Presents opportunities in innovative financing (weather risk insurance & concessional loans & equities)
Green Climate Fund	Grants, loans, guarantees, equity and results-based payments	Yes, adaptation, building resilience, infrastructure, ecosystems, vulnerable people	Yes	Opportunities to mobilise the Private Sector Facility & advancements towards addressing NELs
Other sources				
Multilateral funds (CIFs, LDCF, SCCF, FIP, PPCR)	Trust fund	Yes, integrating climate risk and resilience in planning and development	N/A	Opportunities to scale up financing with partnerships
Multilateral development banks	Grants & investment loans and other instruments	Yes, in the scope of adaptation	Yes	Opportunities especially in transformational approaches & complex risk transfer instruments
Bilateral sources	DFI, grant-based	Yes, in the scope of adaptation and climate proofing financial flows	Yes	Opportunities
Domestic public expenditures	Public financing	Yes, in the form of contingency funds, mainstreaming climate finance, adaptation activities, DRM, infrastructure	Yes	There is a need to set criteria to track loss and damage and design budget lines
Regional risk financing	Regional risk transfer facilities	Yes, <i>via</i> insurance linked to disaster response funding and early warning systems	Yes	Need for weather stations. Does not address the most vulnerable segments of the population
Thematic finance	Various types, scales, time-lines and triggers	May be, more so in scope of DRM and development financing.	Yes	Need for upscaling, especially more research on the role of private sector financing and philanthropic funds

Furthermore, these approaches require countries suffering the most from loss and damage to bear the costs of their own risk transfer schemes, while they have least contributed to underlying drivers of anthropogenic climate change.

In preparation for the WIM review at the upcoming COP25, the UNFCCC Secretariat has prepared technical paper on sources of financing to show progress made on the third role (Decision 4CP22). The paper makes an informative review of the funds available internal and external to the Convention and types of financial instruments (grants, debt-finance bonds, contingency finance) (Table 2). It surveys the role of humanitarian assistance and financing for disaster risk reduction relevant to minimising loss and damage. The paper also recognises that effective mitigation remains a fundamental factor in reducing climate change impacts, but does not elaborate on mitigation finance. Analysis on the role of multilateral banks and national expenditures reveals a need for setting criteria to track climate financing, which would help reporting cycles and account for residual impacts. Parties discuss major gaps in data and methodologies to evaluate both qualitative and quantitative loss and damage, which can create shortfalls in assigning specific budget lines. Putting forward this technical paper as a basis to fulfilling the third function on action and support will encounter echoes of disappointment for most vulnerable countries, as the financing options proposed for loss and damage fall under existing financing schemes such as disaster risk reduction and adaptation. The question arises: how much global warming should the adaptation funding prepare for? The ambition of the available funds presented in the technical paper depends on the level of climate impacts assumed and targeted in the underlying scenario. The funding could prepare for climate impacts of a well below 2°C warming assuming success of the Paris Agreement. In this case, there is room to facilitate dialogue on the degree of incorporation of loss and damage in existing climate finance, by suggesting that development finance projects are fit for a 3°C world or worse.

With mitigation actions behind track and urgent action required to address loss and damage, the Convention should ensure the review takes into account imminent work ahead on the third role of the WIM including support in technology and capacity building. The WIM should facilitate a multi-stakeholder dialogue on an agreed methodology to evaluate and assess loss and damage, which could help channel climate financing for these residual impacts.

3. TRANSLATING LOSS AND DAMAGE INTO NATIONAL POLICIES

The review of the WIM at COP25 will survey progress made on the three functions of the Mechanism and shed light on areas for further engagement. Despite strides forward in enhancing knowledge, there is still progress to be made in order to implement approaches to address loss and damage. In consideration of the limitations of comprehensive risk management solutions in most vulnerable and developing countries, there is scope to consider innovative tools to coherently address the diversity of residual effects (economic and non-economic loss and damage, observed or predicted effects, and the impacts on different time-scales (slow and sudden onset events).

Addressing the challenges of loss and damage requires the Convention to facilitate dialogue with the Parties. How can the UNFCCC enhance the implementation of loss and damage financing and policy options in countries most vulnerable and willing to take urgent action? Averting, minimising and addressing loss and damage is inextricably linked to activities in mitigation, adaptation and disaster preparedness, all of which fall within national climate policy frameworks. However, there is room for further engagement on the implementation side of the Mechanism by designing loss and damage policies in national climate policy frameworks. The design of policies should include a discussion on methodologies and a set of criteria to characterise these impacts and track them, which could help establish budget lines. Mobilising national policy responses will need to envisage the role of the Mechanism in capacity building and modalities for access to finance and relevant instruments to address residual loss.

REFERENCES

- Doelle, M., & Seck, S. (2019). Loss & damage from climate change: from concept to remedy? *Climate Policy*. doi:10.1080/14693062.2019.1630353
- Mace, M., & Verheyen, R. (2016). Loss, Damage and Responsibility after COP21: All Options Open for the Paris Agreement. *RECIEL*, 25(2). doi:DOI: 10.1111/reel.12172
- Thomas, A., & Benjamin, L. (2019). Non-economic loss and damage: lessons from displacement in the Caribbean. *Climate Policy*. doi:10.1080/14693062.2019.1640105
- Warner, K., & van der Geest, K. (2013). Loss and damage from climate change: Local-level evidence from nine vulnerable countries. *International Journal of Global Warming*, 5(4), 367-386. doi:10.1504/IJGW.2013.057289

Citation: Anisimov, A., Vallejo, L. (2019). Loss and damage under the UNFCCC: ways forward for the Warsaw International Mechanism. IDDRI, *Issue Brief* n°13/19.

This work has received financial support by the French government in the framework of the programme "Investissements d'avenir", managed by ANR (French national agency for research) under the reference ANR-10-LABX-01.

CONTACT

ariadna.anisimov@iddri.org

Institut du développement durable
et des relations internationales
41, rue du Four - 75006 Paris - France

WWW.IDDRI.ORG
@IDDRI_THINKTANK