

Reflections on COP27 Loss and Damage and a Post Colonial International System

By Asish Singh

Abstract: The COP27 has ended for a period of time, with breakthrough agreement on new Loss and Damage Fund for vulnerable countries. And this Fund continues to be discussed among experts, institutions, etc. Based on current frequent climate disasters, this paper welcomes the newly reached Fund on one hand, and discusses many details of this Fund on the other hand, such as the fund's structure, who will contribute, how much will be paid, who will manage it, and who will be eligible to receive funds, with developed countries taking the lead in providing the necessary financial and technical support to developing countries. The author believes the efforts to address climate change are inclusive, equitable and guided by the principle of rectifying historical injustices.

Key words: Climate change, Loss and Damage Fund, financial support

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Climate change is causing significant damage, including from natural disasters such as tropical cyclones and gradual changes such as desertification and rising sea levels. Rich, industrialized countries are primarily responsible for the emissions causing these effects, while poor countries are often affected first. Providing aid after a disaster is often seen as foreign aid, but when viewed as a matter of liability and compensation, it becomes more controversial. Computer models can determine the role of emissions in a specific disaster and the large amounts that major emitters may be responsible for paying.

The IFRC reported in 2020 that without immediate action, the number of individuals requiring aid as a result of the climate crisis could increase by 50% by 2050. The cost of responding to these crises is projected to rise from \$3.5-\$12 billion currently to \$20 billion annually by 2030. At the COP25 summit in Madrid in 2019, the G77 and China



group of 134 developing countries put forward two proposals for addressing loss and damage caused by climate change: the creation of a technical body for research and support and the creation of a fund for developed countries to compensate developing countries suffering from the impacts of climate change. The first proposal was accepted, leading to the creation of the Santiago Network for Loss and Damage, but the second proposal, a fund, was rejected by developed countries including the EU and the USA. The G77 group repeated their call for a finance facility at COP26 in 2021, which was again rejected. However, continued lobbying by G77 throughout 2022 resulted in the inclusion of finance for loss and damage on the COP27 agenda, ultimately leading to the adoption of a loss and damage fund. “This unity of the G77 at COP27 was an important factor in persuading the developed countries,” said Dr Saleemul Huq, Director of the International Centre for Climate Change and Development.

The COP27 summit was marked by a lack of consensus among countries on issues such as phasing out fossil fuels and providing climate finance to developing countries, but it did result in the establishment of a loss and damage fund. The conference had a large attendance, with nearly 45,000 participants representing indigenous peoples, local communities, cities, civil society, youth, and children. The creation of the L&D fund was a significant achievement despite the lack of agreement on other issues. COP27 President H.E. Sameh Shoukry said: “We heard the calls, and we responded. Today, here in Sharm El-Sheikh, we established the first-ever dedicated fund for loss and damage, a fund that has been so long in the making. It was only appropriate that this COP, the implementation COP in Africa, is where the fund is finally established.”

The agreements and commitments made on loss and damage during COP27 are meant to encourage more ambitious efforts towards mitigation and adaptation. Several countries, such as Austria, Belgium, Canada, France, Germany and New Zealand, made financial pledges towards the loss and damage fund, joining Denmark and Scotland which had already made pledges. The estimated compensation from the fund is projected to be around \$500 billion and increasing by \$200 billion per year, as per a statement from the COP27 office. A document summarizing all major decisions made during the COP27 conference, called the Sharm el-Sheikh Implementation Plan,



highlighted that transitioning to a low-carbon economy is expected to require investments of at least \$4-6 trillion annually. The statement from the COP27 office noted that providing this funding will require a significant transformation of the financial system, including the involvement of governments, central banks, commercial banks, institutional investors, and other financial actors.

The current international system lacks the will, trust and the necessary economic and governance model to effectively address climate change. Climate action is the most pressing issue affected by the lack of institutional capacity, but not the only one. Multilateral institutions, which tend to be dominated by Western stakeholders, prioritize mitigation over adaptation and the necessary investments. This approach can benefit wealthy countries at the expense of addressing energy poverty and sustainable growth. This calls for much more ambitious and willing multilateral institutions. The efforts to mobilize private capital for addressing climate change in developing countries are inadequate. The total spending on mitigation and adaptation is estimated to be \$653 billion per year in 2019 and 2020, however, only \$83.3 billion was mobilized for developing countries in 2020. The UN estimates that developing countries will need \$340 billion annually by 2030 and \$565 billion by 2050 for adaptation. However, only 6% of total adaptation finance went to small island states and 25% to the least developed countries in 2020. While these figures represent an improvement from the previous year, which were 3% and 17% respectively, there is still a significant lack of funding for those who are most at risk and least responsible for climate damage.

The creation of the loss and damage fund is just the first step, many details still need to be ironed out. Questions such as **the fund's structure, who will contribute, how much will be paid, who will manage it, and who will be eligible to receive funds** will be addressed by a 24-member Transitional Committee. This committee is tasked with submitting a proposal by COP28 in December 2023, and it is also when the fund is expected to become operational. However, the establishment of the fund does not guarantee the delivery of the promised \$100 billion in annual climate funding from developed countries, as the lack of progress on meeting this pledge at COP27 illustrates. For the loss and damage fund to be effective, it must be guided by the



principle of rectifying historical injustices. This means that the fund should prioritize compensation for countries and communities that have been disproportionately impacted by climate change due to the actions of developed countries, and ensure that the financial and technical assistance provided is sufficient to address the needs of those most affected.

In addition to being motivated by the principle of rectifying historical injustices, the loss and damage fund must also consider the scale of finance needed and the speed at which it can be delivered. It is important that the fund is able to provide adequate and timely financial assistance to countries and communities affected by climate change, as well as ensuring that the resources provided are sufficient to address the needs of those most affected. Without sufficient and timely funding, the fund will not be able to effectively support adaptation and loss and damage efforts in developing countries. Existing climate finance institutions such as the Green Climate Fund and the Adaptation Fund often have complex application processes and take a long time to distribute funds, which can make it difficult for them to reach local communities and the most vulnerable people. For this reason, **a loss and damage fund should focus on delivering support directly to communities in need**, with a simpler and faster disbursement process. This will help ensure that funds reach those who need them the most in a timely manner. The fund should also ensure that **the local communities and the most vulnerable have an active participation in the design, implementation and monitoring of the fund**. The Bretton Woods Conference in 1944 established the International Monetary Fund (IMF) and the World Bank, which provide financial assistance to countries for economic development and poverty reduction. Now, nearly 80 years later, it is possible for a group of countries to **create a new climate finance institution** that can provide trillions of dollars to finance a transition to a green economy. This new institution could help rebuild trust in multilateralism by providing the necessary financial resources to address the urgent need for climate action. Such an institution should be designed with the participation of developing countries and should ensure that the financial resources are directed to the most vulnerable communities, and those who are least responsible for climate change.



The challenge is to make progress on reforms by the end of the year, by threading them through high-level meetings such as the G7, G20 and COP28 UAE. COP27 showed us how vulnerable countries can shape the conversation and guide us towards a solution. Their successful advocacy for funding for loss and damage is not a coincidence, but a sign of the future of a post-colonial international system. It is important that the efforts to address climate change are inclusive, equitable and guided by the principle of rectifying historical injustices. This requires a fair distribution of the burden and benefits of climate action, with developed countries taking the lead in providing the necessary financial and technical support to developing countries.



