

Landmark win on Loss and damage fund

Sharm El-Sheikh, 21 Nov (Meena Raman) – COP 27 delivered on what was the 'litmus test' for its success – consensus on the establishment of a fund on loss and damage. What seemed impossible was made possible, largely due to the unity of the G77 and China and the role of the Egyptian Presidency. Also important were efforts by civil society groups who put pressure on the United States (US), who had been the main blocker to having the fund.

Until the final hours of the climate talks, it was uncertain whether the deal would be sealed, given behind the scenes diplomacy by the COP Presidency team. The G77/China was led by Pakistan, that wielded a strong moral voice at the conference, following the catastrophic and devastating floods which was attributed to climate change.

It was a big win for loss and damage issues at Sharm el-Sheikh, to spotlight what was once seen as an 'orphan child' of the process, with usual priority given to mitigation (emissions reductions), while adaptation to climate impacts is treated as the 'step child'.

However, there is nothing significantly meaningful on finance, given the overall stance of developed countries in the process, with the loss and damage fund remaining empty for now, with the hope that it will deliver more in the coming

years when the fund is set up and is resourced. The Santiago Network on Loss and Damage (SNLD), which is to be a technical assistance facility for developing countries also was devoid of any financial commitments. The finance decisions adopted only exhorted developed countries to deliver on the USD 100 billion per year by 2020 pledges and to double adaptation funding.

New pledges, totalling more than USD 230 million, were made to the Adaptation Fund at COP27, a small sum given the scale of the needs in developing countries.

An overarching alarm and agony of many developing countries at the Sharm el-Sheikh talks were the persistent efforts by developed countries to not own up to their historical responsibilities for past emissions, and to delete or dilute the foundational principles of equity and common but differentiated responsibilities and respective capabilities (CBDRRC) between developed and developing countries under the UNFCCC and the Paris Agreement.

This attempt was repeatedly called out by developing countries, especially from the Like-minded developing countries (LMDC), the African Group, the Arab Group and ABU (Argentina, Brazil and Uruguay). The effort to

remove this differentiation was at the heart of the fight on many fronts, especially on the issue of mitigation and finance, which seemed like a repeat of negotiations in Paris. Developed countries continued their efforts at using terms such as ‘major emitters’, ‘major economies’, and the ‘G20’ in relation to who should show more ambition on mitigation, while in the discussion on finance, it was about “broadening the donor base”. The retort from developing countries was that these issues were already settled under the Paris Agreement and that the principles and provisions of the Agreement should be respected and implemented.

The climate talks which began on Sunday, 6 Nov, were supposed to end Friday, 18 Nov, but decisions were only gavelled early morning of Sunday, 20 Nov, when the official plenary began at 4 am. Delegates were visibly exhausted and bleary-eyed following long days and nights of negotiations which were particularly intense since Wed, 16 Nov.

Apart from the loss and damage fund, other issues that were deadlocked during the week were the cover decisions (as to what they should contain), the mitigation work programme, the global goal on adaptation and matters related to finance.

Among the sticky issues in relation to mitigation were on how the temperature goal of 1.5°C should be reflected, how to advance efforts following the controversial paragraph adopted on the phase down of unabated coal and inefficient fossil fuel subsidies from COP 26 decision in Glasgow, and the peaking of emissions by 2025.

In order to avoid spats in public given the wide divergence between Parties in the full glare of the public and world media, the COP 27 Presidency team resorted to informal consultations and diplomatic efforts behind the scenes to find compromises on the difficult issues with draft texts which were reviewed by Parties. This was the reason for the delay in convening the final plenary, as Parties also wanted to gauge if they could live with the draft decisions, as they assessed the overall balance of the package of decisions among the key issues of

mitigation, adaptation, loss and damage and finance.

COP 27 President Sameh Shoukry convened plenary and gavelled the adoption of the various decisions. Following the adoption of the decisions, he said that “despite the difficulties and challenges of our times, the divergence of views, level of ambition or apprehension, we remain committed to the fight against climate change.... and that as much as sceptics and pessimists thought that climate action will be taking a back seat on the global agenda, we rose to the occasion, upheld our responsibilities and undertook the important decisive political decisions that millions around the world expect from us.”

Minister Shoukry added that “We listened to the calls of anguish and despair resonating from one end of Pakistan to the other, a country with literally more than a third of its area flooded, a resounding alarm of the future that awaits us beyond 1.5 degrees. A bleak future..., a future that I do not wish for my grandchildren nor for any child on this planet.”

“Today, here in Sharm el-Sheikh, we establish 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. Millions around the globe can now sense a glimmer of hope that their suffering will finally be addressed, swiftly and appropriately,” he said further adding that “We leave Sharm el-Sheikh with renewed hope in the future of our planet, with an even stronger collective will and more determination to achieve the temperature goal of the Paris Agreement.”

He said further that Parties “just adopted the landmark Sharm el-Sheikh Mitigation Ambition and Implementation work programme that will hugely contribute to keeping 1.5°C within reach, and I trust that we all know what needs to be done to safeguard 1.5 °C and ensure that we never go beyond.”

“We also leave Sharm el-Sheikh with an important agreement on tangible steps to enact the Paris Agreement’s Global Goal on Adaptation

(GGA), a long-running request by developing countries who bear the brunt of climate impacts despite being the least contributor to climate change, and who deserve to be accorded the needed finance, technical assistance and capacity to better enable them to adapt, to build resilience and to enhance their climate action overall. I trust that this work in progress on the GGA will be concluded at COP28 next year to the best interest of this process and all its Parties. The Sharm el-Sheikh Implementation Programme, that we just adopted is an embodiment of what COP27 was all about: implementation. It lays out a clear pathway that should guide our efforts in the coming years to implement commitments and honour pledges. Together we will implement, to save our planet from the threat of climate change, and to turn this climate challenge into an opportunity for growth and development, in a just, equitable, inclusive and balanced manner. Together we can, and together we will", said the Egyptian Foreign Minister and appealed for "more trust, more empathy and more understanding" adding that the world and this process deserves it.

Among the significant decisions adopted are highlighted below.

THE COVER DECISIONS - SHARM EL-SHEIKH IMPLEMENTATION PLAN

The cover decisions adopted under the COP (Conference of Parties to the UNFCCC) and CMA (Conference of Parties to the Paris Agreement) are referred to as the Sharm el-Sheikh Implementation Plan. The COP and CMA decisions are similar in many respects. Highlights of some of the main aspects of the decisions adopted under the CMA are as follows:

The decision "*Stresses* that the increasingly complex and challenging global geopolitical situation and its impact on the energy, food and economic situations, as well as the additional challenges associated with the socioeconomic recovery from the coronavirus pandemic, should not be used as a pretext for backtracking, backsliding or de-prioritizing climate action."

It "*Reaffirms* the Paris Agreement temperature goal of holding the increase in the global average

temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;" and "*Reiterates* that the impacts of climate change will be much lower at the temperature increase of 1.5 °C compared with 2 °C" and *resolves* to pursue further efforts to limit the temperature increase to 1.5 °C".

On **enhancing ambition and implementation**, the decision "*Resolves* to implement ambitious, just, equitable and inclusive transitions to low-emission and climate-resilient development in line with the principles and objectives of the Convention, the Kyoto Protocol and the Paris Agreement, taking into account this decision, the Glasgow Climate Pact (GCP) and other relevant decisions of the COP and the CMA." (The developed countries of late, have been mainly focussing on the GCP, and much less on the Paris Agreement and even less of the Convention. Some major developing countries have raised concerns that the GCP is being put at the same level as the Convention and the Paris Agreement.)

On **mitigation**, the decision "*Recognizes* that limiting global warming to 1.5 °C requires rapid, deep and sustained reductions in global greenhouse gas emissions of 43 per cent by 2030 relative to the 2019 level;" and "*Also recognizes* that this requires accelerated action in this critical decade, on the basis of equity and the best available scientific knowledge, reflecting CBDRRC, in the light of different national circumstances and in the context of sustainable development and efforts to eradicate poverty.")

It also "*Notes with serious concern* the finding in the latest synthesis report on nationally determined contributions (NDCs) that the total global greenhouse gas emission (GHG) level in 2030, taking into account implementation of all latest NDCs, is estimated to be 0.3 per cent below the 2019 level, which is not in line with least-cost scenarios for keeping global temperature rise to 2 or 1.5 °C" and "*Emphasizes* the urgent need for Parties to increase their efforts to collectively reduce emissions through accelerated action and implementation of domestic mitigation measures in accordance

with Article 4.2 of the Paris Agreement.” (Article 4.2 of the Paris Agreement states: *“Each Party shall prepare, communicate and maintain successive NDCs that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.”*)

The decision also *“Calls upon* Parties to accelerate the development, deployment and dissemination of technologies, and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation and energy efficiency measures, including accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition.” (This is a repeat of the decision from the GCP).

A new and significant outcome on **“pathways to just transition”**, where there is a decision to “establish a work programme on just transition for discussion of pathways to achieving the goals of the Paris Agreement...and *requests* the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA) to recommend a draft decision on this matter for consideration and adoption by the CMA at its fifth session (in 2023), with the work programme to be implemented in a manner that builds on and complements the relevant workstreams under the Convention and the Paris Agreement, including the work programme for urgently scaling up mitigation ambition and implementation.” It also *“Decides* to convene, as part of the work programme on just transition, an annual high-level ministerial round table on just transition, beginning at its fifth session”.

On **finance**, the decision *“Notes with concern* the growing gap between the needs of developing country Parties, in particular those due to the increasing impacts of climate change and their increased indebtedness, and the support provided and mobilized for their efforts to implement their NDCs, highlighting that such needs are currently estimated at USD 5.8–5.9

trillion for the pre-2030 period.” It also *“Expresses serious concern* that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020...has not yet been met and *urges* developed country Parties to meet the goal.” It also *“Urges* developed country Parties to provide enhanced support, including through financial resources, technology transfer and capacity-building, to assist developing country Parties with respect to both mitigation and adaptation, in continuation of their existing obligations under the Convention, and *encourages* other Parties to provide or continue to provide such support voluntarily.”

The decision also *“Calls on* the shareholders of multilateral development banks (MDBs) and international financial institutions (IFIs) to reform MDB practices and priorities, align and scale up funding, ensure simplified access and mobilize climate finance from various sources and *encourages* MDBs to define a new vision and commensurate operational model, channels and instruments that are fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens, and to address risk appetite, with a view to substantially increasing climate finance.”

It also *“Calls on* MDBs to contribute to significantly increasing climate ambition using the breadth of their policy and financial instruments for greater results, including on private capital mobilization, and to ensure higher financial efficiency and maximize use of existing concessional and risk capital vehicles to drive innovation and accelerate impact.”

Further, another decision taken is to “launch the Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of **Article 2.1(c)**, of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement and *requests* the secretariat, under the guidance of the Presidency of COP 27, to organize two workshops in 2023 in this regard and to prepare a report to the CMA on the deliberations at these workshops.”

Developed countries, led by Switzerland for the Environmental Integrity Group (EIG) have been calling for Article 2.1(c) as a separate agenda item. The article refers to “*Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*,” and there have been divergences between developed and developing countries what this actually means.

LOSS AND DAMAGE FUND

In a separate decision, Parties agreed to “establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage, including with a focus on addressing loss and damage by providing and assisting in mobilizing new and additional resources, and that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement.”

It was also decided that “in the context of establishing the new funding arrangements ... to establish a fund for responding to loss and damage whose mandate includes a focus on addressing loss and damage.” Parties also agreed to “Establish a transitional committee on the operationalization of the new funding arrangements for responding to loss and damage ...,to make recommendations based on, inter alia, elements for (its) operationalization..., for consideration and adoption by ...COP 28 and CMA 5 (Nov–Dec 2023) with a view to operationalizing the funding arrangements referred...”.

Parties also agreed that “the recommendations to operationalize the funding arrangements and the fund ...shall consider, inter alia: (a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the fund ...; (b) Defining the elements of the new funding arrangements...; (c) Identifying and expanding sources of funding; (d) Ensuring coordination and complementarity with existing funding arrangements, and that “the Transitional Committee...will be informed by the following, inter alia: (a) The current landscape of institutions, including global, regional and national, that are funding activities

related to addressing loss and damage, and ways in which coherence, coordination and synergies among them can be enhanced; (b) The gaps within that current landscape, including the types of gap, such as relating to speed, eligibility, adequacy and access to finance, noting that these may vary depending on the challenge, such as climate-related emergencies, sea level rise, displacement, relocation, migration, insufficient climate information and data, or the need for climate-resilient reconstruction and recovery; (c) The priority gaps for which solutions should be explored; (d) The most effective ways in which to address the gaps, especially for the most vulnerable populations and the ecosystems on which they depend; (e) Potential sources of funding, recognizing the need for support from a wide variety of sources, including innovative sources.”

SANTIAGO NETWORK ON LOSS AND DAMAGE (SNLD)

Parties also agreed to “establish the Advisory Board of the Santiago network as part of the Warsaw International Mechanism for Loss and Damage (WIM)...” and “that the Santiago network secretariat will be accountable to and operate under the guidance of the governing body or bodies through the Advisory Board and hosted by an organization or a consortium of organizations able to provide the necessary administrative and infrastructural support for its effective functioning.”

The decision also recalls what was agreed in Glasgow last year “...in which it was decided that the Santiago network will be provided with funds to support technical assistance for the implementation of relevant approaches to averting, minimizing and addressing loss and damage associated with the adverse effects of climate change in developing countries in support of the functions...”and also recalls the decision from last year “which urges developed country Parties to provide funds for the operation of the Santiago network and for the provision of technical assistance”. It also “encourages others to provide support for the operation of the Santiago network and technical assistance” and “welcomes the pledges that have already been made to the Santiago network”.

MITIGATION WORK PROGRAMME

Highlights from the decision “Confirms that the objective of the work programme for urgently scaling up mitigation ambition and implementation ... shall be to urgently scale up mitigation ambition and implementation in this critical decade in a manner that complements the global stocktake.”

Parties decided “that the work programme shall be operationalized through focused exchanges of views, information and ideas, noting that the outcomes of the work programme will be non-prescriptive, non-punitive, facilitative, respectful of national sovereignty and national circumstances, take into account the nationally determined nature of NDCs and will not impose new targets or goals.” (This was a grave concern to many developing countries).

It was also decided “that the work programme shall function in a manner that is consistent with the procedures and timelines for communication of successive NDCs established in the Paris Agreement,” and “that the scope of the work programme should be based on broad thematic areas relevant to urgently scaling up mitigation ambition and implementation in this critical decade and include all sectors covered in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories of the Intergovernmental Panel on Climate Change (IPCC), thematic areas in the contribution of Working Group III to the Sixth Assessment Report of the IPCC and relevant enabling conditions, technologies, just transitions and cross-cutting issues.”

It was also decided that implementation of the work programme will start immediately after CMA 4 and continue until its CMA 8 (2026), “with a view to adopting a decision on the continuation of the work programme at that session” and that “...the work programme will be carried out under the CMA” and requests the Chairs of the subsidiary bodies (SBs), well in advance of June 2023 and every two years thereafter”.

GLOBAL GOAL ON ADAPTATION (GGA)

The decision on the GGA “Recognizes that adaptation is a global challenge faced by all with local, subnational, national, regional and international dimensions, and that it is a key component of and makes a contribution to the long-term global response to climate change to protect people, livelihoods and ecosystems”.

Parties agreed to “initiate the development of a framework for the global goal on adaptation to be undertaken through a structured approach under the Glasgow-Sharm el-Sheikh work programme in 2023, ..., with a view to the framework being adopted at CMA 5” and “that the framework...will guide the achievement of the global goal on adaptation and the review of overall progress in achieving it with a view to reducing the increasing adverse impacts, risks and vulnerabilities associated with climate change, as well as enhance adaptation action and support.”

NEW COLLECTIVE QUANTIFIED GOAL ON FINANCE (NCQG)

The decision on the NCQG “acknowledges the need to significantly strengthen the ad hoc work programme on the NCQG in the light of the urgency of scaling up climate action with a view to achieving meaningful outcomes from the deliberations on all elements and setting the new collective quantified goal in 2024 taking into account the needs and priorities of developing countries.”

It also “acknowledges the need for substantive progress in the deliberations on the NCQG on climate finance, ...and take into account the needs and priorities of developing countries and include inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal, without prejudice to other elements that will also be considered as the deliberations evolve, including matters relating to time frame.”

It “further acknowledges that deliberations on the NCQG should build on lessons learned from

the goal of developed countries of mobilizing jointly USD 100 billion per year by 2020...and taking into account the needs and priorities of developing countries.”

(Further articles on the climate talks to follow).