

Loss and Damage Fund

Why in news?

Recently, Adaptation and Loss and Damage (L&D) are in sharp focus due to intensification of climate crisis.

What is the difference between adaptation and L&D?

Adaptation	L&D
It refers to the actions taken to reduce the negative impacts of climate change	It refers to the financial support provided to the countries that suffer from the unavoidable and irreversible impacts of climate change.
It is a proactive response to cope with climate challenges	It is the irreversible consequences that cannot be avoided or mitigate.
It involves reducing emission to prevent future climate impacts	It involves investments in issues that will reduce the severity of impacts
Example- Building sea walls, planting drought-resistant crops, installing renewable energy sources.	Example- Compensation for the loss of lives, livelihoods, land or cultural heritage due to extreme weather events, sea level rise, or desertification.

To know about Loss and Damage fund, click [here](#)

What is the genesis of L&D fund?

Historic pollution has elevated the world's average surface temperature by more than 1 degree Celsius.

- **Purpose-** To provide financial and technical assistance to developing nations that suffer from L&D due to climate change.
- **COP 19-** At the COP 19 to the United Nations Framework Convention on Climate Change (UNFCCC) in Warsaw, Poland, in 2013, member countries formally agreed to establish the L&D fund.
- **COP 25-** *Santiago network for L&D* was set up, but countries didn't commit any funds.
- **COP 26-** *Glasgow dialogue* on finance for L&D was established to continue discussions over the next three years on the fund.
- **COP 27-** In 2022, representatives of UNFCCC's member states agreed to set up the *L&D fund and Transitional Committee* (TC) to figure out how new mechanisms under the funding mechanisms would operate.

What is “loss and damage”?

The phrase refers to costs already being incurred from climate-fuelled weather extremes or impacts, like rising sea levels

■ Climate funding so far has focused on cutting CO2 emissions, while a third of it went towards helping communities adapt to future impacts

■ Loss and damage funding is expected to cover the cost of damage that countries cannot avoid or adapt to

■ A report by 55 vulnerable countries estimated that their combined climate-linked losses in the last two decades totalled



\$525 billion, or 20% of their collective GDP. This could go up to \$580 billion per year by 2030

■ Vulnerable countries and campaigners argue that rich countries that caused the bulk of climate change with their historical greenhouse gas emissions should pay

Source: Reuters

What are the concerns with the L&D fund?

- **Hosting the fund-** The interest of hosting the fund at World Bank is a major issue as the bank charges an exorbitant overhead fee which dilutes the intent of L&D fund.
- **Eligibility-** The L&D fund is eligible to *all developing nations* as per Common But Differentiated Responsibilities (CBDR), which is a cause of concern for developed nations.

Common But Different Responsibilities (CBDR)

- CBDR was formalized in international law at the 1992 United Nations Conference on Environment and Development (**UNCED**) in Rio de Janeiro.
 - The principle balances both the need
 - for all States to take responsibility for global environmental problems
 - to recognize the wide differences in levels of economic development between States
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- **Voluntary support-** Developed nations like US have remained non-committal about being primary donors to the fund and have rejected references to CBDR, equity and liability in the draft.
 - **Fund size-** The indication of the size of the fund was quashed and the current draft simply urges developed nations to provide money.
 - **Lack of will-** The wealthy nations are not willing to fulfil the intended commitments which undermines faith in global climate negotiations and hampers the cooperative

spirit to address climate change.

What are the consequences of delayed implementation of L&D fund?

- **Vulnerable communities**- Delayed implementation of the fund will impact developing nations, as they suffer from climate change.
- **Humanitarian crisis**- It will increase humanitarian crises, including food shortage, people displacement and conflict.
- It forces communities to cope independently with the worsening climate and its consequences.
- **Economic impact**- Absence of support will have economic impact for both developed and developing nations.
- Financial crises and economic downturns in one region can have extensive outcomes due to interconnectedness of global economy.
- **Biodiversity loss**- There will be limited capacity to address environmental degradation and the loss of vital ecosystems, which will further worsen the environmental crises, causing irreversible harm to the earth.
- **Security impact**- Climate change induced instability will have security implications, as conflicts and tensions in vulnerable nations threaten to spill across borders.

What lies ahead?

- A successful response to climate change requires us to balance the proactive measures of adaptation with the moral and financial responsibility of addressing the losses and damages that are inseparable of a climate-altered world.
- To achieve climate justice, rich countries must meet their obligations to deliver finance fairly, and uphold the principles of equity, justice, and solidarity in the face of a changing climate.

References

1. [The Hindu- Loss and Damage talks](#)
2. [UNFCCC- Loss and Damage chronology](#)