



In March 2022, cyclones Batsirai and Emnati devastated the village of Masomeloka in Antsinanana Region, east of Madagascar. CRS was able to respond to the community's needs by providing assistance and cash transfers. Photo by Romy Miguel Rasolofo.

Addressing Loss and Damage from Climate Change

Background and Purpose

As delegations arrive in Sharm el-Sheikh Egypt for the 27th Conference of the Parties (COP27) to negotiate policy on climate change, a difficult issue looms: loss and damage. It was a challenge to put climate change loss and damage on the agenda, and it will be a struggle to reach any kind of agreement on how the United Nations Framework Convention on Climate Change (UNFCCC) should address the issue. But pressure has been building amongst vulnerable countries and civil society that are demanding action to address this problem.

This policy brief provides a short overview of the issue of loss and damage and offers recommendations for policy-makers. As the official international humanitarian and development agency of the Catholic community in the United States, Catholic Relief Services (CRS) saves, protects and transforms lives in more than 100 countries without regard to race, religion or nationality. Our mission is to help those communities least able to help themselves to adapt to the effects of a changing climate and strengthen their resilience.

What is Loss and Damage?

Broadly speaking, loss and damage is harm caused by climate change.¹ There is an incredibly wide range of types of harms to consider. Climate change will cause both economic and non-economic harm to communities and

¹ Loss and damage (L&D) is not formally defined in the UNFCCC or the Paris Agreement. Broadly speaking, L&D under the UNFCCC and Paris Agreement addresses the economic and non-economic damages associated with slow onset events and extreme weather events caused by global warming and the tools and institutions that identify and mitigate such risks; IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löscke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

countries. Climate change is causing reduced economic growth and increased sovereign debt, but is also responsible for a loss of life, reduced physical and mental wellbeing, losses of cultural knowledge, of biodiversity, of cultural identity, which cannot be easily quantified in monetary terms. Some of this harm will be quick and devastating such as is caused by extreme weather events like hurricanes, heat events, and floods. Some of the harms will be “slow-onset” resulting from longer term climatic processes such as sea-level rise, increasing temperatures, ocean acidification, glacial retreat and related impacts such as salinization, land and forest degradation, loss of biodiversity, and desertification.

Although climate mitigation and climate adaptation can reduce climate loss and damage, they will not prevent climate change from causing harm. There will be losses and damage in most countries, perhaps in all countries, whether rich or poor. In the context of the UNFCCC, the debate surrounding harm centers on the loss and damage experienced by comparatively poor and more vulnerable countries, which contribute relatively little to the climate crisis (non-Annex 1 countries). Many of the poorest countries are likely to suffer the worst losses and damage.

Although the issue of loss and damage caused by climate change has been raised by the Alliance of Small Island States as early as 1991, the UNFCCC has done little to substantively address the issue. In 2021 at COP26 in Glasgow, Scotland, the G77 and China put forward a proposal to establish a new Loss and Damage Facility.² However, Global North countries including the United States blocked this proposal. Instead, the conference agreed to establish a three-year Glasgow Dialogue to discuss possible arrangements for loss and damage funding. At COP26, Parties agreed to operationalize the Santiago Network on Loss and Damage and to fund it. The Santiago Network on Loss and Damage was established at COP25 to mobilize technical assistance of relevant organizations, experts, and networks, to implement approaches to avert, minimize and address loss and damage in developing countries that are particularly vulnerable to the adverse effects of climate change.

Little has changed since 2021, although the devastating impacts of climate change have increased: hurricanes in Puerto Rico and Florida, multiple cyclones in Madagascar, a multi-year drought in the Horn of Africa, and historic monsoon flooding in Pakistan.

Although it is difficult to precisely quantify the amounts, recent studies show the economic value of “residual damages” in developing countries will increase from \$116-\$435 billion in 2020 to \$290-\$580 billion in 2030 and could reach between \$1-\$1.8 trillion by 2050.^{3,4} This expected spike in the cost of loss and damage will have a direct and massive impact on the finance of developing country: a country’s vulnerability to climate change can have a direct effect on its creditworthiness, its costs of borrowing, and, ultimately, the likelihood it might default on its sovereign debt, according to the International Monetary Fund (IMF).⁵ These economic harms compound, undermining development and endanger their ability to achieve the Sustainable Development Goals.

Right now, the “adjustment costs” for loss and damage largely falls upon poor families, poor communities, and poor countries. At the moment, there is no funding provided to address international climate loss and damage, aside from the usual humanitarian response to catastrophes, which is chronically underfunded and covers only a small fraction of the harm. In 2009, donor countries did promise \$100 billion in climate finance for climate mitigation and adaptation annually. However, this promise has not been kept; even under the most generous definitions of what constitutes climate finance, donor countries will not reach the \$100 billion commitment until 2023. Applying more rigorous accounting principles indicates that donors are not even close to meeting the commitments they made.^{6,7}

² Sharma-Khushal, Dr. Sindra, Liane Schalatek, Harjeet Singh, and Heidi White. “The Loss and Damage Finance Facility, Why and How: Discussion Paper”. May 2022. <https://drive.google.com/file/d/1Oz2BVe38btPhSE6S0iMbVHNIXv6MBUsM/view>

³ Markandya, Anil, and Mikel González-Eguino. “Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review.” In *Loss and Damage from Climate Change: Concepts, Methods and Policy Options*, edited by Reinhard Mechler, Laurens M. Bouwer, Thomas Schinko, Swenja Surminski, and JoAnne Linnerooth-Bayer, 343–62. Climate Risk Management, Policy and Governance. Cham: Springer International Publishing, 2019. https://doi.org/10.1007/978-3-319-72026-5_14.

⁴ Bharadwaj, Ritu, Simon Addison, Devanshu Chakravarti, and N. Karthikeyan. “Harnessing Nationally Determined Contributions to Tackle Loss and Damage in Least Developed Countries.” International Institute for Environment and Development. IIED. Accessed November 3, 2022. <https://www.iied.org/21081iied>.

⁵ Jalles, Serhan Cevik, João Tovar. “This Changes Everything: Climate Shocks and Sovereign Bonds.” IMF. Accessed November 3, 2022. <https://www.imf.org/en/Publications/WP/Issues/2020/06/05/This-Changes-Everything-Climate-Shocks-and-Sovereign-Bonds-49476>.

⁶ OECD. Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data. Climate Finance and the USD 100 Billion Goal. OECD, 2021. <https://doi.org/10.1787/03590fb7-en>.

⁷ Oxfam GB. “Poorer Nations Expected to Face up to £55 Billion Shortfall in Climate Finance.” 20 September 2021. <https://www.oxfam.org.uk/mc/d5j6zc/>.

Recommendations

We need global action on adaptation, mitigation, and loss and damage. As a Catholic organization, we see crises like cyclones through the eyes of the people directly impacted. Climate change is already devastating the lives of vulnerable communities that have done the least to contribute to this crisis. At COP27, CRS is calling for leaders to take urgent action to:



1. **Support the establishment of a Loss and Damage Finance Facility:** This proposal remains a priority for developing countries at the UNFCCC, and the issue of finance for Loss and Damage is on the provisional agenda for COP27.



2. **Advocate for principles of funding for Loss and Damage:**

- 2.1. Facilitating dialogue and encounters based on Pope Francis' third encyclical, *Fratelli Tutti*, to achieve a more just and healthier world.
- 2.2. Financing provided based on needs and vulnerability in keeping with a preferential option for the poor.
- 2.3. Addressing both economic and non-economic loss and damage, recognizing the fullness of human life and the values which transcend economic transactions.
- 2.4. Ensuring accessibility: Support and compensation for climate loss and damage should be directly accessible, and directly paid, to those who suffer the harm.
- 2.5. Subsidiarity: Decisions should be made, and funding delivered to the lowest level possible, with higher levels of authority intervening only if the lower levels are unable to accomplish a task as well or as efficiently.



3. **Support the creation of a standing agenda item on Loss and Damage for the UNFCCC,** recognizing the importance of this issue, alongside other elements of the climate crisis and agenda for action.



4. **Support for rapidly operationalizing and providing robust funding for the Santiago Network.**



5. For the United States, policymakers should **recognize and align policy towards addressing Loss and Damage** - a goal that is missing in climate policy and programs.



6. **Advocate for debt cancellation.** After extreme climatic events, debt cancellation should be granted to ensure that countries are not forced to make loan repayments but can instead use their money to support their citizens after extreme climatic events. Many climate-vulnerable countries are also at significant risk of debt crisis. They are often just one hurricane away from debt default.