The Cost of Inaction:

Ireland's fair share of **Loss & Damage** finance

christian aid

Trócaire
TOGETHER FOR A JUST WORLD

Authors

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This report is dedicated to Professor Saleemul Huq – a renowned academic, tireless activist and a titan of the global movement for climate justice.

Christian Aid Ireland is an international development agency founded by the Protestant churches of Britain and Ireland. We work globally to tackle the symptoms and the root causes of poverty, injustice and violence. Alongside our local partners we strive for equality and dignity for all, regardless of faith or nationality. We are part of a wider movement for social justice.

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Trócaire is an International NGO. We work with local partners in the world's most at-risk communities and with people in Ireland to tackle the underlying causes of poverty and injustice and respond to the crises they create. Together we bring about positive and lasting change for a just world.

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Cover photo: July 21, 2020 – Vehicles try to drive through a flooded street in Dhaka, Bangladesh.

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Forewords

As I was preparing this foreword, I learned of the sad and untimely death of a dear friend, Saleemul Huq. It was Saleem who first talked to me over a decade ago about Loss and Damage being an important part of climate justice. I have been reading some of the many tributes to Saleem as a scientist, academic and wonderful champion of climate justice. So I am glad to pay my own warm tribute at the start of this foreword.

I welcome the report by Christian Aid Ireland and Trócaire, as a clear and important contribution to the role that Ireland can play in addressing loss and damage in line with climate justice principles.

There is a deep injustice underpinning the climate crisis. The devastation we are seeing is experienced most acutely by those in the Global South and in marginalised communities, who are disproportionally affected by extreme weather events like floods, storms, and droughts, and slow onset events, such as sea level rise and glacial melt. As the world grapples with escalating climate impacts, their costs are being borne by those who have least responsibility for the climate crisis and who have the least resources to cope. At its heart, this is also a crisis of inequality.

Climate change also impacts women in unique, intersectional and often disproportionate ways. Although women are on the frontlines of the climate and biodiversity crises and hold knowledge and solutions to tackle climate breakdown, they are underrepresented as decision makers and less likely to be influencing policy in response to climate change. This has to change.

A dedicated, effective Loss and Damage Fund underpinned by human rights and gender justice is critical. The COP27 decision to establish the fund was an historic first step, but it remains an empty bucket. Wealthy, high-emitting nations that overwhelmingly caused this crisis must now lead the way in filling it, in line with historic responsibility, equity and climate justice.

Building on its track record on ODA and humanitarian action around the world, Ireland has a crucial role to play. A business as usual approach will not meet the scale of this challenge. We must rethink our financial and economic policies, both internationally and domestically, and draw on new approaches and sources of funding. We must be guided by the 'polluter pays' principle – including those corporations that have directly profited from climate breakdown.

Rather than pumping trillions of dollars into fossil fuel subsidies globally, we must redirect these resources to a fast and fair transition. A fund to support those most impacted is a key component of this.

This is a critical moment. A Loss and Damage Fund that's properly resourced could fundamentally shift the stark imbalance of the climate crisis, as well as addressing the discrimination faced by women, persons with disabilities, indigenous people and other marginalised groups in the process. Meaningful participation of affected communities and local civil society organisations in the design and decision making of the Loss and Damage Fund is crucial for ensuring it delivers for those most in need. Decades of delay have gotten us to this point. In this era of loss and damage, Governments must urgently ensure that affected communities are supported and that decades of development gains are not reversed. Climate justice delayed is climate justice denied.

Mary Robinson
Adjunct Professor for Climate Justice in Trinity College Dublin and Chair of The Elders

I am one of the many young people across the world who experience the worst consequences of climate change.

Despite years of advocating for concrete climate action, it was only when I attended COP 25 in Madrid that I first learned of the term 'Loss and Damage' that describe the economic and non-economic impacts from climate change that I was witnessing on a daily basis. What scared me most was that climate related loss and damage was being framed as something that would happen sometime in the future, when it was my daily reality. That was the moment I realised the urgency of ensuring that global action on "Loss and Damage" be at the heart of demands for climate justice.

"Loss and Damage" refers to climate change impacts that go beyond what people can adapt to and stems from the global failure to reduce greenhouse gas emissions. Developing countries and communities in the Global South are being disproportionately impacted – despite having least responsibility for causing this crisis. As the planet has warmed, we have seen an increasing pattern of extreme weather events, including cyclones, drought, sea level rise, flooding, typhoons, and wildfires. The costs of loss and damage are being borne by the world's poorest and most vulnerable countries and communities – which is only exacerbating existing inequalities and injustices.

Despite the calls from Small Island States since 1992 to address climate change impacts, it has taken more than three decades for world leaders to agree to establish the Loss and Damage Fund. This delay and lack of action on mitigation and adaptation, means we are now in the era of loss and damage and countries, particularly on the African continent, are extremely exposed to devastating climate impacts. This is part of my lived reality and this is why our voice and our concerns should be central in decision-making on the Loss and Damage Fund.

The loss and damage fund is the primary vehicle for building trust as well as solidarity in addressing climate change. It is crucial that it is operationalised and governed on the basis of climate justice and equity principles. Hence I add my voice in calling for a new, standalone loss and damage fund under the UNFCCC that is provided with new, additional and grant-based finance to address the climate crisis.

Will the fund be designed to meet the needs of developing countries and frontline communities? Will it strengthen global solidarity in climate action by avoiding past mistakes? Will it be accessible to developing countries? Will it be delivered along with much needed action on mitigation and adaptation? These questions must be addressed by decision makers at COP28.

This report contains important recommendations on how Ireland can play a leading role for action to address loss and damage in an equitable and just manner, while respecting the essence of "global solidarity" for concrete climate action for the planet and its people. As a co-founder and global coordinator of the Loss and Damage Youth Coalition I call on all Governments to stand on the right side of history and protect our present and our future.

Ineza Umuhoza Grace
Founder and CEO of the Green Protector and Global Coordinator of the Loss and Damage Youth Coalition

Executive Summary

2022 was a year of unprecedented climate disasters.

Many regions of the world experienced record-breaking temperatures, wildfires, droughts, and storms. From the floods in Pakistan – which left a third of the country under water – to the worst drought in East Africa in 40 years, developing countries that have contributed least to the climate crisis are facing its worst consequences. At the same time, longer-term climate impacts such as sea-level rise, glacial retreat or desertification are putting natural and human ecosystems at risk of irreversible collapse, forcing displacement and threatening to make parts of the planet uninhabitable. A recent scientific assessment found that six out of nine "planetary boundaries" have been broken because of human-caused pollution and destruction of the natural world and warned that the planet is "well outside the safe operating space for humanity."[1]

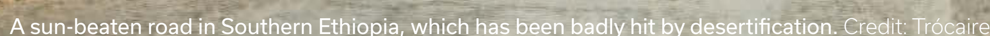
The unequal burden of Loss and Damage

Decades of rampant extraction and burning of fossil fuels by the world's wealthiest countries, as well as failure to take the action necessary to reduce emissions and build resilience to climate change, have driven increasingly frequent and catastrophic climate disasters. These unavoidable and irreversible impacts - referred to as **Loss and Damage** – have had a disproportionate impact on the most vulnerable countries and communities in the world. These costs have been left to fall heavily on the shoulders of the world's poorest, who are picking up the tab for a problem they overwhelmingly did not create.

The climate crisis is a crisis of inequality, and its scale is staggering. The poorest half of the world, nearly 4 billion people, are responsible for just 12% of all greenhouse gas emissions.[2] It is estimated that Sub-Saharan African countries will have to take on almost $1 trillion in debt over the next ten years, unless long-promised financial support is finally delivered at scale.[3] The most complete economic and climate modelling suggests that loss and damage financing needs in developing countries could reach **US$290-580 billion by 2030**, **US$551–1,016 billion in 2040 and US$1,132–1,741 billion in 2050.**[4]

Broken promises and existing financial support

In Copenhagen in 2009, and again in Paris in 2015, wealthy countries initially pledged to provide **$100 billion per year** in financial support to developing countries for climate action, in recognition of their greater responsibility for historic emissions and financial capacity. However, more than a decade later, this target has still not been met - OECD data states that just $83bn was provided in 2020, while academic and civil society estimates suggest that the true value is less than a third of what has been reported.[5] Ireland has also fallen well short in making progress on this global goal, with our **current contributions of €100 million per year just one-fifth of our fair share – which in 2019 Christian Aid Ireland & Trócaire estimated as being approximately €500m per year**.[6]



A sun-beaten road in Southern Ethiopia, which has been badly hit by desertification. Credit: Trócaire

Crucially, this global climate finance target and the infrastructure built around it was limited to support for just two facets of climate action: emissions reductions **(mitigation)** and building resilience **(adaptation).** The failure of wealthy and high-polluting countries to provide the resources pledged has meant less investment in these areas, and ultimately more frequent and intense climate related impacts **(loss and damage).**

Over the past three decades, developing countries, civil society organisations and activists have fought for loss and damage to be recognised as the so-called "third pillar" of climate action – already enshrined in the landmark UN Framework Convention on Climate Change (UNFCCC) but largely ignored and resisted by the world's wealthiest states. The historic agreement to finally establish a new **Loss and Damage Fund (LDF)** at COP27 is an acknowledgement that these impacts are happening, that those experiencing it are disproportionately poorer people in lower-income countries, and that rich countries must urgently provide new and additional finance to address it.

A Loss and Damage Fund that is fit for purpose

We estimate that Ireland's "fair share" of this new loss and damage finance will be at least €1.5 billion per year by 2030 (see full methodology in chapter 12). This figure is based on global climate and economic modelling of loss and damage needs, pathways to staying within the global target of 1.5 degrees of warming, and key factors including historic responsibility for climate change and current financial capability. **While the scale of finance required is significant, it is important to remember that governments spent $7 trillion on subsidies for the fossil fuel industry in 2022 alone**.[7]

The COP 27 agreement to set up the LDF also recognises that, given the significant level of funding required, revenue will likely also need to come from new and "innovative" sources. Chapter 13 discusses a number of proposals, both national and international, that could ease the burden on domestic budgets – including better taxation of wealth and obscene supercharged corporate profits, contributions from fossil fuel producers, debt relief or progressive levies on shipping and aviation.

Along with a broad alliance of civil society organisations and developing countries, Christian Aid Ireland and Trócaire are calling for loss and damage funding to flow through a new, centralised LDF, anchored by the core elements of climate justice already enshrined in the 1992 UNFCCC and 2015 Paris Agreement. This paper also sets out key principles and specific recommendations for an LDF that is fit for purpose, inclusive, funded by the wealthiest and responsive to the needs of the most affected countries and communities.

Kokoli Aulia in Satkhira, southwest Bangladesh, which was badly affected by the devastating impact of Cylcone Bulbul in 2019. Credit: Adam Haggarty/Christian Aid.

Recommendations

The Government of Ireland should:

- In the short term, increase its overall international climate finance contributions to at least **€500 million per year**, to meet its long overdue fair share of the existing global target (mitigation & adaptation)

- Make a specific commitment to financing the newly-recognised, additional 'third pillar' of climate finance – Loss & Damage – consistent with our fair share of the global effort needed, and develop a pathway to providing at least **€1.5 billion per year by 2030**.

- This could be met through a mix of direct budgetary contributions and "innovative" **new financial sources**. Ireland should cooperate internationally at EU, OECD and UN levels and push for agreement on fairer taxation of corporate profits, extreme wealth and fossil fuel production, progress on debt relief, and new levies on aviation and shipping.

- Support efforts at COP to develop a **'New Collective Quantified Goal on climate finance'** (NCQG) that is needs-based, ambitious, and ensures updated, comprehensive international and national targets for all three pillars of climate action: mitigation, adaptation and loss & damage.

- Support the development of a **broad and comprehensive Loss and Damage Fund (LDF)**, including funding windows for rapid response, medium-term recovery, slow-onset events, and a small grants window for direct access by local communities.

- The fund should follow the principle of subsidiarity, wherever possible, and prioritise direct **access, representation and participation in decision-making** by impacted communities, including women and other marginalised groups.

- Support the development of the LDF as an independent, operating entity under the UNFCCC, as the **'centrepiece'** of new and existing funding arrangements, reflecting the highest level of accountability and compliance with core principles of equity and historic responsibility.

- Support the development of new monitoring, tracking and evaluation mechanisms, to ensure that Loss & Damage financing is **'new and additional'** to existing commitments, rather than just the relabelling or double counting of existing financial flows – including integration of L&D as an approved OECD DAC marker.

- Ensure that **all developing countries** are eligible to access the LDF, whilst supporting targeting and allocation criteria to reach countries and communities most in need.

- Support calls for a UN-led **Loss and Damage Finance Gap report** to provide a reliable assessment of finance needs for L&D.

- Adopt a gender-responsive and human **rights-based approach** to the development and governance of the LDF, including specific measures to address the rights of marginalised communities and prioritise vulnerable groups.

Dry, cracked land impacted by climate change in Chiang Mai, Thailand. Credit: Shutterstock

SECTION 01

What is L&D finance and why do we need it?

Protest at COP27, Egypt. Credit: Bianka Csenki

1. Climate Change as a Global Justice issue

Over the past twelve months the impacts of climate change have shaken the world: from record-breaking temperatures to devastating drought, wildfires and flooding, communities on the frontlines of the climate crisis have struggled to cope. As UN Secretary General Antonio Guterres put it earlier this year, "climate breakdown has begun".[8]

The climate crisis is also a crisis of inequality. As the world grapples with the increased frequency and intensity of climate-induced disasters, it is poorer communities who are being disproportionately impacted – despite having least responsibility for global warming and least resources to adapt. The IPCC's Sixth Assessment Report recognises that the world's poorest and most vulnerable people will be worst affected by climate change, despite having done little or nothing to cause the problem.[9]

The scale of this carbon inequality is staggering. The poorest half of the world, nearly 4 billion people, are responsible for just 12% of all greenhouse gas emissions.[10] Those in poverty tend to live in areas more susceptible to climate change, in less secure housing, and with far more exposed livelihoods, lacking the support of comprehensive social safety nets or deep personal wealth. On this basis, in 2019 the UN Special Rapporteur on Extreme Poverty and Human Rights warned that developing countries were estimated to bear 75% to 80% of the cost of the climate crisis.[11]

Rich, industrialised countries in the Global North bear the primary responsibility for creating the climate crisis, from the colonial period to the present day. In historic terms, rich countries have contributed over 90% of human-induced CO_2 emissions and are responsible for 37% of current emissions (although they are home to only 15% of the world's population).[12]

By contrast, developing countries have contributed relatively little. Kenya, Ethiopia, Somalia and South Sudan are responsible for only 0.1% of global emissions, while India is responsible for 3% of historic emissions.[13] A majority of the world's population live in developing countries, and the core UN climate treaties, which are underpinned by the principles of historical responsibility and equity, recognise this profound asymmetry and injustice.

Ireland's per capita greenhouse gas emissions of 11.65 tCO_{2e} in 2021 are almost double the global average (6.9 tCO_{2e} in that same year).[14] And although Ireland as a relatively small country is not one of the largest contributors to the global *cumulative* emissions that have contributed to global climate change, its 0.13% share of global cumulative CO_2 emissions since 1750 is far greater than its relative share of the global population.[15]

Looking specifically at CO_2 emissions, viewed in the framework of a "fair shares" approach which divides the global carbon budget (consistent with a 330ppm CO_2 planetary boundary) into equal per capita access, research published in *The Lancet* has suggested that the wealthiest developed countries (those listed in Annex I of the UNFCCC) are responsible for over 90% of excess CO_2 emissions, compared to developing countries' responsibility for just 8% of the CO_2 emissions that would lead to dangerous levels of climate change.[16]

In short, wealthy, high-emitting countries, including Ireland, have burned through their fair share of the global carbon budget.[17] As one of the world's richest countries, with the 6th highest GDP per capita in the world, Ireland should therefore play a considerable role in providing finance to countries and communities experiencing the worst impacts of climate change, as well as urgently reducing its own greenhouse gas emissions.[18]

> **"The scale of this carbon inequality is staggering. The poorest half of the world, nearly 4 billion people, are responsible for just 12% of all greenhouse gas emissions.**

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Climate justice requires developing new channels and sources of financing, including from hyper profitable fossil fuel producers, which have been linked to more than 70% of global greenhouse gas emissions since 1988.[19,20] **In the first six months of 2022 alone, just six major fossil fuel companies made enough in profits to cover the costs of economic losses from extreme weather- and climate-related events in developing countries and still have almost $70 billion in pure profit**.[21] Taxing extreme wealth and corporations’ excess profits would be effective in resourcing efforts to rebuild in the aftermath of climate destruction, as has been proposed by Barbados Prime Minister Mia Mottley.[22]

Climate finance – and loss & damage as an essential, long ignored component of it – is not a question of charity. It is recognition of the ecological debt owed to developing countries, on the basis of historic responsibility, wealth and equity. As UN Chief António Guterres told the UN General Assembly ahead of COP27, financial support is a “fundamental question of climate justice, international solidarity and trust.”[23]

Climate Justice protest ahead of COP 27, November 2022. Credit: Stop Climate Chaos

Case study

Pakistan flooding, 2022

Estimated cost: US$30 to US$40 billion[24]

Between June and August 2022, after a devastating heat wave, torrential rains triggered Pakistan's worst ever flooding, which affected 33 million people. More than 8 million people were displaced by the floods, while more than 1,700 lost their lives.[25]

Two provinces, Sindh and Balochistan, experienced their wettest August ever recorded, receiving 7 and 8 times their usual monthly totals. A study using climate modelling and historic records concluded that the high rainfall was "likely increased" by human-induced climate change.[26] The impacts were worsened by "underlying vulnerabilities driven by high poverty rates", with the floods impacting 19 of the poorest 25 districts of Pakistan.[27]

The 2022 floods were not unprecedented as Pakistan experienced similar flooding just a decade earlier, which affected 20 million people.[28]

Residents in Karachi, Pakistan deal with intense flooding, August 2022. Credit: Shutterstock

Many impacted by the recent floods had not fully recovered from the 2010 disaster, illustrating how climate change is driving cycles of vulnerability.[29] The floods have also had a disproportionate effect on vulnerable groups, since they have more limited access to social protection and coping mechanisms.[30]

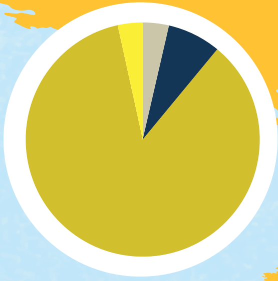
Despite the increasing frequency and severity of climate impacts, climate and development financing has been insufficient to build resilience (adaptation), which has ultimately "increased the strain on humanitarian assistance."[31] This has been exacerbated by Pakistan's high debt burden, which has left little room in national budgets for building resilience or implementing disaster management plans.[32] In 2021 alone, debt servicing was at least US$11.9 billion (32% of total government revenue), with some estimates putting the figure far higher.[33]

The initial Flood Relief Plan identified urgent humanitarian needs – including provision of shelter, safe drinking water, food items, and health interventions amidst supply chain disruptions – that were costed at US$816 million, although by late October 2021 only 14% of this amount had been funded, the vast majority in the form of loans. A year later it was still only 67% funded.[34]

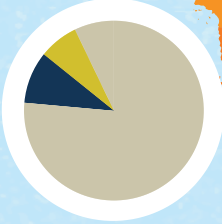
Estimates of the cost of compensation for economic losses, and longer-term recovery, rehabilitation and reconstruction efforts suggest that these would total US$30 to US$40 billion, around 10% of Pakistan's GDP.[35] This includes US$14.9 billion in total damages, defined as the estimated direct costs of replacing or repairing destroyed or damaged physical assets and infrastructure.[36] The most affected sectors are housing (US$5.6 billion); agriculture, food, livestock, and fisheries (US$3.7 billion); and transport and communications (US$3.3 billion).

However, these figures exclude the value of non-economic losses and damages that are much more difficult to quantify. Local and national actors have emphasised "the impact that the trauma of repeated flooding and subsequent loss of shelter, livelihoods and loved ones was having on the community's mental health."[37] The loss and damage to ecosystems and biodiversity is also not captured by a post-disaster needs assessment.

Differential vulnerability to climate change
– IPCC AR6 WGII Report



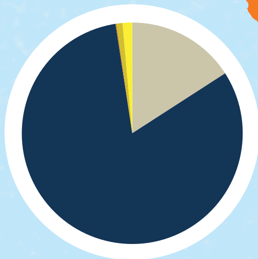
Europe



North America

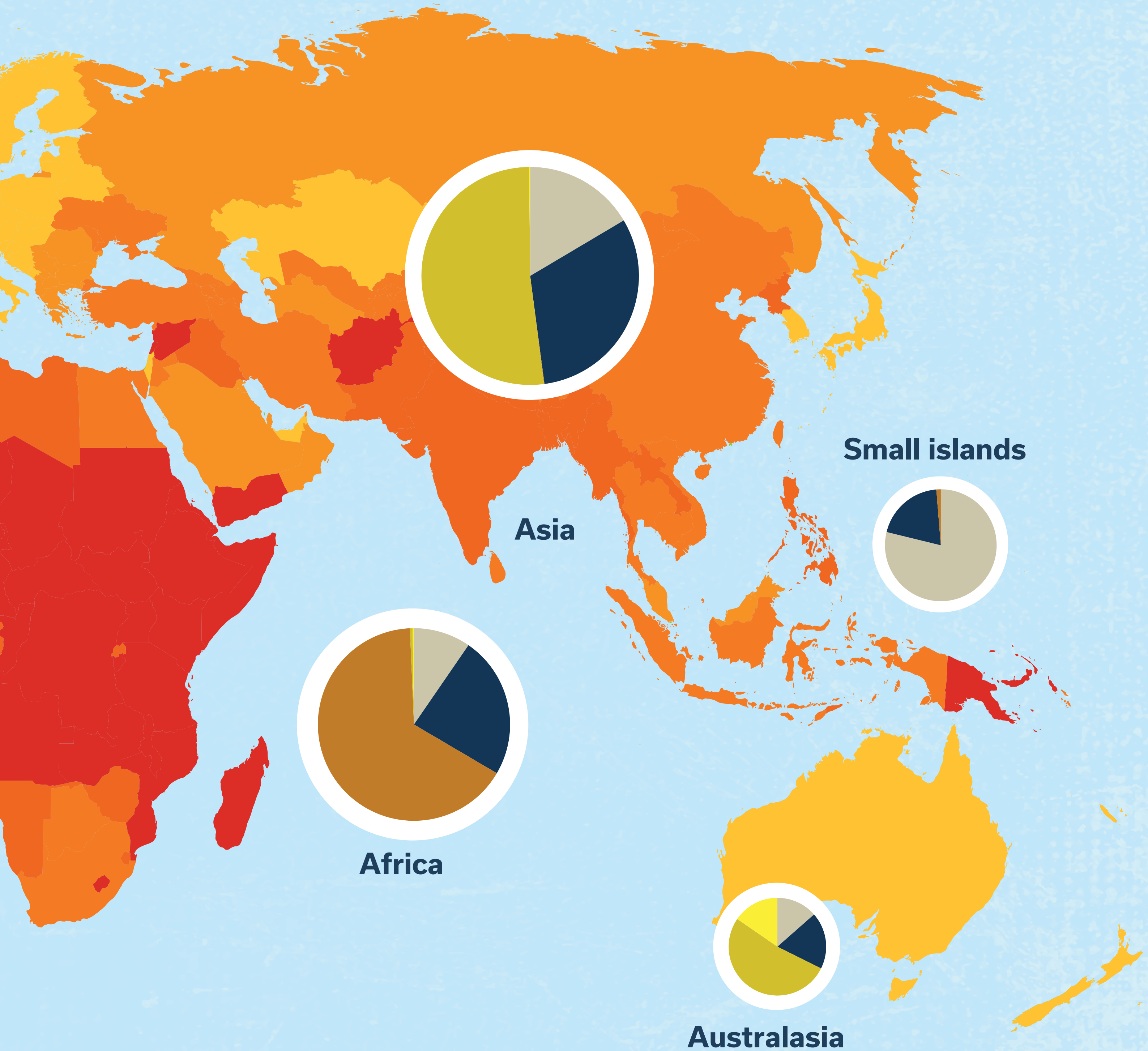
Small islands

Central & South America



Pie charts

Flood Storm Drought Heat Wild Fires



The size of the pie charts show average mortality per hazard event per region between 2010 and 2020.
The slices of pie charts show the distribution of deaths from a particular hazard.

2. Paying for climate action – existing financial support

Climate Finance

The stark injustice at the heart of the climate crisis has been recognised in international negotiations and successive climate treaties. Article 4.3 of the 1992 United Nations Framework Convention on Climate Change (UNFCCC) commits developed countries to provide financial support to developing countries to address climate change, due to their greater responsibility for emissions to date, and their greater financial capacity.[38]

In the UNFCCC wealthy states agreed to provide "new and additional financial resources" sufficient to meet "the full incremental costs" incurred by developing country parties, according to those countries' "common but differentiated responsibilities and respective capabilities".[39]

The underlying rationale here is a reflection of the **polluter pays principle**, in which climate finance is a *responsibility*. It is not an optional extra, but a centrepiece of international climate action, reaffirmed in the landmark Paris Agreement in 2015.

From the outset of the UNFCCC it was agreed that climate finance would be mobilised to help developing countries to both reduce emissions (mitigation) and to build resilience and protect communities (adaptation).

Mitigation refers to activities that reduce or limit greenhouse gas emissions, like investment in renewable energy technology, as well as those to enhance greenhouse gas sequestration (the long-term storage of greenhouse gases to prevent their release into the atmosphere).

Adaptation refers to activities that reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. These can be large scale, top down infrastructure projects such as sea walls, or community based, knowledge intensive activities such as diversified farming practices.[40]

Rose Jonathan of Kitui, Kenya, walks for six hours most days to collect water as her nearest dam has dried up.
Credit: Adam Finch/Christian Aid.

Climate activists marching for action on Loss and Damage at COP27, Egypt. Credit: Bianka Csenki

During negotiations in Copenhagen (2009), Cancún (2010) and Paris (2015), a global target of $100bn per year was agreed.[41] This money should be "adequate, predictable and sustainable" as well as "new and additional" to existing commitments on Official Development Assistance (ODA) – recognition of the fact that development challenges like poverty reduction, healthcare provision and access to education were not diminished by climate change, but in fact have become more acute.[42]

A decade later this target has still not been met, with OECD data showing that just $83 billion was provided in 2020.[43] However, 71% or $48.6 billion was provided in the form of loans, which require repayment, while only 26% or $17.9 billion was provided as grants. This runs totally contrary to the spirit of the exercise: loans fail to address the historical imbalance that makes these transfers necessary in the first place, adding to unsustainable debt burdens, and the cost is ultimately still shouldered by the world's poorest. A further small portion was through 'mobilised' private finance, which has been deeply inefficient and tends to flow towards projects that can deliver a return on investment rather than where need is greatest.[44]

Taking this into account, Oxfam have estimated that just $21-24bn in *public* climate finance was provided in 2020 – less than a third of the headline figure and just a quarter of what was promised.[45]

The gap for adaptation finance is particularly stark, with the cost of adaptation expected to rise to between 140 billion and 300 billion USD by 2030.[46] Only US$24.5 billion in adaptation finance is reported annually at present, while Oxfam estimates that the actual value of this financing to developing countries (once grant-equivalence and climate relevance are more adequately accounted for) is just US$9-10.5 billion.[47]

While the US$100 billion target was a step forward in international cooperation on climate finance, it was a top-down, wholly political figure, not based on any scientific assessment of need and is widely recognised as insufficient.[48] Wealthy, high-polluting states – including Ireland – have still fallen well short of meeting it. And crucially, this target and the international structures set up to try and achieve it were limited in their scope, focused *only* on those two facets of climate action: mitigation and adaptation.

Over the past three decades, developing countries, civil society organisations and activists have fought to restate the importance of the so-called "third pillar" of climate action, enshrined in the UNFCCC but largely ignored or resisted by powerful states – the concept of climate change-induced **loss and damage.** This is a reflection of the rapidly changing context the world finds itself in and the concurrent shift from seeing climate change as a distant, future threat to something that is having devastating impacts right now.

3. Loss & Damage – the neglected third pillar

"Loss and damage" refers to climate change impacts that go *beyond* what people can adapt to. According to the UNFCCC, loss and damage can result from both extreme weather events such as hurricanes, cyclones, droughts and floods as well as "slow onset" processes such as sea-level rise, glacial retreat or desertification.[49] It is an outcome of a global failure to cut greenhouse gas emissions quickly enough and inadequate investment in climate adaptation.

Loss and damage is experienced through both economic and non-economic impacts. Economic losses include impacts on property, infrastructure, income and businesses, which can be quantified in monetary terms. For example, the impact of Hurricane Maria on the Caribbean island of Dominica in 2017 caused loss and damage in the region of US$1.4 billion, or 226% of its GDP.[50]

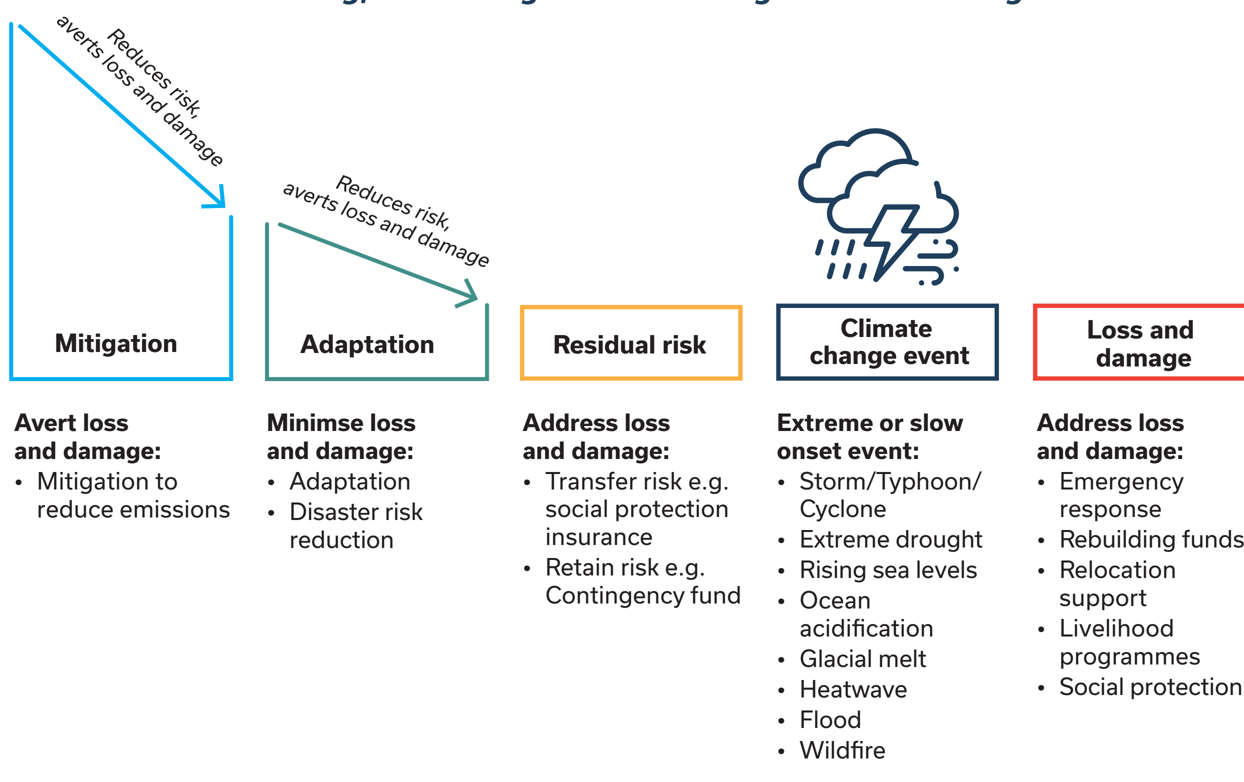
However, many aspects of loss and damage are not economically calculable. These include impacts at an individual level, such as loss of life, health, or mobility, and those at a social level, such as loss of cultural heritage, territories, indigenous or local knowledge, and environmental losses, such as biodiversity loss and species extinction.[51]

Resistance to Loss & Damage support

While "loss and damage" refers to unavoidable and irreversible climate impacts, "Loss and Damage" (capital "L" and capital "D") commonly refers to international policy processes seeking to address these impacts, notably those that are being negotiated under the COP process and the UNFCCC.[52] This third pillar of climate action is beyond mitigation and adaptation, and as such requires separate policy mechanisms and compensation.[53]

As far back as the 1991 negotiations creating the UNFCCC, Vanuatu (on behalf of the Alliance of Small Island States, AOSIS) proposed a fund for addressing loss and damage arising from sea-level rise. Although this did not advance due to opposition from developed countries, the responsibility to support developing countries' efforts to address climate change was established

Averting, minimising and addressing Loss and Damage



Source: UNEP Adaptation Gap Report 2023, adapted from Richards J.A. (2022)

by the UNFCCC and predicated on the principles of *Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC)* and equity.[54] This means that wealthier countries are expected to provide financial support, given greater financial capacity and responsibility.

In 2007, AOSIS submitted a proposal at the UNFCCC that "'vulnerable countries will be compensated for loss and damage associated with climate change impacts that is not avoided by adaptation funding under the Convention".[55] This was reiterated in subsequent years, and a first major breakthrough came at COP16 in 2010, as part of the Cancún Adaptation Framework, which established a programme of technical work on loss and damage.[56] Continued negotiations saw this process formalised at COP19 in 2013 through the creation of the *Warsaw International Mechanism on Loss and Damage (WIM)*. Since its establishment, however, the WIM has overwhelmingly focused on dialogue, coordination, knowledge-generation and has not delivered significant financial support.[57]

COP21 in 2015 saw the breakthrough, landmark signing of the Paris Agreement, which recognised "the importance of averting, minimizing and addressing loss and damage... including extreme weather events and slow onset events."[58] Developing countries pushed for, and finally achieved, their demand that Loss and Damage be included as a "third pillar" in climate policy alongside mitigation and adaptation - but agreement was not reached on specific funding or the inclusion of L&D in the existing climate finance architecture, which remained focused solely on mitigation and adaptation.[59]

Article 8 of the Paris Agreement formally acknowledges that there are unavoidable climate impacts "beyond adaptation" and ensures that the WIM remained a permanent part of the post-2020 climate regime. However, this was part of a political compromise under which developed countries, in particular the United States, demanded that the Decision to adopt the Paris Agreement include an explicit statement that Loss and Damage "does not involve or provide a basis for any liability or compensation." The central global justice element of Loss & Damage – that the polluter must pay – was still being strongly resisted by the countries most responsible for causing the climate crisis. [60]

At COP 25 in Madrid in 2019 the WIM was reviewed and strengthened. The "Santiago Network" was established to provide capacity building, readiness and technical support for implementing responses to loss and damage at local, national and regional levels.[61]

However, the advances over this period primarily amounted to a series of technical bodies and capacity-building mechanisms, while wealthy, high-emitting countries still refused to agree to directly provide finance for loss and damage.[62]

Time to pay up: historic agreement at COP27

After over 30 years of delay, developing countries achieved a significant breakthrough on loss and damage at COP27 in Sharm El Sheikh in November 2022, with the historic agreement to finally set up a new Loss and Damage Fund (LDF).[63]

Negotiations on establishing the fund were complex and sometimes fraught, with a number of significant political issues – including specification of the amount of resources required, the 'contributor base' of countries required to pay into the fund, and criteria that could potentially limit or condition access – ultimately deferred to a 'Transitional Committee' (TC) of technical negotiators tasked with agreeing these details by COP28.[64] What changed in Egypt was agreement in principle that – finally – money would be forthcoming.

The TC is composed of 24 members, 10 of whom are from developed countries and 14 from developing country Parties.[65] Due to seat sharing, over 30 countries are represented on the Committee, and Ireland shares one of these committee seats with Germany. The Committee met a number of times over the course of 2023 but perhaps unsurprisingly could not reach clear consensus on many core, political questions. They remain live ahead of COP 28 and are discussed in greater detail in Section 2.

A quarter of the world's population currently faces "extremely high water stress" each year, with an additional

1 BILLION PEOPLE

expected to be affected by 2050.[66]

Indicative activities for Loss and Damage funding

Most developing countries have argued for the LDF to address the full range of loss and damage, from rapid response through to long-term measures, including "recovery, rehabilitation and reconstruction; securing livelihoods; and dealing with non-economic losses (NEL) and human mobility."[67] An indicative list of activities that may receive loss and damage financing is shown in the table below.

	Rapid-onset events	**Slow-onset events**
Economic loss and damage	Compensation and other social protection measures	Planned relocation / assisted migration
	Short and long-term recovery and rehabilitation	Reskilling and alternative livelihoods
	Rebuilding damaged infrastructure	Compensation and other social protection measures
	Planned relocation / assisted migration	
	Support for rebuilding livelihoods	
	Insurance and risk transfer	
Non-economic loss and damage[68]	Recognition and repair of loss (whether or not accompanied by financial payments)	Recognition and repair of loss (whether or not accompanied by financial payments)
	Enabling access/safe visits to abandoned sites	Enabling access/safe visits to abandoned sites
	Active remembrance (e.g. through museum exhibitions, school curricula)	Active remembrance (e.g. through museum exhibitions, school curricula)
	Counselling	Counselling
	Official apologies	Official apologies

Derived from: Shawoo, Z. et al. (2021) Designing a fair and feasible loss and damage finance mechanism. Stockholm: Stockholm Environment Institute

OVER 70%
of the world's displaced people come from the most
climate-vulnerable and conflict affected countries.[69]

Case study

Cyclone Freddy, Malawi 2023

Estimated cost: US$507 million

In early March 2023, Malawi experienced one of the worst tropical cyclones on record. Cyclone Freddy led to extreme rainfall, flooding and mudslides, affecting Malawi's Southern Highlands in particular. An estimated 2.25 million people were affected, including over 650,000 displaced, and over 1,000 people were killed.[70] The cyclone caused extensive damage to transport, water and sanitation systems and other infrastructure, and to housing. It also caused extensive agricultural losses, worsening the already significant problem of food insecurity in Malawi.[71] Although climate change does not make cyclones more frequent, scientists have observed that climate change has increased the occurrence of more intense and destructive storms.[72]

The direct losses and damage caused by Tropical Cyclone Freddy in Malawi are estimated at US$506.71 million. The cyclone caused an estimated US$347.2 million in physical damages, including destruction or damage to infrastructure ($178.04 million), transport ($110.83 million) and housing ($124.47 million).[73]

Cyclone Freddy also caused an estimated US$159.4 million in economic losses.[74] The largest share of these losses relate to the agriculture sector, with over US$55 million in lost crops.

According to Malawi's *Post-Disaster Needs Assessment,* the total recovery needs for the physical damages and economic losses are estimated at $680.4 million.[75]

This includes the estimated cost of rebuilding housing and infrastructure, as well as recovery interventions, such as supporting farmers to replant, use more resilient seeds and avoid cultivation on the most "marginal" lands, and rebuild more resilient irrigation systems.[76] The estimated recovery cost also includes estimates for implementing a new disaster recovery framework, ranging from early warning systems to a planning process for more resilient infrastructure, reflecting the fact that Malawi is extremely vulnerable to climate-related disasters.[77]

It is important to stress that the above figures reflect only immediate post-disaster costs of Cyclone Freddy, and do not cover the full extent of the economic and non-economic loss and damages that Malawi is experiencing. The Government of Malawi estimates that the country loses an average of 1.7% of its GDP every year because of climate change-related disasters.[78] At the same time, rising temperatures (resulting in higher evaporation losses) and changes in rainfall patterns are slow-onset changes that pose a lasting challenge, given that Malawi is heavily dependent on rain-fed agriculture. The cumulative effects of climate change may also become a driver of migration in Malawi, which could imply relocation and support costs that are not taken into account by needs assessments after particular disasters.[79]

Photo: Nkhulambe Health Centre after Cyclone Freddy.
Credit: Trócaire

4. How L&D finance differs from existing funding streams

The COP27 decision text acknowledges that existing funding arrangements are not sufficient to address the full spectrum of loss and damage.[80] Other multilateral, bilateral, and private sector funding streams are considered by some to be part of the so-called **'mosaic'** of funding arrangements for loss and damage.[81]

While there are certainly areas of overlap between loss and damage activities and other activities taken in response to climate change, such as adaptation and disaster risk reduction, there are crucial differences from an international climate funding perspective which must be taken into consideration. However, the lack of an agreed upon definition or classification of what constitutes loss and damage finance can make these differences difficult to discern. This is an important element of the ongoing COP negotiations.

Nonetheless it is still possible to outline how **finance to address loss and damage** intersects with and differs from certain existing funding streams.

Adaptation

As set out above, existing climate finance targets have sought to deal solely with mitigation and adaptation. Loss and damage occurs when the limits of adaptation have been reached – the core distinction is that loss and damage refers to unavoidable and irreversible effects of climate change that, by definition, cannot be adapted to.

For example, where a sea wall can no longer provide protection from catastrophic flooding, loss and damage finance would be needed to deal with sea-level rise. Adaptation finance might seek to support a smallholder farmer through crop diversification or adopting new farming techniques in response to shifting growing conditions.[82] However, if climate impacts have destroyed the soil and diversification is not possible, financing to address loss and damage would be needed – whether in the form of increased social security and protection payments, or even to support costs related to migration and retraining where climate change has forced the farmer to migrate.

It is vital that loss and damage finance is additional to existing adaptation (and mitigation) targets. While the estimates of the cost of loss and damage in developing countries by 2030 dwarf current climate finance contributions by developed countries, it is worth bearing in mind that the economic and existential cost of loss and damage risks being much greater should rich countries fail to invest adequately in mitigation and adaptation.

Disaster Risk Management and Disaster Risk Reduction

Disaster Risk Management (DRM) activities have significant overlaps with loss and damage activities, as is also the case with adaptation.[83] The Sendai Framework for Disaster Risk Reduction (SFDRR), for example, provides overarching guidance for achieving a "substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries."[84] This is a broad framework aimed at helping governments better understand risks, strengthening governance and enhancing disaster preparedness. It is not a financing mechanism, however, and the cost of DRM and DRR measures is currently largely borne by national governments with little external support.[85] For example, rural households in Bangladesh spent just under US$2 billion a year to implement climate and disaster risk management measures.[86] 2022 saw the volume of ODA provided for DRR fall for the first time in four years to US$3.0 billion, driven by large reductions from key donors including the UK and the World Bank, while 43% of DRR was provided as loans.[87]

The Sendai Framework also recognises the primacy of the UNFCCC as the intergovernmental body charged with addressing climate change impacts.[88] So while there is clear overlap between climate-related loss and damage and DRM *activities*, the critical issue is a lack of adequate and predictable finance. The Loss and Damage Fund under the UNFCCC should seek to address this.

Official Development Assistance

ODA is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries. It takes the form of assistance provided by official agencies, including state and local governments, and is by definition concessional (either grants or "soft" loans made on favourable terms).[89] The scope of ODA is defined by the OECD, with only low- to middle-income countries eligible to receive ODA.[90]

As such, it differs from the list of potential recipients of climate finance set out in Non-Annex I to the 1992 UN Climate Convention.[91]

The need for loss and damage financing also raises important questions about which countries are eligible for ODA. At present, many Small Island Developing States (SIDS) are not eligible to receive ODA because they are classified as "middle income" even though they are highly vulnerable to extreme weather, as well as territorial losses due to sea-level rise and, in many cases, face significant debt burdens that have been exacerbated by multiple extreme weather events.[92] The same classification means that they are also not eligible for international debt relief efforts.

As set out above, since the initial negotiations of the UNFCCC it was made clear that climate finance obligations should be "**new and additional**" to existing international development commitments, alongside the longstanding ODA target of 0.7% of gross national income (GNI) first endorsed in the 1970s. This is recognition of the fact that development challenges like poverty reduction, healthcare provision and access to education were not diminished by climate change, but in fact have become more acute.[93] This same principle applies to loss & damage and is discussed in more detail below.[94]

The effects of climate change are being felt by people like **Lope** and **Eva** who live on the island of Tabugon in the Philippines. Credit: Amy Sheppey/Christian Aid.

Globally, there has been a 134% INCREASE in climate-fuelled, flood-related disasters between 2000-2023.[95]

Humanitarian Finance

Humanitarian finance is provided as a response to crisis events, including climate-induced disasters, with the aim of alleviating suffering, saving lives, affording protection and maintaining human dignity.[96]

While humanitarian assistance and relief in response to climate-induced disasters forms one part of the response to loss and damage, the scope of responses required are crucially far broader than just these interventions and cover a much wider spectrum of action. There are two fundamental distinctions between humanitarian and loss and damage financing.

First, humanitarian assistance is intended to be **triggered quickly to provide immediate crisis support**, rather than long-term reconstruction, rebuilding of infrastructure and livelihood supports.[97] The growing number and increasingly protracted nature of complex crises, often resulting in long-term displacement, places unsustainable demands on a humanitarian system neither equipped, nor designed, to address long-term recovery from crises.[98] Loss and damage finance aims to address this 'recovery gap' by also directing funding towards post-emergency reconstruction and longer-term recovery efforts, which generally do not fall within the framework of humanitarian action. According to one recent study, only 15% of the required funds identified by Post-Disaster Needs Assessments had been committed in the 18 months after disasters have taken place.[99]

Second, humanitarian funding is **voluntary, often unpredictable, and too often delayed**.[100] It regularly falls short of addressing required needs. In 2022, donors contributed funding equivalent to just 50% of combined inter-agency humanitarian appeals, i.e. $25.9 billion pledged of $51.7 billion required.[101] In 2022, the demand for humanitarian assistance grew larger than ever (for a range of crises including but not limited to climate change), yet the scale of need meant the shortfall in humanitarian funding reached a record high.[102] This is part of a broader pattern, with humanitarian appeals linked to extreme weather receiving only 54% of the required funding on average from 2018 to 2022, resulting in an estimated shortfall of US$28 to US$33 billion.[103]

Financing to address loss and damage under a UNFCCC framework would involve adequate, predictable, accessible, new and additional funding and would ensure support for those elements of L&D that go *beyond* the core humanitarian response: medium to long-term recovery, reconstruction, and rehabilitation, and non-economic impacts. Crucially, funding of this kind can be raised *in advance* and on the basis of fair share contributions and obligations under the UNFCCC.[104]

In practice, this means that some bilateral government funding currently provided by Ireland and other states in the aftermath of climate-induced disasters, or as development funding through ODA, could constitute one element of loss & damage finance, provided they meet key criteria.[105] However, it is essential that governments do not seek to solely relabel existing bilateral humanitarian finance or ODA flows instead of genuinely providing new and additional funding for loss and damage in line with need.

Similarly, for the reasons outlined above, simply scaling up funding through existing, limited humanitarian channels is *not* sufficient to adequately deal with loss and damage. It is on this basis that a very broad alliance of civil society organisations, including Christian Aid Ireland & Trócaire, as well as developing countries, have emphasised a new, comprehensive Loss and Damage Fund to be the 'centrepiece' of L&D funding.[106]

Centrality of the Loss & Damage Fund

Taking into consideration the significant shortcomings of the existing international funding architecture, acute funding shortfalls, as well as the need to ensure that initial funding for the LDF is not simply relabelled existing financial flows, what is needed is a comprehensive, transparent system paid into ahead of time on the basis of obligation and directed toward the full spectrum of climate-induced Loss & Damage.

Addressing Gaps: The LDF should recognise and aim to address loss and damage comprehensively. This would include a recognition of the limits of adaptation; a focus on reconstruction, restoration and rehabilitation; financial support for communities displaced by climate-related disasters with temporary and permanent relocation; and financial support for both economic losses such as infrastructure repair and restoration in addition to non-economic losses, including but not limited to loss of heritage, loss of culture, and loss of biodiversity.[107]

Coordinating role: It is essential that the LDF is established as an independent, operating entity under the UNFCCC, reflecting the highest level of accountability and compliance with core principles of equity and historical responsibility, and as the **'centrepiece'** of new and existing funding arrangements. Anchoring the fund in core UNFCCC principles of historic responsibility, CBDR-RC, and equity is critical to ensuring climate justice. Funding arrangements for loss and damage that exist outside of the UNFCCC should complement the central Loss and Damage Fund.

Transparency & Accountability: The Loss and Damage Fund should be designed around clear criteria to enable the tracking, monitoring and reporting of finance provided. This is essential to enabling transparency and accountability under the UNFCCC and Paris Agreement. While improved tracking alone will not guarantee additionality, greater transparency will improve efforts to hold those not meeting their obligations to account.[108] For this reason, the OECD DAC markers should be updated to fully reflect the inclusion of loss and damage financing as a third pillar of climate finance. Contributors should also report on loss and damage financing in their UNFCCC biennial climate finance reporting.

Case study

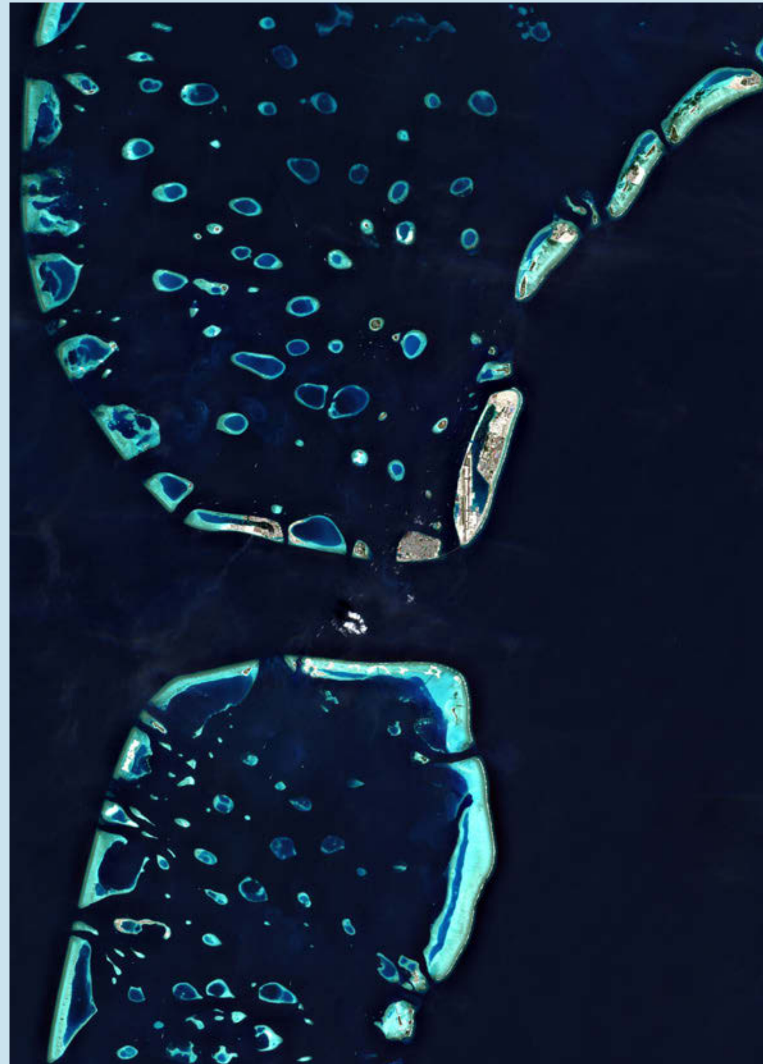
Sea-Level Rise, Maldives

In 2009, the Maldivian President Mohamed Nasheed hosted an underwater cabinet meeting in order to attract a global focus on rising sea levels threatening to submerge the Maldives.[109] The Maldives, an archipelago of over 1190 islands, contributes only 0.03% of global greenhouse gas emissions but sea-level rise poses an existential threat to the country since four-fifths of its islands are only a metre above sea level.[110]

In a recent interview, Maldives Environment Minister Aminath Shauna noted that the "Maldives is one of the most low-lying nations in the world, and for us climate change is an existential threat. Eighty percent of our islands are less than a meter above sea level. Over 90% of the islands report flooding annually. Ninety-seven percent are reporting shoreline erosion, and 64% of the islands experience severe erosion. Fifty percent of all our housing structures are within just 100 meters of the coastline. So most really cannot withstand tidal floods, let alone tsunamis."[111]

Sea-level rise is a slow-onset and very long-lasting impact of climate change. Sea-level rise impacts include land-loss and coastal erosion, increased coastal flooding, and increased salinisation of coastal aquifers, resulting in the loss of biodiversity, loss of homes, displacement, loss of lives and livelihoods, economic sector disruption, increased water insecurity, and disruption to key infrastructure such as transportation and communication.[112] Sea-level rise has a particularly devastating impact in the Maldives, where a vast portion of the tourism industry's infrastructure, fisheries sector, population, housing and other critical infrastructure (including communications, the four international airports and over 100 harbours), are within 100m of the coastline.[113] This has a major impact in the Maldives, where tourism accounts for approximately one third of the Maldives' gross domestic product.

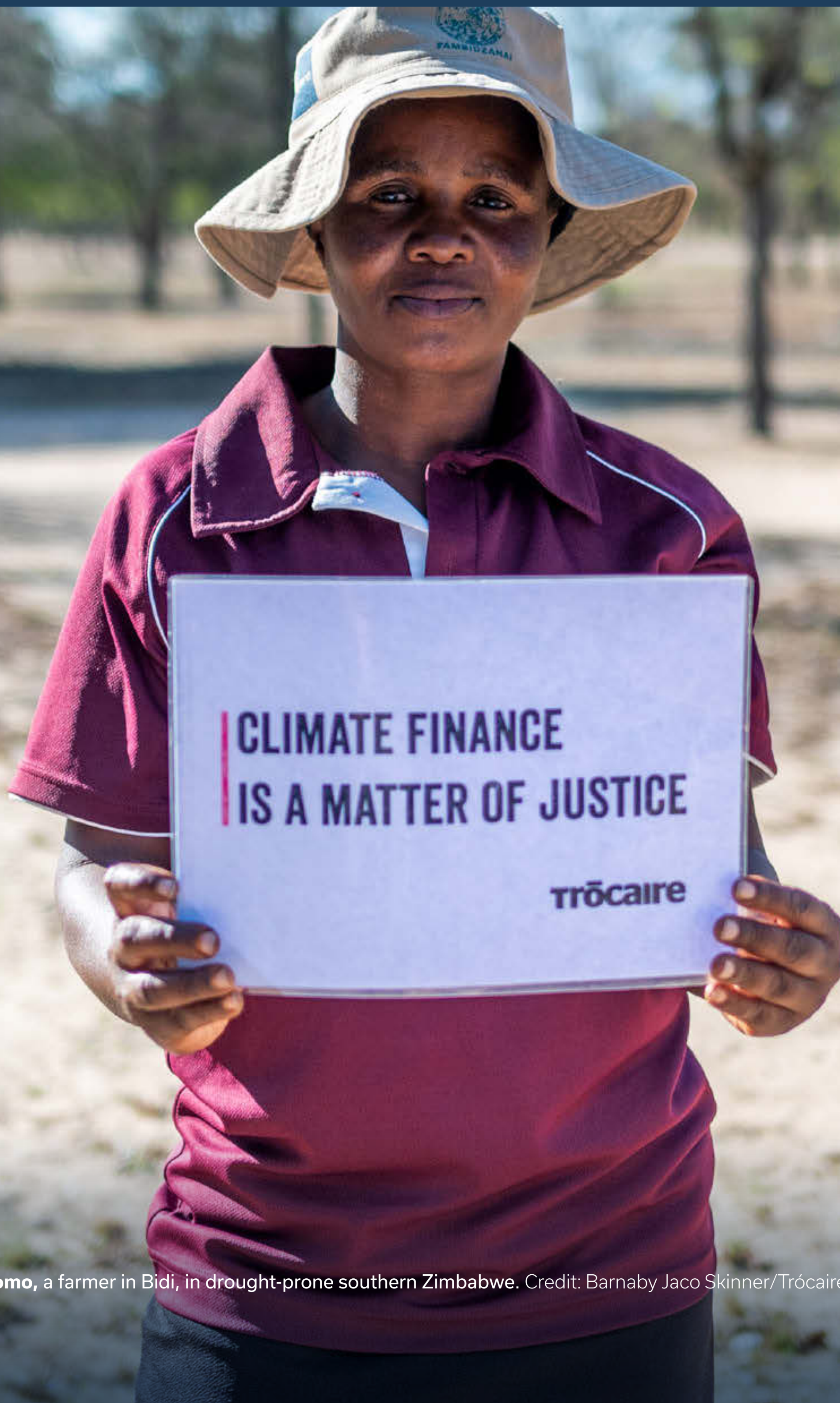
In 2014, the Asian Development Bank estimated that the Maldives could see economic losses equivalent to over 2% of annual GDP by 2050, widening sharply to 12.6% by the end of the century. Given the uncertainties of climate change, there is a possibility that these losses could swell to more than 38%.[114]



Malé, the Maldives, at risk of sea level rise.
Credit: European Space Agency

SECTION 02

Designing the Loss & Damage Fund: key principles, contribution & eligibility



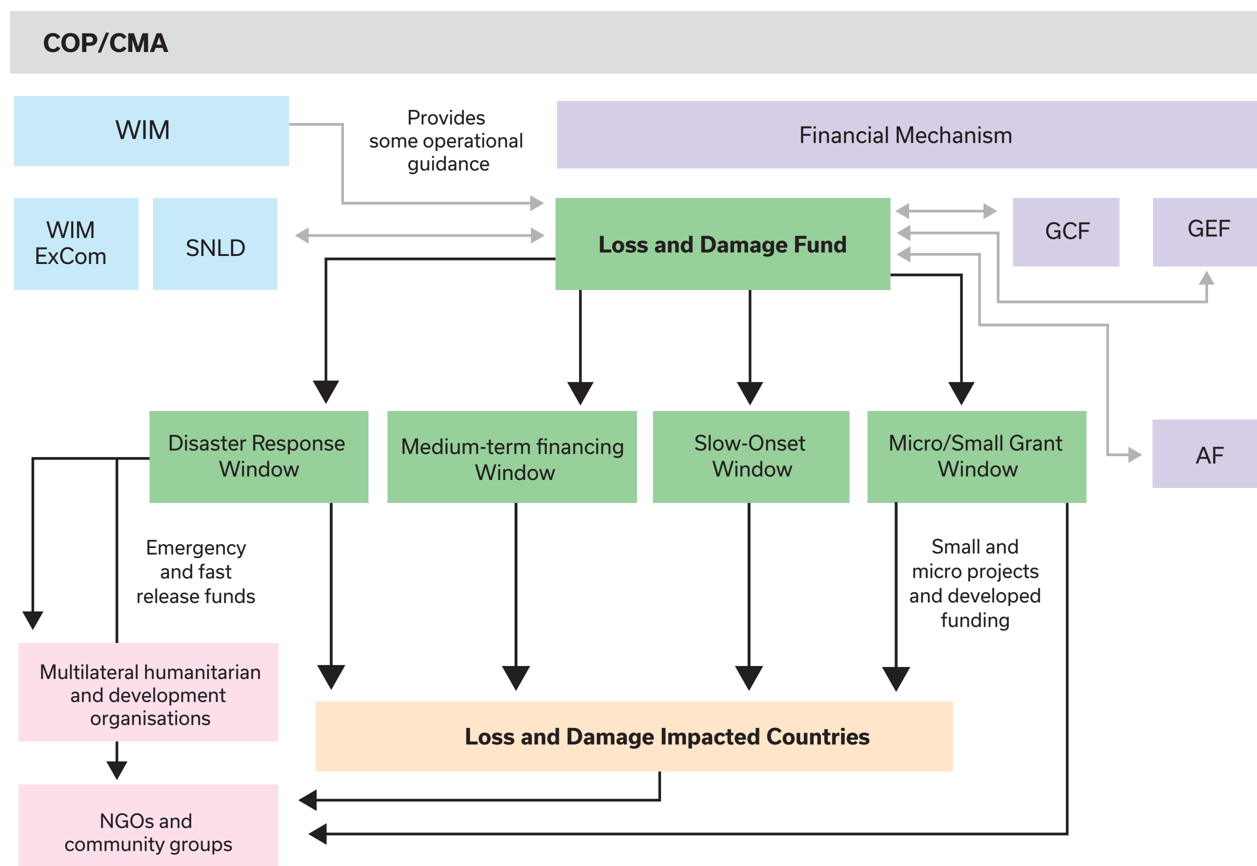
Hleziphi Nkomo, a farmer in Bidi, in drought-prone southern Zimbabwe. Credit: Barnaby Jaco Skinner/Trócaire.

5. Guiding Principles & Governance Arrangements

"
There is a disconnect between those who are most vulnerable to climate change impacts and those who actually participate and are represented in political and decision-making processes. The voices of those most affected must be heard and the losses and damages they are suffering must be understood and accounted for."

Ian Fry, Special Rapporteur on the promotion and protection of human rights in the context of climate change, October 2022.[115]

The Loss and Damage Fund was established by a decision of both the COP (UNFCCC), with its core principles of CBDR-RC and equity, and the CMA (Paris Agreement), which identifies loss and damage as a separate pillar of climate action. As such, it should be designated as a third operating entity of the UNFCCC's Financial Mechanism (Article 11) alongside the *Global Environment Facility (GEF)* and the *Green Climate Fund (GCF).* It should be accountable to and receive guidance from both the COP and CMA. While these are technical considerations, often lost in the depths of international climate negotiations, they can have a huge impact in terms of democratic oversight, participation, and funding delivery.[116]



The mandate, administration, and governance of the Fund should be guided by a set of principles grounded in climate justice. [117]

It should ensure that financing is:

1. Based on historical responsibility, equity, and the polluter pays principle
2. New and additional
3. Needs-based, adequate, predictable and precautionary
4. Locally driven with subsidiarity – including equitable representation
5. Gender-responsive
6. Public and grant-based
7. Balanced and comprehensive
8. Human rights-based

1. Historical responsibility, equity, and the polluter pays principle

Given the urgency of loss and damage finance, financing should be mobilised on the basis of historical responsibility and by the principles of Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC) and equity under the UNFCCC.[118] This reflects the historic role of developed countries in causing the largest share of climate change, as well as the polluter pays principle – the commonly accepted practice that those who produce pollution should bear the costs of controlling and cleaning it up, preventing further pollution, as well as paying for its environmental and social impacts.[119]

2. New and additional

New and additional finance means going beyond the existing framework of Official Development Assistance (ODA) and other pre-existing development finance commitments. This is understood by developing countries and civil society to encompass financing that is above the ODA target of 0.7% of gross national income (GNI), which Ireland (and most developed countries) have left unfulfilled since it was first agreed in 1970.[120] This definition of "new and additional" is notably different to the approach laid out by the Irish government, which claims that "with the exception of a few heavily-caveated multiannual funding arrangements, such as GEF and GCF, all public climate finance provided by Ireland annually is considered new and additional" on the grounds that it cannot be assumed to be made available again in subsequent years.[121] This hollow interpretation fails to create conditions for ensuring climate finance is additional to ODA and that climate finance won't simply cannibalise a greater share of an already under-resourced ODA budget.[122]

Loss and damage funding is also considered to be new and additional to existing climate finance targets, deliberately limited to cover only mitigation and adaptation. To ensure that this is the case, the COP negotiation track for a "new collective quantified goal on climate finance" (NCQG) should provide updated, clear mechanisms to differentiate between these three strands, as well as the reporting and tracking of loss and damage finance under Article 9.5 and 9.7 of the Paris Agreement.[123]

Left: **Janet Zirugo** with her great grandson **Mufaro** at their homes in Mutoko District, Mashonaland East Province, Zimbabwe. Credit: David Brazier/Christian Aid.

3. Needs-based, adequate, predictable and precautionary

A significant problem with existing climate finance targets, including the overarching US$100 billion goal pledged for adaptation and mitigation, is that they have been top-down, political figures, as opposed to based on bottom-up and scientific assessment of developing countries' needs. It is essential that overarching targets for the LDF do not replicate this mistake, and current estimates of funding need are discussed below.[124] Crucially, the scale of loss and damage financing required will ultimately depend on the adequacy of current mitigation efforts to minimise the causes of climate change, as well as adaptation measures to minimise its adverse impacts.

Predictable financing means that which comes from reliable sources, with a regularity that allows for planning in relation to local and national priorities. This typically takes the form of multi-year, medium-term funding cycles of three to five years.[125] A precautionary approach means that the absence of scientific certainty on the extent of loss and damage impacts above the 1.5- and 2-degree thresholds should not be used as a reason to delay financing or deny particular countries or communities access to loss and damage financing.[126]

4. Locally-driven with subsidiarity

To ensure local and national ownership, funding priorities should be set at the most immediate or local institutional level in keeping with the concept of subsidiarity, as expressed in the Paris Declaration on Aid Effectiveness and the Rio Declaration.[127] This implies a departure from the usual practice across most climate finance mechanisms and institutions, which tend to follow a "country ownership" model centred on priorities set by national governments.[128] Although country ownership offers an improvement on a donor-driven financing model, it can nevertheless continue to concentrate decision-making in the hands of national elites, with local governments and impacted communities lacking representation.[129] By contrast, loss and damage financing should seek to offer impacted communities greater representation and decision-making opportunities, with multi-stakeholder processes that include women and other marginalised gender groups, people with disabilities and indigenous communities.[130]

The Global Fund to Fight Aids, Tuberculosis and Malaria Country Coordination Mechanisms (CCMs), while not perfect, provide a potentially useful model for national participation in international funding processes.[131] The CCMs are national committees including representatives of a broad range of actors (including government, academics, civil society, people living with the diseases, the private sector, multilateral and bilateral agencies), and subnational funding is distributed through the CCMs. The Dedicated Grant Mechanism for Indigenous Peoples and local communities under the Forest Investment Program offers another possible model (see chapter 8 for more on funding windows).[132]

5. Gender-responsive

The need for gender-responsive financing is underscored by clear evidence that climate change impacts women in distinctive, intersectional and often disproportionate ways.[133] Women and people marginalised by their "race, class, ethnicity, sexuality, Indigenous identity, age, disability, income, migrant status and geographical location" are subjected to greater inequality and experience greater vulnerability to climate change impacts.[134] Despite this, women are less likely to be included in decisions about responding to climate change.

Loss and damage financing must be underpinned by a gender and feminist analysis, taking into account the structural discrimination faced by differently situated women, so that the specific impacts that they face can be addressed. Needs assessments should include the analysis of gender specific impacts and gender disaggregated data on the impacts of loss and damage. Funding should aim to achieve substantive equality for individuals who are already marginalised or in vulnerable situations. This requires the participation of differently situated women in the design and implementation of the Loss and Damage Fund and representation on the Board of the Loss and Damage Fund.

The gendered impact of Loss & Damage

Loss and damage is an issue of gender equality. The intersection of gender with race, class, ethnicity, sexuality, indigenous identity, age, disability, income, migrant status and geographical location often compound vulnerability to climate change impacts, exacerbate inequity and create further injustice.[135] Women and female-headed households tend to be more vulnerable to losses and damages because of the social, cultural, political and economic forms of marginalisation and exclusion that cause them to have limited access to economic resources, assets, decision-making power and political influence.[136]

Women are 14 times more likely to die from climate disasters as men,[137] and the greater the gender and economic inequality, the greater the disparity between men and women's chances of survival.[138] Women, particularly women from indigenous communities and in the Global South, who have less secure rights to land are the most affected by the pressure on land due to climate disasters and it is estimated that 80% of people displaced by climate disasters are women.[139] Women and girls forced to flee their homes, whether because of climate stress, wars or other stressors, face a double threat. The risk of violence increases both because of their gender and because they are uprooted from normal protective social support networks and public services.[140]

According to ActionAid, more than 70% of women in crisis situations have experienced some form of gender-based violence.[141]

Women's disproportionate dependence on threatened natural resources for food, water and fuel collection mean they are increasingly vulnerable when these resources are affected by changing conditions, including protracted drought, severe storms and flooding, deforestation and soil degradation.[142] When crop failure impacts on family income, women are often the first to skip meals or reduce consumption.[143] When water sources dry up, women and girls walk further to fetch water. For example in Kenya, during times of drought, some women spend up to eight hours a day finding water.[144] The increasing burden of water collection reduces time for education and income generation.

In this context it is crucial that women have access to full participation in the design and delivery of the Loss and Damage Fund and representation in the decision-making structures. The fund must be underpinned by an intersectional gender analysis of the impacts of Loss and Damage in order to ensure adequate focus and remedy for women and to address substantive inequality. The role of women as active participants in policy decisions and in implementing the practical solutions to climate change is key to preventing climate and environmental breakdown.

Kakoli Auli lives in an area of southwest Bangladesh which was badly affected by Cyclone Bulbul in 2019.
Credit: Adam Haggarty/Christian Aid

6. Public and Grant-based

Providing loss and damage financing in the form of grants is an issue of both principle and practicalities. The principle (see chapter 1 on climate justice) is that loss and damage financing is not a question of charity, but a recognition of wealthy, high-emitting countries' disproportionate role in causing climate change.

Grant financing is needed so that loss and damage financing does not increase the indebtedness of recipient national or local governments or communities.[145] The reliance on regressive loans, which accounts for most climate finance currently, has historically increased the debts of recipient countries, "threatening to reverse their development gains by reducing their fiscal space, thereby trapping them in a cycle of perpetuating vulnerability to climate impacts."[146]

7. Balanced and comprehensive

Loss and damage financing should provide support for all types of irreversible climate impacts, including support in the immediate aftermath of climate disasters, as well as continued recovery and rehabilitation, and provisions for alternative livelihoods for communities facing slow-onset processes.[147] Funding should also be available for addressing non-economic losses and damages, including support for displaced people's physical and mental well-being, and active remembrance programmes. Loss and damage financing should also be iterative and ensure it can support longer-term recovery from climate impacts, including recovery, rehabilitation and reconstruction.

8. Human Rights-Based

A human rights-based approach to loss and damage should ensure that the needs of the most vulnerable are prioritised. In responding to the span of interdependent human rights that are impacted by loss and damage, including the right to life, food, water, shelter, health and many more, the fund can provide for a range of measures, from restoring the actual situation where possible, such as rebuilding destroyed infrastructure in case of a natural disaster, to assisting victims through planned relocation in the context of slow onset events that render an area inhabitable, to medical and psychological care as well as legal and social services, to official apologies. Access to information, participation in decision-making, and access to justice are core principles of international environmental and human rights law, and should be central to the design, planning, and implementation of the Loss and Damage Fund.[148] It is worth reiterating that all parties to the Paris Agreement have obligations under international human rights law and these obligations, such as non-discrimination, substantive equality, inclusion, and effective redress and remedy, should be clearly reflected in the operation of the fund.

Governance Arrangements

The **Board or Governing Council** should include developed and developing country representatives, with a majority of seats for developing countries – as is the case with the Adaptation Fund and Global Environmental Facility (GEF) – although not the Green Climate Fund (GCF).[149] As is common practice with UN climate funds, Board members would be self-selected by relevant UN regional groupings and constituencies, and there should be an overall goal for achieving gender balance and adequate representation for SIDS and LDCs, given their acute vulnerability to loss and damage. These constituencies should be given additional board seats, and the importance of giving voice to affected communities and civil society should also be acknowledged through Board membership for these groups.[150] Although this is not common with existing UN climate funds, this is already the best practice at other funding mechanisms such as the Global Fund, UN-REDD and various humanitarian organisations.[151]

In addition, the Board may benefit from giving space to other international organisations and institutions as non-voting active observers.[152] The Board or Governing Council of the Loss and Damage Fund should be its main decision-making body, responsible for all funding decisions, as well as setting and approving operational policies, guidelines and procedures.[153] The GCF Board has a similar mandate. However, in acknowledging that the Fund will need to respond quickly to climate

disasters, there would need to be a procedure to rapidly disburse funds in between formal board meetings.

In order to ensure country ownership, and a fund that is responsive to national and locally identified needs, **national-level structures** should be developed. These could be designated national authorities or focal points (as with the GCF) and draw on government systems that are already in place – which may be ministries of finance, planning, disaster risk management or climate change.[154] In some countries, national disaster authorities or disaster management funds are already well placed to coordinate national responses.

For example, Rwanda and Seychelles have dedicated climate change funds with their own monitoring and oversight processes that could potentially channel loss and damage finance.[155] However, the fund should avoid creating a structure where funds *only* flow through government bodies, and where governance is entirely concentrated in government ministries, since this could prevent funds from reaching vulnerable or marginalised communities.[156] This is one reason why civil society and community representation at Board level, and a direct access window, are needed. More broadly, the fund should aim for "a multi-actor partnership approach, with different distributing channels within the country, depending on the responsibilities of different sectoral ministries."[157]

The Loss and Damage Fund as the core, coordinating body for L&D funding

For the Loss and Damage Fund to be a success, it would need to ensure that its dedicated funding plugs gaps in the existing finance architecture, and ensures greater coordination, faster and more predictable delivery.

Many developed countries, including Ireland, have referred to a **"mosaic of solutions"** to loss and damage financing. This can be interpreted simply as an acknowledgement that the Loss and Damage Fund should complement, but not replace, existing funding streams.[158] **However, there is a risk that conceiving of the financing landscape as a "mosaic" could distract from the core, coordinating role that the new Fund should play in addressing loss and damage**.[159] It may also be used to argue for narrow limits on the scope of the new Loss and Damage Fund. This would represent a lost opportunity to develop a "full-spectrum approach" that could help to coordinate responses between existing adaptation, DRR, and humanitarian support as well as building on these funding streams and addressing existing gaps. In particular, the Loss and Damage Fund could help to ensure that finance to address climate impacts takes a longer-term and more transformative approach to building resilience to future climate impacts.[160]

At an operational level, this implies that the Loss and Damage Fund should develop funding windows that encompass rapid disaster responses, medium term recovery, community level access, as well as longer term reconstruction measures and planning responses to slow-onset events (see below). In terms of governance, the Loss and Damage Fund would be a multilateral financing mechanism serving as both an operating entity of the UNFCCC Financial Mechanism, anchored by its core principles of historical responsibility and equity, and the Paris Agreement, which identifies loss and damage as a separate pillar.

It would develop working and coordination arrangements with other relevant bodies under the Convention (including the WIM and the other relevant entities) as well as international institutions outside of the UNFCCC as part of the LDF's role in catalysing and coordinating financial support to developing countries to address loss and damage throughout the evolving loss and damage finance landscape. The LDF would also provide tracking, accountability and oversight for funds disbursed both inside and outside of the UNFCCC framework. Accountability and reporting requirements would also be needed at the national level, with national entities developing monitoring and evaluation mechanisms to track loss and damage financing.[161]

Case study

Northern Kenya – Cash support to drought-affected families

35-year-old mother-of-three Diboya was born and raised in Ngurnit village in Laisamis, Marsabit county, northern Kenya. Like most in her village, Diboya's family are nomadic herders. They walk from one area to another with their livestock to find water and pasture. It's a way of life that Diboya says her parents and grandparents led before her.

But as she explains, the worst drought to hit the region in 70 years severely impacted her community. "We depend on livestock and then the drought came. It was a long drought that killed all of the livestock. There was no rain, people were hungry, there was nothing to eat. We have survived but we have not really caught up because all of the livestock died."

Over 13 million livestock have already died across the Horn of Africa, including 2.6 million in Kenya. Pastoralist families rely upon their herds for food and milk to eat but also to sell in order to have the money they need to pay for essentials, including school fees and medicine. The Kenyan government estimates the economic cost of the loss of livestock to be more than $1.5 billion.[162]

According to UNOCHA, while improved rains are starting to ease its impacts, the devastation of the drought in the region will be felt for years to come. While recent rains did bring a degree of relief, the bone-dry land was unable to absorb the rainwater, resulting in severe flooding for several communities in northern Kenya.

Christian Aid through our local partner Pastoralist Community Initiative and Development Assistance (PACIDA), with funding from Irish Aid, provided Diboya's family with cash support to help them cope with the impact of the drought. But the scale of need is much, much greater and points to the urgency of reliable, comprehensive loss & damage funding.

Photo: **Diboya Kombe** pictured in Marsabit county, northern Kenya. Credit: Katie Cox/Christian Aid.

6. How much money is needed?

There are two basic methods to gauge the scale of funding needed to address loss and damage. The first entails tracking the costs already resulting from extreme climate and weather events, with the caveat that most of these estimates are based only on insured losses, meaning the true financial costs are likely to be even higher and orientated towards the Global North, while the human costs are often uncounted. The second requires modelling potential future needs in relation to different scenarios where more or less mitigation and adaptation has taken place.

Economic modelling produces a more complete picture of the anticipated needs, although both approaches are subject to considerable uncertainties and tend to under-estimate the overall scale of the financing needed, due to the difficulties of calculating the costs of slow-onset events, or accounting for measures designed to address the non-economic costs of loss and damage.

The first method shows that as extreme weather events caused by climate change become more frequent, the cumulative economic costs of the damage to developing countries can be calculated. Data for just twenty of the most vulnerable developing countries shows that, over a 20-year period (1998-2017), extreme weather events have caused over half a trillion dollars (US$593 billion) in damages.[163] A separate global estimate found that the total direct economic cost of extreme weather and climate-related events ran to an estimated US$329 billion in 2021, and US$299 billion in 2022.[164] The estimated cost of extreme climate and weather events in 2022 in developing countries only, including flooding in Pakistan and India and droughts in Brazil and east Africa, comes to US$109 billion in damages.[165]

In these cases, they are acknowledged to under-estimate the scale of the financing needs due to what the estimates cannot capture. They do not take into account smaller climate and weather events, which can nevertheless be devastating for local communities, nor do they consider non-economic loss and damage.[166] Moreover, they do not fully consider slow onset climate impacts and their consequences in terms of factors

Dublin Climate Strikes, September 2019. Credit: Garry Walsh, Trócaire

such as "lingering health disorders, severe food insecurity, and other unaccounted costs associated with employment losses, deferred educational opportunities or permanent displacements."[167]

The second method to gauge loss and damage financing needs uses economic and climate modelling. Previous modelling by Climate Analytics put the estimated need for loss and damage financing in developed countries at between US$400 and US$431 billion in 2030.[168]

The most complete recent estimate of how much financing will be needed for loss and damage has been made by Markandya and González-Eguino.[169] This study uses an "integrated assessment model" to calculate how much would be needed for mitigation and adaptation financing in different scenarios and what "residual" damage costs remain unavoidable.

It estimates that loss and damage financing needs in developing countries could reach US$290-580 billion by 2030, US$551–1,016 billion in 2040 and US$1,132–1,741 billion in 2050.[170]

Developing countries have proposed a floor of at least $100 billion a year by 2030 for the fund, which is still well below the estimated needs.[171] Civil society networks have proposed a floor of US$400 billion per year, more in line with scientific estimates of need, while acknowledging that financing targets will likely have to be revised upward over time.[172]

Large uncertainties remain in these models – not least, because a failure to adequately finance emissions reductions and climate adaptation *now* could significantly increase the costs of loss and damage in future. Overshooting the 1.5C target could trigger climate tipping points, which could significantly increase the extent (and costs) of unavoidable loss and damage.[173] The modelling of loss and damage financing needs is also unable to capture non-economic losses, including mental and physical well-being, culture and biodiversity losses, and therefore is generally considered to be an underestimate.[174]

Given the lack of official estimates of loss & damage finance and uncertainties in the models described above, Ireland should support civil society calls for an annual, UN-led *Loss and Damage Finance Gap* report, similar to the *Adaptation Finance Gap* or the *Emissions Gap* Reports. The aim of this report would be to provide a reliable assessment of finance needs for L&D measures and the funding available on an annual basis.[175]

Jessica Mwedzi walking home with her husband and children in Mutoko District, Mashonaland East Province, Zimbabwe.
Credit: David Brazier/Christian Aid.

7. Who should pay?

Article 4.3 of the UNFCCC and Article 9 of the Paris Agreement commit developed countries to provide climate finance support to developing countries. In addition, Article 3.1 of the UNFCCC further states that developed countries should take the lead in combating climate change and the adverse effects thereof. Article 9.2. adds that other states are encouraged to provide or continue to provide such support voluntarily. However, there are currently no obligations on developed countries to provide finance for loss and damage under the UNFCCC and the question of who pays for loss and damage is highly contested.[176]

Wealthy countries, including the US, Japan, Ireland, and other EU states, have argued that the criteria for eligibility and contribution to climate funding must be changed and that more rapidly developing or higher-income economies like Saudi Arabia and China should now be obliged to contribute, rather than it remaining voluntary. In terms of access, distribution of funding would be narrowed down to only the most vulnerable states, despite longstanding political and academic disagreements over how vulnerability should be measured. Developing countries on the other hand maintain that the longstanding criteria for access to climate finance should also apply to loss and damage finance, and that the immediate focus should be on getting money flowing urgently to those most in need.

While these are legitimate questions, re-negotiating criteria for eligibility and contribution to climate funding, in place since 1992 and reiterated through successive climate treaties, is fraught with difficulty. It risks undermining key principles of 'fair share' contributions based on historic emissions and national wealth, and those waiting on urgent support simply do not have time for a geopolitical argument like this, which would likely require a separate track of negotiations at COP, to be finalised before any funding starts to flow.

Similarly, it is unsurprising that many developing countries view this as little more than a delaying tactic, given the decades-long trust deficit which lies at the heart of UN climate negotiations – best exemplified by the failure of wealthy nations to deliver on their previous pledge to provide $100bn in annual climate finance by 2020, which has undermined investment in mitigation and adaptation, and therefore greater loss and damage in the long term.

Wealthy, high-emitting countries should move first under the existing frameworks to pay into the Loss and Damage Fund, in line with historic responsibility – this acceptance would be a key political step that could pave the way for other contributors to the fund in the future. Initial pledges can help to capitalise the fund and get it up and running. Further discussions around criteria for contributors and recipients of climate finance are more suitable to the broader negotiation track at COP for a 'New Collective Quantified Goal' (NCQF), which aims to update climate finance targets and obligations more generally and should deal with all three 'pillars' of mitigation, adaptation and loss & damage.

Photo: Dublin Climate Strikes, September 2019.
Credit: Garry Walsh, Trócaire

8. Where should the money go?

Measuring Vulnerability – the who

The COP27 decision on Loss and Damage finance calls on parties "to establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change."[177]

However, as outlined above, the lack of a universally agreed upon definition of "vulnerability" under UN climate treaties has long been a cause of contention.[178] Developed countries have sought to capitalise on this ambiguity by suggesting that *only* developing countries that are particularly vulnerable to climate change should be eligible to receive finance from the LDF at all. This relatively small list would include SIDS and LDCs but potentially exclude other low- and middle-income countries with low historic responsibility for emissions and similar vulnerability.[179]

Developing countries have stressed that it would not be appropriate to outright exclude such states. As one delegate put it during negotiations on the fund, in the wake of massive flooding: "a fund that does not make Pakistan and Libya eligible is not a fund worth having."[180] Moreover, categorising eligible recipients of loss and damage finance on the basis of vulnerability could have ramifications for how eligibility is defined in relation to broader climate finance support under the UNFCCC, which has long recognised the need to ensure access.[181]

However, there is a need to develop clear targeting and allocation criteria to ensure that limited funding is directed towards countries and communities most in need - a position which is supported by developing countries and civil society. For example, SIDS rely on external financing to help prepare and recover from increasingly frequent and severe climate disasters, but their "middle income" status makes them ineligible for the cheaper, "concessional" finance that low-income countries receive. It is important that the Loss and Damage Fund seeks to address this financing gap, but not at the expense of other climate vulnerable countries. Targeting funding towards vulnerable countries and ensuring all developing countries are eligible to access the LDF should not be treated as mutually exclusive objectives. Prioritisation is very different to outright exclusion.

A human rights-based approach to loss and damage targeting and allocation criteria to ensure that the needs of the most vulnerable are prioritised is crucial. A key function of the LDF Board could be to determine where funding is needed most and to develop an allocation framework which takes into account the urgent and immediate needs of particularly vulnerable countries and communities.[182] Crucially though, this does not necessitate limiting eligibility to a predetermined group of countries at the outset.[183]

The complex nature of vulnerability, which encompasses environmental, economic, and social dimensions as well as factors such as financial access, adaptive capacity, and debt sustainability, illustrates that income metrics alone cannot continue to be used to determine access for climate finance and loss and damage finance. This has led to calls for different approaches to determining access including: a multidimensional vulnerability index; the use of national entities and local needs assessments; and a trigger-based approach.

A multidimensional approach, which has been called for by the Alliance of Small Island States (AOSIS), could benefit all climate vulnerable countries, not just SIDS or LDCs.[184] For example, Belize has faced multiple emergencies in recent years (including debt default, credit rating downgrading, tropical hurricanes and the Covid-19 pandemic). Belize does not qualify for debt relief or low-interest loans because it is classified as an upper-middle income country in terms of income.[185] Yet Belize's foreign debt recently amounted to 85% of its entire national economy, preventing the government from investing in climate action.[186] Under a multidimensional approach to vulnerability, Belize would not be precluded from accessing loss and damage finance solely due to its income status.

The Loss and Damage Fund might also make use of **regional or country-level entities** to distribute financing locally based on needs assessments. In this way, specific local expertise could be drawn on to achieve faster and more appropriate responses that capture the specific vulnerabilities of affected communities and populations.[187] For example, the Caribbean Development Bank Community Disaster Risk Reduction Fund has proposed a tool for assessing household-level vulnerability to disasters in coastal and small communities, with metrics capturing the level of exposure to hazards, sensitivity and adaptive capacity.[188]

LDC countries have proposed that targeting of support should be based not on pre-specified

specifying of countries, but on an event-approach that uses certain 'triggers'.[189] According to event-triggered direct access, vulnerable developing countries would receive grant-based support upon experiencing a climate-related disaster. Countries would turn directly to the LDF for support and fast-tracked funding decisions would be made by a resident board or director. For example, the EU Solidarity Fund supports EU member states hit by natural disasters where losses exceed 0.6% gross national income or €3 billion in 2002 prices and disburses up to 25% of the anticipated financial contribution rapidly. The LDF should aim to replicate this solidarity at the global scale.

Funding Windows – the how

To ensure that loss and damage finance reaches the most vulnerable in a timely fashion and is responsive to the needs of affected countries and communities, the LDF should focus on developing effective aforementioned targeting and allocation frameworks.

Along with the broad civil society membership of Climate Action Network (CAN), Christian Aid Ireland and Trócaire recommend that the Loss and Damage Fund should set up four distinct funding windows with different application procedures and rules about how financing is allocated:

1. Rapid or disaster response
2. Medium-term rebuilding, rehabilitation and reconstruction
3. Slow-onset
4. Micro/small grant direct access. [190]

1 The **rapid or disaster response window** would be designed to quickly disseminate grant funding in the aftermath of climate disasters. To avoid a slow and bureaucratic process, this could occur in line with agreed criteria through parametric triggers such as a specified percentage loss of GDP, a percentage of the population impacted, or an unprecedented weather-related event (such as the Pakistan floods of 2022).[191] Consideration would need to be given to ensuring smaller climate-induced events with similar urgency are not ignored.

2 A **medium-term financing window** would be focused on helping people to rebuild their lives and livelihoods, helping to address the badly underfunded "recovery gap" in post-emergency reconstruction efforts (see chapter 4 on humanitarian assistance and L&D).[192] It would finance the rebuilding of economic, physical, social, cultural and environmental assets, systems and activities, aligning with sustainable development and "build back better" principles to avoid or reduce future climate risks.[193]

3 The **slow-onset window** would be designed to provide funding for longer-term loss and damage investment plans, country programmes and policy frameworks. Funding requests would be programmatic (not based on isolated projects) and aim at transformative impacts, such as just transition financing to help parts of the workforce develop alternative livelihoods, or support for permanent relocation.[194]

4 Finally, the **micro/small-grant window** would allow for direct access for subnational and local actors, in particular affected communities, Indigenous Peoples, persons with disabilities, women and gender and youth groups.[195] This window would be one of the main access modalities for community and civil society organisations and could encompass both rapid-response and slow-onset activities. Direct access means that funding decisions and processes are devolved as far as possible directly to communities and marginalised population groups.[196] This funding window could build upon the experiences of a number of existing small grant programmes, including the Dedicated Grant Mechanism for Indigenous Peoples and local communities under the Forest Investment Programme, the Adaptation Fund's direct access pilot program for NGOs, and the Global Environment Facility (GEF)/UNDP experience with the small grant window.[197]

Case study

Somalia: Climate displacement devastating lives

In the wake of the longest and most severe drought in Somalia's history more than 1.3 million people were displaced in the first half of this year, with 60% of this displacement due to extreme weather events.[198] Buhoy Rahey explains her journey to the Kabasa internally displaced camp in Dollow, Southern Somalia: "Life was tough in my village but we were able to get by. Then as the drought continued it got impossible to survive. Our livestock died and the crops failed. We had no food. We were hungry. We had to leave to save our children." She walked for five days with her family from the Ethiopian border to the camp. "My husband was very weak and sick when we left our village. He died on the second day. We buried him on the roadside, and we didn't get to mourn. I had to continue the journey, or we would have all died." Displaced people in Somalia have faced a range of losses following the drought, including loss of life of family members, loss of livelihoods, land, homes and culture.

Internally Displaced People remain the most vulnerable population group in Somalia. With the loss of access to land and livestock, displaced households experience critical food shortages, malnutrition, exposure to ill-health and disease. In such contexts, many resort to negative coping mechanisms to survive including, reduction in food consumption, sale of key assets, and early marriage. Drought induced displacement increased fivefold in Somalia between 2022 and 2023.[199]

In the Gedo region alone (where Trócaire works), there have been 172,000 new internal displacements recorded between January and June 2023, caused by floods, drought and conflict.[200] The UN Food and Agriculture Organisation, are now warning that after persistent drought, El Nino and a positive Indian Ocean Dipole are expected to create risks of flooding, that will threaten more people's lives, property, destroy infrastructure and lead to even further displacement.[201]

While the state remains obligated to protect, promote and fulfil the human rights of internally displaced people within their territory without discrimination, the capacity of the Somalian state to respond is severely limited. To support the rights and security of internally displaced persons, humanitarian financing should be increased and appeals fully met. Somalia's climate vulnerability is compounded by an interaction of wider social, economic and political challenges. Responding to climate-related impacts in such a complex context serves to focus attention on the limits of dependency on humanitarian financing, the erosion of local coping strategies and rising needs. Loss and damage finance is required to provide support, and remedy to people and communities who have been displaced and experienced losses as the result of climate impacts.

Photo: An IDP camp in Dollow, Somalia, with internally displaced people from Bay and Bakool. Credit: Amunga Eshuchi.

9. Insurance is not the answer

Insurance can have a role to play in addressing climate impacts, particularly in helping wealthier communities to mitigate some of the disaster risks, but it is not a comprehensive strategy for addressing loss and damage – and in many instances it is deeply unjust and inadequate.

Despite this, developed countries, including Ireland, have championed climate risk insurance as a core approach for addressing loss and damage in international discussions at the UNFCCC and other forums. In fact, much of the financing recently pledged to meet demand for a dedicated LDF has instead been earmarked for climate insurance and related schemes, including under the umbrella of the *InsuResilience Global Partnership* and, more recently, the *Global Shield,* to which Ireland has pledged €10 million.

However, the track record of insurance companies in responding to loss and damage leaves much to be desired. One of the main limits of insurance mechanisms for addressing loss and damage is that they typically only pay out a very small proportion of the costs, sometimes as little as 2% of what is needed.[202] For example, Typhoon Haiyan devastated the Tacloban region of the Philippines in November 2013, causing approximately US$10 billion damage, but only US$300-700 million was covered by insurance.[203]

In the case of Malawi's extended drought followed by a historic flood in 2015, which caused estimated financial losses of US$365.9 million, the African Risk Capacity company, which was established by the African Union to help African governments prepare for and respond to extreme weather events, paid out only US$8.1 million.[204]

There are also forms of climate-induced loss and damage that insurance will not cover, including slow onset events such as sea-level rise — for example, in Bangladesh where land is being lost to the sea, and Pacific Islands at risk of submergence — and other incidences of forced migration as livelihoods become untenable. Yet these will have significant financial implications. Non-economic losses such as loss of traditions and culture tied to land and place cannot be monetised and insured against, but people will need support to manage these.

It is not reasonable to expect poorer people who are not responsible for creating climate change to continue to pay for its impacts, be that through rebuilding after disaster strikes or through costly insurance premiums. Funding to subsidise insurance premiums can improve inclusion, but only if it ensures thorough, adequate cover and protection rather than simply expanding the pool of assets covered by insurance companies.

Insurance is also poorly geared to meet the needs of the poorest people. Insurance premiums can exceed poor peoples' incomes, putting them out of reach. Pro-poor schemes can address this aspect, however, through subsidised premiums and in-kind payments.

Without such measures, however, insurance schemes tend to shift the burden of payment from government-provided social safety nets to vulnerable individuals, who may not be able to afford them. This is a regressive approach that can increase inequality.[205]

If premiums are paid for by vulnerable countries or households who have contributed little to causing climate change, rather than bigger polluters and industrialised countries, this sets up "an unfair and unequal system that transfers cost onto those least able to afford the costs and least responsible for them in the first place."[206]

Above all, from an ethical and justice perspective, the question remains why the affected communities and countries who contributed least to global greenhouse gas emissions would have to pay for insurance interventions at all.[207]

The Global Shield

The Group of Seven (G7) with the backing of the Vulnerable 20 Group (V20) of countries launched the 'Global Shield' at COP 27, building on the previous *InsuResilience Global Partnership* and aiming to help the people hardest hit by disasters.[208] Despite the political and financial backing from rich countries, the boundaries of the Global Shield remain extremely unclear.[209]

The stated objectives include providing insurance, social safety nets and other public service-based approaches, as well as support for developing countries' preparedness plans and early warning systems.[210] However, the examples cited in its own documentation primarily highlight insurance models.[211] Ireland has pledged €10 million to the initiative, but it is not yet clear to what purposes this financing will be allocated.

Given the limited role of insurance in addressing loss and damage, it is concerning to see the extent to which developed countries have focused on the Global Shield – which many developing countries view as a means to undermine the centrality of the LDF and UNFCCC – as the primary vehicle for loss and damage financing.[212] It is also concerning that although the objectives of the Global Shield include support for other mechanisms, including social safety nets and early warning systems, it has so far not made transparent how these other forms of assistance will be supported. This could undermine the core climate justice principles that ought to underpin L&D financing. No commitments have so far been made that Global Shield financing will be additional to climate finance or existing ODA commitments.[213]

Floods in Dhaka, Bangladesh 2023. Credit: Shutterstock

SECTION 03

Ireland's Role

Government Buildings, Upper Merrion Street, Dublin. Credit: Shutterstock

10. Existing Irish support for global climate action

Since COP 15 in Copenhagen in 2009, when wealthy, high-emitting countries first pledged to collectively provide $100bn per year in climate support for poorer countries, Ireland has provided approximately €698m in climate finance, roughly €54m per year.[214] **Crucially however, this global climate finance target – and Ireland's reporting as part of it – is limited to just two facets of climate action: emissions reductions (mitigation) and building resilience (adaptation)**. Given the history of wealthy states' refusal to fully recognise and integrate loss & damage, it has remained a neglected third pillar of climate finance without a clear, dedicated funding stream or reporting mechanism. The COP 27 breakthrough was in part a recognition that this could no longer continue.

Under the current system, the overall climate finance provided by Ireland in 2021 (the latest available data) was €99.6 million, compared to €88.3 million in 2020.[215] All of this financing took the form of grants, as opposed to regressive loans, and it represented just short of 10% of Ireland's €976 million of Official Development Assistance allocated in 2021.[216]

Just under half (48%) of Ireland's climate finance was channelled to adaptation programmes and projects, with a further 48% directed to cross-cutting activities that target both adaptation and mitigation.[217] If the adaptation element is assumed to account for half of these cross-cutting activities, 72% of Ireland's total climate finance in 2021 could be said to target adaptation - notably high compared to many European countries.[218]

Ireland allocates most of its climate finance to Least Developed Countries (LDCs), including around 75% of its bilateral climate finance.[219] Ireland also allocates a significant (and growing) proportion of its climate finance to Small Island Developing States. The major recipients of Irish climate finance for adaptation in 2021 were Ethiopia (€5 million), Malawi (€1.2 million), Mozambique (€1.2 million), Tanzania (€1.1 million), and Vietnam & Laos (€1 million).[220]

In terms of **quality**, then, Ireland has been a leader – this record of untied, grant-based finance focused on adaptation in LDCs and SIDS is highly commendable and should be maintained, strengthened and advocated for within the EU and at COP. Transparency is also relatively high, with the relevant data published in yearly reports coordinated by Irish Aid.[221]

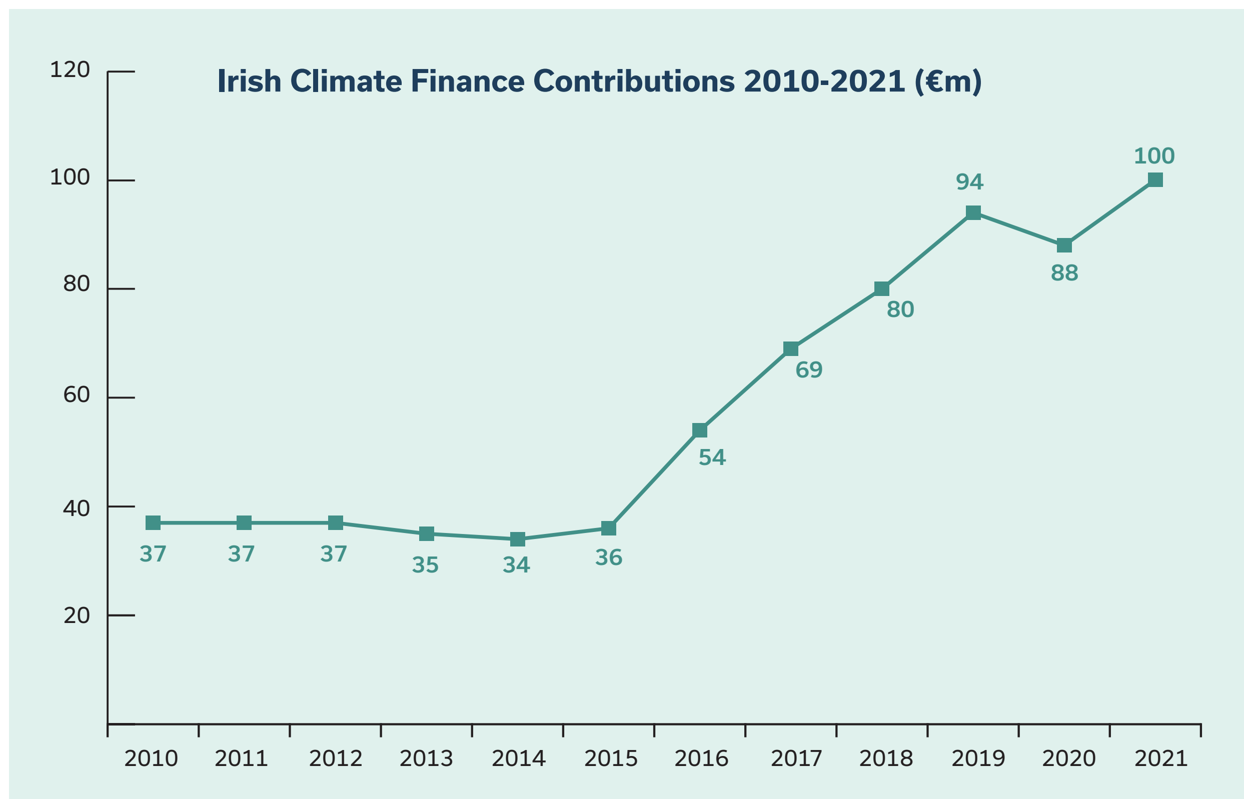
Dublin Climate Strikes, September 2019. Credit: Garry Walsh

Unlike with ODA in general however, which gets an indicative budget announced ahead of time as part of the standard Parliamentary budgeting process, Climate Finance has mostly been reported in *post hoc* assessments which can make it harder to track. For example, Ireland's latest climate finance figures (for 2021) were published in March 2023. The announcement of €42.5m of funding specifically for climate finance as part of Budget 2024 is an important step towards greater transparency and accountability ahead of time, although allocations and spending for 2022-2023 and a total estimated budget for 2024 remain unclear.[222]

On **quantity** however the story is different. Previous research from Christian Aid Ireland and Trócaire, as well as from the Overseas Development Insitute (ODI), has estimated that **Ireland's fair share of the existing $100bn adaptation and mitigation climate finance target is approximately €500m per year**, which was due to be provided each year since 2020. This estimate is based on key global justice factors including historic greenhouse gas emissions and financial capacity, set out in greater detail in our 2019 publication *The Cost of Inaction* and in chapter 12 of this report.[223]

From this perspective, Ireland's current contributions of under €100m per year towards the *existing* global mitigation and adaption target are less than one-fifth of our fair share. It is important to remember, however, that this $100bn target is a top-down, wholly political figure, not based on any scientific estimate of need, and is widely recognised as insufficient. Work is underway at COP to revise it upwards, and as such, it should be considered the absolute *floor* of our current ambition.[224]

The Irish Government has recognised this to an extent. At COP26 in November 2021, then-Taoiseach Micheál Martin announced a new Irish climate finance target of **€225 million per year by 2025.**[225] Alongside this, the government has pledged to "at a minimum, double the percentage of ODA that counts as climate finance", and as part of Budget 2024 stated that "the increase of €60 million to the Department of Foreign Affairs' ODA contribution **includes** a significant increase in Ireland's international climate finance contributions."[226]



Data compiled by authors from Ireland's submissions to the UNFCCC, OECD and domestic annual reporting.

While there are important benefits to mainstreaming climate objectives through Ireland's existing ODA programmes, and this has likely had a positive impact on the quality aspect, it is crucial that this does not come at the expense of the principle of **additionality**: as outlined above, and made clear in successive climate treaties, Ireland's climate finance contributions should be "new and additional" to longstanding ODA commitments of 0.7% of GNI dating back to the 1970s. A gradual shift in the proportion of ODA that has a climate focus is clearly not what was pledged as part of the UNFCCC and the Paris Agreement. Conflation of these targets and reporting of climate finance *within* ODA reporting risks distorting progress on both – a clearer distinction between the two is required for transparency and accountability, recognising that they are two separate commitments.

Looking at ODA specifically, Ireland's programme is widely recognised as one of the best in the world, with a high degree of public support.[227] Much like our record on climate finance however, quantity has lagged behind. Ireland's ODA expenditure for 2022 was €2.3 billion or 0.63% of Gross National Income (GNI), although this falls to €1.4 billion or **0.39% of GNI** if Ukranian in-country refugee costs are excluded.[228] Dóchas, the Irish network of non-governmental development and humanitarian organisations, has warned that "despite the welcome monetary increase to Ireland's ODA budget over recent years, the percentage of ODA that is spent overseas is not keeping pace with needs, or our commitments."[229]

It is important to note that, as discussed in chapter 4, there is likely some overlap between existing projects that have been funded under Ireland's ODA programme – such as humanitarian response to sudden onset events, or disaster preparedness – and the scope of loss and damage financing. However, the deliberate exclusion of L&D from existing international climate finance targets and reporting mechanisms to date means there is no reliable way to assess this.[230] The development of clear indicators within UN and OECD reporting systems could help in this regard.

However, as outlined previously, there is also significant concern that wealthy, high-emitting countries will simply seek to relabel *existing* humanitarian or ODA flows in an attempt to meet *new* commitments on Loss & Damage, rather than genuinely seeking to provide additional funding in line with need. It is for this reason that the national 'fair share' L&D contribution analysis set out in chapter 12 is so important.

In summary, then, Ireland's current climate finance contributions of approximately €100m per year, and stated target of €225m per year, fall well short of our estimated fair share of €500m of the current global target of $100bn per year. This global target of $100bn deals *only* with mitigation and adaptation finance and is due to be revised upwards as part of the COP process, and as such should be considered the absolute *floor* of current ambition.

Ireland's broader ODA programme likely has some overlap with elements of loss & damage funding, but political agreement to operationalise the new, dedicated LDF and reporting infrastructure to accompany it is required to capture this comprehensively.

11. Ireland's position on Loss and Damage

> **"International climate finance and climate diplomacy are priorities for the Government, and for Ireland's foreign policy. Through our climate diplomacy, Ireland strongly advocates for increased finance for adaptation action. We also advocate for the enhancement of both the quality and accessibility of adaptation finance for Least Developed Countries and Small Island Developing States. Ireland is also continuing its diplomacy on Loss and Damage throughout this year and in preparation for COP28."**

Minister of State Sean Fleming, June 2023.[231]

Ireland is well placed to support the development of the Loss and Damage Fund and funding arrangements based on its track record on ODA and humanitarian action and the principles and priorities underpinning its existing climate finance and development work.

The Irish government's international development strategy, ***A Better World***, published in 2019, asserts that climate action is one of its four main pillars. It does not outline a specific policy on loss and damage, but notes that Ireland's efforts will be "explicitly tilted towards giving a global voice to those most at risk", and highlighting "people living in extreme poverty, in drought-prone areas, in low-lying coastal areas and Small Island Developing States, and in Least Developed Countries, especially in Sub-Saharan Africa."[232]

Notably, *A Better World* stresses the importance of channelling resources to "facilitate participative solutions" informed by "the voices of those at the 'frontlines' of climate change."[233] Ireland has also endorsed the Principles for Locally-Led Adaptation and supports initiatives promoting grassroots action, notably through funding for the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR).[234] This orientation towards participative, locally-led action is very important. To ensure consistency Ireland should support meaningful participation of local communities and civil society groups on the board of the new Loss and Damage Fund, as well as promoting a direct access small grant financing window, along with listening to the demands of LDCs in the UN climate negotiations.

Ireland's long-standing commitment to ensure that its climate finance is untied and grant-based is also crucial, given the tendency of most other wealthy states to rely on regressive loans. However, as outlined previously, insurance is not a comprehensive strategy for addressing loss and damage – and in many instances it is deeply unjust and inadequate. Despite this, developed countries, including Ireland, have championed climate risk insurance as a core approach for addressing loss and damage in international discussions at the UNFCCC and other forums, and Ireland has supported the Global Shield initiative, which it has pledged €10 million in funding to.

In 2022, the publication of ***Ireland's International Climate Finance Roadmap*** provided further high-level guidance on the government's orientation towards loss and damage, although it does not specify what proportion of funding will be allocated. The stated goal by 2030 is to develop work on loss and damage that "will include engagement and support to efforts that aim to address economic losses through risk management investments such as social protection and climate related insurance."[235]

Both social protection and insurance are formally part of the Global Shield initiative, but priority must be given to social protection, given the serious limitations of insurance-based schemes. In line with its strong support for grant-based climate finance, the Irish Government should reconsider the emerging emphasis on climate risk insurance and instead advocate within the EU bloc and at UN level for a L&D fund that is purely grant-based.[236]

Ireland's Climate Finance Roadmap also seeks to "identify options and measures that will help to address **non-economic losses** such as the loss

of culture and heritage, indigenous knowledge, territory, and loss of life."[237] This is a very welcome recognition and has been repeatedly emphasised by developing countries and civil society.[238]

COP27 – from broader principles to technical negotiations

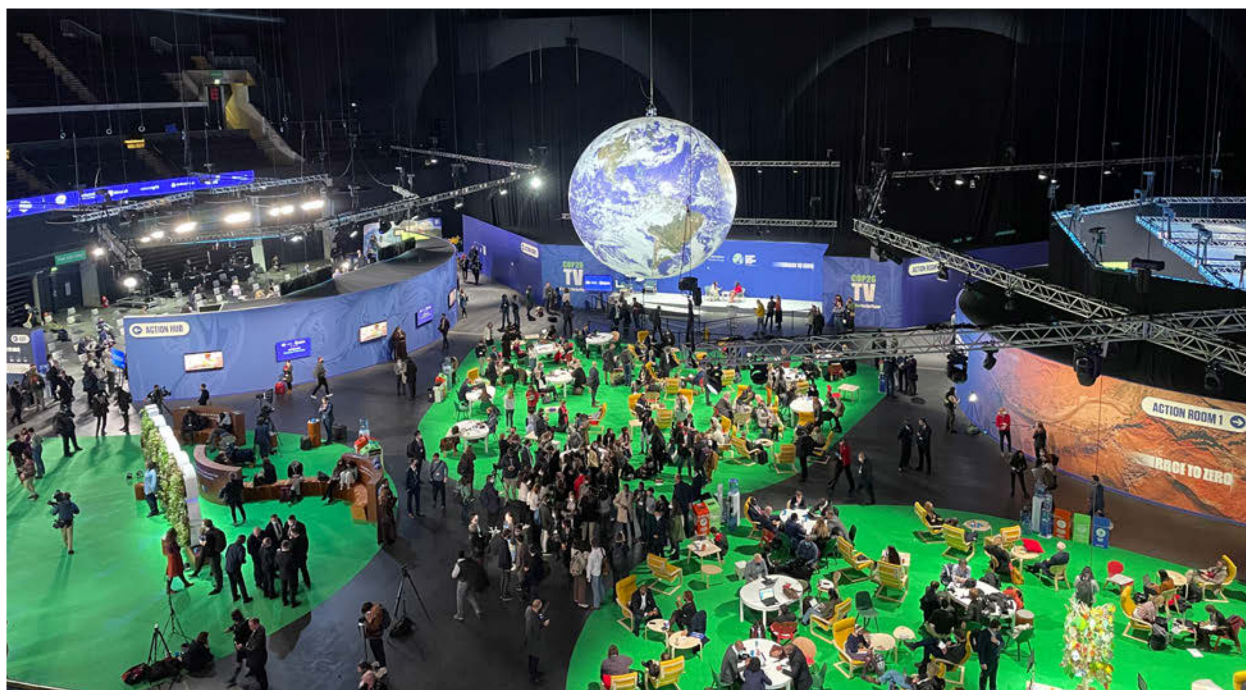
The landmark agreement to establish a L&D fund at COP27 also marked an important shift away from more general principles and priorities and towards more detailed, technical negotiations on how the fund should operate. Further aspects of the Irish government's approach were articulated at COP27 by Minister Eamon Ryan, who was the EU lead negotiator on Loss and Damage, and during subsequent technical negotiations

The Irish Government has thus far prioritised eligibility, the role of the Global Shield, a focus on particularly vulnerable countries, as well as the need to broaden the contributor base, although it has yet to articulate clear positions on some of the other key unresolved political questions regarding the establishment of the L&D fund.

Eligibility: The government has argued, as part of the EU bloc, for the Loss and Damage Fund to focus on "the most vulnerable countries, although not exclusively or not by denying other countries."[239] However, this has not been clearly reflected in technical negotiations, where wealthy countries have consistently sought to limit eligibility to access the fund to only those developing countries characterised as 'particularly vulnerable' to climate change. As set out above, it is essential that a focus on particularly vulnerable countries does not lead to certain developing countries being excluded from accessing the fund outright. Ireland should continue to champion the specific needs of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) while ensuring that other countries that are eligible for climate finance more broadly, remain eligible to access loss and damage funding.

Contribution: Initially, in line with the EU position, Ireland opposed the establishment of a fund solely under the framework of the UNFCCC (1992) rather than the Paris Agreement (2015), arguing that the former would exclude China and several other "large and wealthy countries" from contributing.[240] Agreeing to establish the Fund under *both* treaties has enabled EU states to continue to argue for an expanded contributor base. However, as noted above, wealthy countries, including Ireland, should move first under the current framework to pay into the Loss and Damage Fund in line with historic responsibility.

Minister Ryan has also argued that progress was made at COP 27 on agreement to seek further funding from "innovative sources", which could "potentially include sectors like aviation, shipping and the fossil fuel industry" through new levies on these sectors.[241] However, it is important to recognise the distinction between raising revenue via new forms of taxation and broadening the list of countries with an obligation to provide finance to



COP26 negotiations in Glasgow, November 2021. Credit: Conor O'Neill, Christian Aid

the new fund. While paragraph 5(c) of the COP27 decision acknowledges that technical negotiators should consider "identifying and expanding sources of funding", it is important that this is not conflated with a mandate to redraw criteria for access and contribution to climate funding, in place since 1992 and reiterated through successive climate treaties.

Minister Ryan has also identified the reform of multilateral development banks and debt relief as objectives that could contribute to establishing a new financing landscape for loss and damage. After COP27 he stressed the need for "the reform of the multinational development banks, the World Bank, the IMF, the use of special drawing rights and other mechanisms to create, what the Minister from the Maldives referred to as a mosaic of solutions", which should include improved access to affordable funding for small island developing states since these are currently excluded from concessional financing in many cases, as well as experiencing considerable difficulties in accessing debt relief or financing after catastrophic climate events.[242]

These proposals have been raised as part of the so-called 'Bridgetown Initiative' for financial reform led by Barbados and discussed in numerous international forums including the June 2023 Paris Summit. However, few concrete outcomes were reached in Paris on these issues, and Ireland has yet to publish specific, detailed proposals.[243]

One final area where Ireland's experience leaves it well placed to help global efforts to establish loss and damage as a "third pillar" of climate action lies in monitoring and reporting. As noted in Ireland's climate finance roadmap, Ireland is actively engaged in developing OECD guidance on monitoring and reporting on climate finance, including through the "development of appropriate indicators and conducting climate resilience portfolio and allocation analysis."[244] Ireland also contributed to the development of the OECD DAC Declaration on Climate.[245]

While this work on monitoring and evaluation can appear technical and dry, we know from years of tracking climate finance flows more generally that what gets measured matters. Both within the OECD and at UNFCCC level, Ireland should contribute to developing common and internationally recognised loss and damage financing reporting requirements, which are essential for transparency and ensuring that finance is new and additional. Ireland should support efforts to ensure that a new, UN-level 'collective quantified goal' (NCGG) on climate finance includes the three pillars of mitigation, adaptation and loss & damage. This will ultimately be necessary to broaden the existing climate finance architecture, built around mitigation and adaptation, to also include loss & damage contributions as a fully recognised 'third pillar' of international climate finance.

Guyo Kala, an agro-pastoralist from Moyale woreda, Ethiopia, stands in drought-affected rangeland.
Credit: Barnaby Jaco Skinner, Trócaire.

Case study

Flooding in Bangladesh

Masuma Begum grew up and married in Barisal district, southern Bangladesh. She and her husband were farmers and reared cattle. However, soil erosion and rising river water levels flooded their land and seven years ago they were left with no choice but to abandon their home.

They moved to Barisal city to start a new life and have since lived in Bangabandhu slum, which is home to 15,000 people – 75% who are also considered to be 'climate refugees' like Masuma, and have been forced to abandon their homes following cyclones, as a consequence of land erosion or as a result of soil salination destroying coastal farmland.

Masuma's husband now earns a living as a rickshaw driver but he struggles with his mental health, which limits his ability to work. They also have to spend a lot of their money on his medical treatment. To make ends meet, Masuma runs a beauty parlour from her home for women and girls from the slum. Despite their best efforts, Masuma and her family sometimes struggle to eat three meals a day due to the irregular income caused by her husband's health.

With funding from the Climate Bridge Fund, Christian Aid's local partner Association of Voluntary Actions for Society (AVAS) established a community centre in Bangabandhu to support 4,000 people like Masuma displaced by the climate crisis. Masuma attends the centre, which provides healthcare as well as offering legal support to help local people access welfare.

Bangabandhu slum is regularly flooded by the Kirtonkhola river and is lacking in both sanitation and safe drinking water. In response AVAS have also constructed 20 water points, five latrine blocks and a 1,500-foot drain to improve sanitation in the slum, but high need remains.

Masuma Begum outside her home in Bangabandhu slum, Barisal. Credit: Earth Horizon

12. Ireland's fair share of L&D finance

We estimate that Ireland's fair share of loss and damage financing will be at least €1.5 billion per year by 2030.

A growing body of academic research has focused on dividing up international climate targets into national 'fair shares', including for financial support.[246] These estimates depend on different assumptions and relative weighting afforded to key factors: contribution to global greenhouse gas emissions (*historic responsibility*), current financial capacity (*capability*), projections of future loss and damage and associated costs *(need)*, and differential pathways to staying within the global target of 1.5 degrees of warming.

To estimate Ireland's fair share of loss and damage financing, we have used two of the most thorough projections of the global annual need for loss and damage financing by 2030: Climate Analytics and Markandya & González-Eguino (discussed in chapter 6). We have used two measures of fair shares: the *Climate Equity Reference Calculator* and a metric developed by the Overseas Development Institute (ODI).

The ***Climate Equity Reference Calculator*** is an effort-sharing framework developed and updated over many years by Eco Equity and the Stockholm Environment Institute. Using common metrics across all member countries of the UNFCCC it enables the calculation of a country's fair share contribution to either emissions reduction targets or climate finance support. Importantly, as an equity-based framework, it accounts for inequality *within* countries as well as between them, establishing a threshold to capture difference between high and low-income households.[247]

Our calculation was run using two separate temperature scenarios: the first maintaining a surer pathway to limiting global warming to 1.5 degrees and the second providing a mere 50% chance of returning to 1.5 degrees by 2100 after a temporary overshoot. It uses 1920 as the baseline year to align most closely with the foundation of the state. It applies an equal weighting between historic responsibility and current capacity.[248] It applies a moderately progressive approach to determine national economic capacity (a measurement of per capita income in purchasing power parity with the US dollar) incorporating a US$7,500 development threshold, i.e. a share of individual incomes that are exempted from the calculation of national fair shares.[249] Based on these assumptions, Ireland has **a 0.48% fair share** of the global responsibility for climate change.

An alternative measure of 'fair shares' calculation has been developed and updated by ODI, primarily taking account of 3 factors: a country's gross national income (GNI), population size, and its cumulative territorial CO_2 emissions since 1990. While the base year is more recent, the consideration of population size tries to allow for per-capita consumption levels. Using this measure, Ireland has a **0.54%** fair share of the global responsibility for meeting existing climate finance targets.[250]

Ireland's fair share of Loss & Damage finance – 2030

Study	L&D need 2030 (€ billions)	Ireland's fair share (EcoEquity 0.48%)	Ireland's fair share (ODI 0.54%)
Climate Analytics	€364 – €392 bn	€1.7 – €1.9 bn	€1.9 – €2.1 bn
Markandya & González-Eguino	€264 – €527 bn	€1.3 – €2.5 bn	€1.4 – €2.8 bn
Average	€314 – €460 bn	**€1.5** – €2.2 bn	€1.7 – €2.5 bn

The scale here is a reflection of the fact that, much like the efforts needed get emissions down and stay within 1.5 degrees of warming, the financial resources needed to deliver equitable, justice-based climate action are significant. It is also a crucial reminder that Loss & Damage is effectively the costs left over *after* mitigation & adaptation efforts - the more we do *now*, the lower these costs will be in future.

In this unprecedented context of rapidly shifting climate breakdown, all wealthy countries including Ireland, must reflect on their own development pathways and whether existing efforts to meet these global challenges are sufficient. For example, successive Irish governments have endorsed – and made progress towards meeting – the longstanding target of delivering 0.7% of GNI in ODA, which emerged and was agreed at UN and OECD level negotiations dating back to the 1960s and 1970s.

The reality of the climate crisis however is that this development target, more than 50 years on, is missing a huge part of the picture. As noted by then UN Special Rapporteur on extreme poverty and human rights Philip Alston, "*climate change threatens the future of human rights and risks undoing the last 50 years of progress in development, global health and poverty reduction.*"[251]

Negotiations through years of COPs have essentially sought to recognise this reality, clarifying in successive climate treaties that pledged financial support must be "new and additional" to longstanding ODA targets. Challenges in eradicating hunger, and providing decent education and healthcare, for example, have not been made any easier by climate change – in fact quite the contrary.

Working back from key global justice considerations of historic emissions and relative financial capacity is our best starting point in determining national 'fair shares' of these new challenges. Ireland's current fair share of **€500 million** of the longstanding mitigation & adaptation target is a first step in that regard. An estimated fair share contribution of **€1.5 billion by 2030** to address this newly-recognised third pillar of Loss & Damage must come next, if we want to ensure the world's poorest are not left behind.

While very challenging, comparison with that longstanding ODA target (0.7% GNI) can be instructive. For example, based on projections from the Department of Finance and research commissioned by Dóchas, we estimate that this **€1.5 billion** L&D fair share may represent approximately 0.25% of GNI in 2030.[252] In effect, the challenge facing wealthy, industrialised, high-emitting countries like Ireland is to replicate the longstanding approach taken to ODA (0.7% GNI) and seek a new, additional target for financing international climate mitigation, adaptation and Loss & Damage beyond this.

The vast gulf between Ireland (and other developed countries') existing contributions and the need for significant loss and damage finance also underscores the case for "innovative" financing sources, which have been a key component of negotiations to establish the new Loss & Damage Fund and can help relieve pressure on domestic budgets.

Kula Halake, 58, an agro-pastoralist from Mora Mora village in Borena Zone, Ethiopia, stands next to one of her dead cows during Ethiopia's 2022 drought.
Credit: Barnaby Jaco Skinner/Trócaire.

13. New revenue & 'innovative sources'

The financial challenges posed here are not unique to Ireland. The COP27 decision to set up the Loss and Damage Fund highlights that "existing mechanisms" are expected to provide funding, but that these are unlikely to be sufficient. Given the continued failure of developed countries to collectively provide the previously pledged US$100 billion per year in mitigation and adaptation finance, and a scale of need for loss and damage that is considerably higher, it is likely that financing will also need to come from new sources beyond national contributions. This is also referenced in the COP27 decision text, which refers to "identifying and expanding sources of funding", including "recognizing the need for support from a wide variety of sources, including innovative sources."[253]

The most sustainable way to generate revenue is through progressive, national level taxation. By taxing individuals on the basis of wealth or income, for example, governments are already taking into account ability to pay – income tax or capital gains tax for example raise revenue from those with greater financial and (in the case of some wealth taxation) other assets.

There is also a clear and consistent correlation between both income & wealth and carbon emissions.[254] Similarly, the astronomic profits generated by an increasingly small group of multinationals – many directly involved in activities with disastrous climate impacts – must be taxed fairly and the global race to the bottom on corporation tax ended.

On this basis, it is both practically as well as ethically compelling to rely on general, progressive taxation, levied at the national level, as the core starting point for governments to meet their fair share of the Loss & Damage finance, and climate finance commitments more generally. Beyond this however, numerous additional revenue-raising measures have been proposed which will require greater international cooperation to be truly effective.[255] A number of proposed national and international measures are considered below.

While the scale of finance required is significant, it is important to remember that governments spent $7 trillion on subsidies for the fossil fuel industry in 2022 alone.[256]

Fearless Girl', a bronze sculpture by Kristen Visbal, staring down the Wall Street 'Charging Bull'. Credit: Shutterstock

Wealth Taxes

Growing, stark inequality is a defining feature of the modern global economy. In their *World Inequality Report 2022*, Nobel Prize-winning economist Thomas Piketty and co-authors note that "global inequality seem to be about as great today as it was at the peak of Western imperialism in the early 20th century. The share of income presently captured by the poorest half of the world's people is about half what it was in 1820, before the great divergence between Western countries and their colonies." Wealth inequality is also extreme: the richest 10% of the global population own 76% of all wealth, while the richest 1% have captured more than nineteen times the wealth of the bottom 50% of humanity since 1995.[257]

In addition to the progressive taxation of income, there is growing recognition that tackling extreme inequality requires tackling extreme wealth, which continued to rise and surged during the pandemic.[258] In September 2023 a broad group of high-profile economists, political leaders and millionaires launched an appeal to G20 heads of state to tax extreme wealth.[259] Progressive, well-designed wealth taxes can contribute revenue needed to fund domestic expenditure as well as international commitments on things like ODA and climate finance.

The EU Tax Observatory has found that the use of shell companies and similar structures has enabled some of the world's wealthiest people to pay effective tax rates of just 0%-0.6% of personal wealth, and that a coordinated international wealth tax (based on efforts to coordinate corporation tax) could raise €202 billion per year.[260] Research from Tax Justice Network for the Green Group in the European Parliament, based on the temporary progressive tax on wealth recently introduced in Spain, has estimated that such a tax could raise €213bn across the EU, and €2bn per year in Ireland.[261] Oxfam Ireland have estimated that a progressive wealth tax in Ireland on only net wealth above €4.36m would affect just 0.36% of the population, but could raise over €4bn per year, a portion of which could be directed to Ireland's international commitments.[262]

Given the integrated nature of the EU economy and the mobility of capital, wealth taxes are far more likely to be effective with cooperation and coordination internationally. Christian Aid Ireland and Trócaire support the call to convene a national forum on how to tax extreme wealth fairly, effectively and sustainably.

Excess Profit or 'Windfall' Taxes

European Governments have increasingly turned to so-called 'windfall' taxes on obscene, excessive corporate profits accumulated in the wake of the Covid-19 pandemic, Russia's invasion in Ukraine and supercharged inflation. Data from KPMG and the Tax Foundation show that at least 30 windfall taxes have been introduced or proposed across almost every EU Member State since the start of 2022, beginning with energy companies but expanding to cover financial institutions, pharmaceutical groups, food distributors and other sectors.[263]

This is not surprising, given the sheer scale of corporate profit in recent years, against a backdrop of a crippling cost-of-living crisis. Action Aid and Oxfam have estimated that in 2021 and 2022, just 722 of the world's biggest companies together raked in over $1 trillion in windfall profits each year. This includes an average of US$237 billion per year for the 45 largest energy companies (oil and gas majors, fossil fuel traders and energy generation companies reliant on fossil fuels).[264] European Central Bank President Christine Lagarde has suggested that such profiteering or "greedflation" was an important driver of rising prices, while IMF research estimated that it accounted for almost half of Europe's inflation over the past two years.[265]

In August 2022, UN Secretary-General António Guterres called for windfall taxes on the "immoral" soaring profits of oil and gas companies in particular, arguing that "grotesque greed is punishing the poorest and most vulnerable people while destroying our only common home. I urge all Governments to tax these excessive profits and use the funds to support the most vulnerable."[266] A windfall tax on energy companies was eventually agreed at EU level in 2022 and then implemented across all Member States in 2023. This includes Ireland, where the tax is calculated according to taxable profits from 2018 to 2021 and is projected to raise between €200 to €450 million.[267]

This is a very welcome first step but could be much more ambitious: by limiting the excess profits tax (EPT) solely to energy companies it (a) ignores the significant extreme profiteering in other sectors and (b) only raises a portion of the funding needed to adequately invest at home and abroad. For example, there are nine Irish companies on the Forbes 2000 list of the world's biggest companies, including from the agri-food and tech sectors.[268] Estimates from leading experts in the field of corporate taxation found that a slightly larger

subset of corporations located in Ireland with a turnover of above $100m saw excess profits of €4.9 billion in 2020.[269]

With careful, targeted design, an EPT could be effective at national level. However, as with taxes on wealth, it is significantly more likely to succeed with greater cooperation internationally – particularly across the EU. The previously cited study has estimated that – depending on the rate and level of coordination – EU member states could raise up to €35 billion collectively with an EPT targeting only the largest multinational corporations. The European Commission has suggested that an 'interim tax' on certain digital services companies could generate an estimated €5 billion per year.[270]

Much of the efforts to reform unjust, outdated international tax rules at OECD and UN level have recognised the need to end relentless, race-to-the-bottom competition on corporation tax. Ireland's record in this respect has been poor, often an outlier and opponent to more ambitious proposals.[271] This is not sustainable. In a globalised world economy, raising significant revenue depends on effective taxation – and effective taxation requires cooperation.

Climate Damages Tax

Separate to the proposal for a time-bound tax on excess profits, which began primarily in the energy sector but expanded quickly, a well-designed, progressive and ongoing tax on fossil fuel producers (or 'Climate Damages Tax', CDT) has the potential to both raise revenue and contribute to a just energy transition. A CDT would impose a charge on coal, oil and gas extraction based on how much CO_2 equivalent is embedded in the respective fossil fuels. The proposal aligns very closely with the 'polluter pays principle', imposing a tax at source of major producers. The 2017 'Carbon Majors' research from CDP and the Climate Accountability Institute found, for example, that more than 70% of the world's industrial greenhouse gas emissions since 1988 are linked to the activities of just 100 state-owned and private companies.[272]

The most prominent analysis of a CDT was launched at COP24 in Katowice and argues that, at a low initial rate of $5 per tonne, the proposal if implemented globally could raise approximately $400bn in 2024 with at least half earmarked to address downstream distributional impacts and just transition projects and half to go to funding loss & damage. The CDT rate and revenue raised would increase throughout the mid-2030s, before it would plateau and decline in line with increasing prices and reduced fossil fuel production, envisaged in line with the average pathway identified by the IPCC to stay within the 1.5°C target.[273]

There are two key considerations for proposals of this nature. First, a broad range of academics and civil society organisations have emphasised that targeted interventions would be required to ensure that the tax would not simply be passed on to consumers, with support required in particular to protect against regressive impacts on lower-income households. This is an essential prerequisite to ensuring that a CDT (and carbon taxes in general) adhere to principles of both climate and economic justice.[274] Second, the success of a CDT would depend to a large extent on political agreement and broad adoption, particularly in countries home to major fossil fuel producers. Targeted CDTs or climate-related 'solidarity taxes' at national level are likely to be more feasible in the short term and are worth pursuing given the scale of taxable profit available: the oil and gas industry has made $2.8bn a day in profit for the last 50 years and an average annual profit of $1tn from 1970 to 2020.[275]

A climate damages tax seeks to ensure that the polluter pays. Credit: Shutterstock

International Shipping Levy

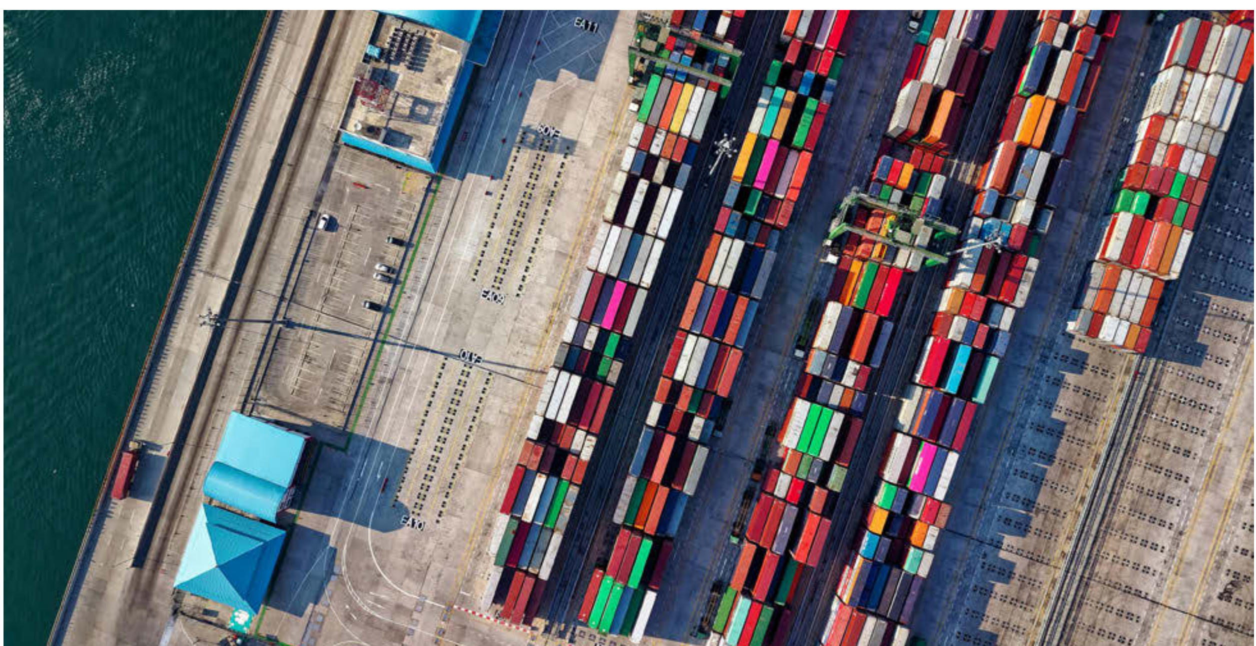
At a global level, Ireland has also given its support to the creation of an international shipping levy, with a proportion of the revenues allocated to loss and damage.[276]

Shipping emissions contribute around 3% of global greenhouse gas emissions and could more than double by 2050 unless new regulations are introduced.[277] A global shipping levy could both contribute to emissions reductions and raise new revenue for loss and damage (or other climate finance). This idea is far from new, with levies on international shipping (bunker fuel taxes) already proposed in 2010 by the UN Secretary General's High-Level Advisory Group on Climate Change Financing.[278] A 2011 civil society proposal to tax shipping emissions also gained some traction, including the qualified support of the International Chamber of Shipping.[279]

Over a decade of discussions at the International Maritime Organisation (IMO) have not yet resulted in any agreement on a shipping levy, however. At its most recent meeting, the IMO committed to a "goal of net-zero emissions from ships… by or around… 2050."[280] The IMO has not yet agreed measures that would implement this target, although it does consider "an economic element, on the basis of a maritime GHG emissions pricing mechanism" as one of two "candidate measures" for "delivering on the reduction targets."[281] Ahead of the last IMO meeting in July 2023, 23 countries including Ireland signaled their backing for a new levy that could contribute to the "just and equitable transition" of the shipping sector.[282]

Estimates on how much a global shipping levy could raise vary according to the level of the tax, what proportion of this financing is allocated to loss and damage, and whether or not measures are put in place to offer developing countries compensatory rebates. For example, the IMF estimates that a global tax rising to US$75 per tonne of CO_2 ($240 per tonne of bunker fuel) by 2030 would raise an estimated US$75 billion that year, while reducing maritime CO_2 emissions below business-as-usual (BAU) levels by nearly 15%.[283] Raising the rate to US$150 per tonne in 2040 would raise US$150 billion and reduce emissions compared to BAU by 25%.

The Marshall Islands and the Solomon Islands tabled a proposal at the IMO to introduce a levy of US$100 per tonne by 2025, while noting that this would fall short of the levels needed for transformative change and would need adjustment by "upward ratchets on a five-yearly review cycle".[284] This proposal would see revenues allocated to both "in-sector mitigation" as well as "reparation for the damage to the environment and communities," consistent with the Polluter Pays principle and the objective of using a proportion of revenues for loss and damage.



A shipping levy has been proposed at the IMO. Credit: Pexels

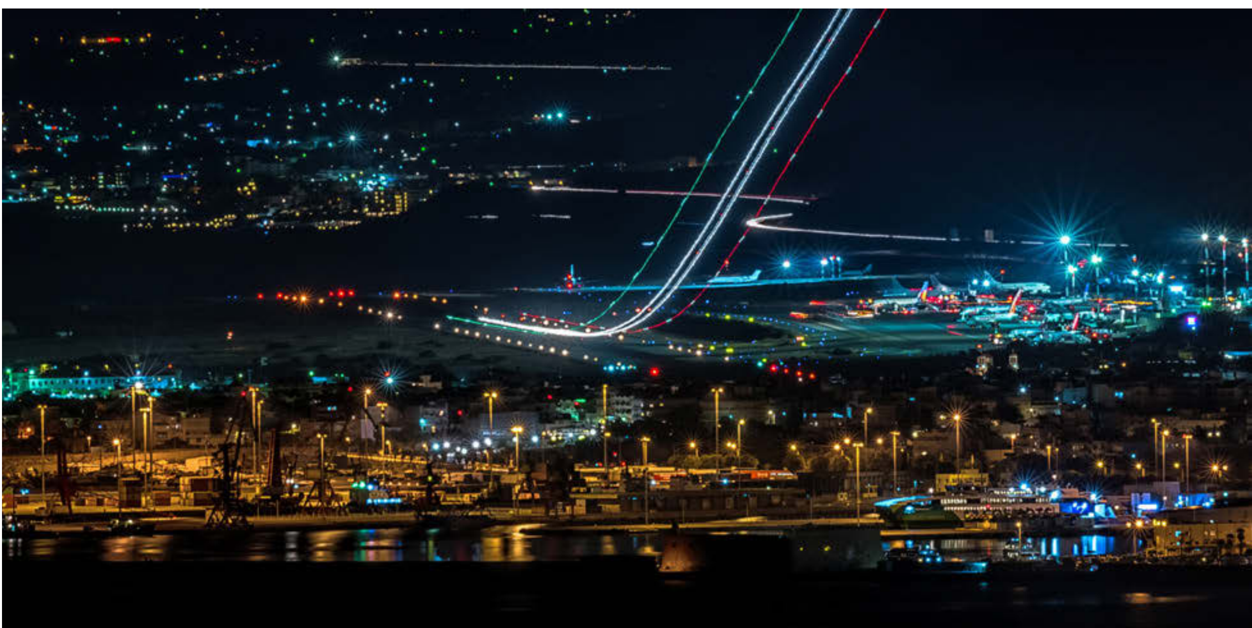
Frequent Flyer Levy

A Frequent Flyer Levy (FFL) would progressively tax flights, raising revenue and helping to reduce demand. The most complete modelling of this scheme has been undertaken by the New Economic Foundation (NEF) and climate campaign group *Possible in the UK*.[285] These groups have proposed a levy that would increase for each outbound flight taken, starting at a rate of zero for the first outbound flight (or £25 for a business flight), £25 for the second flight, £60 for the third flight, and upwards. Unlike the UK's existing Air Passenger Duty, which imposes a charge on passengers according to the distance of outbound flights, this measure seeks to be more progressive as only a small proportion of people are frequent flyers. In the UK 15% of people take 70% of all flights, while nearly 50% of the population do not fly at all in a given year.[286] Those in the highest income quintile fly roughly twice as much as those in the quintile just below them.[287]

Modelling of the proposed Frequent Flyer Levy in the UK suggests that it could raise over £5 billion per year, although the true figure could be higher because fees on extreme frequent flyers are not captured in the model's averages.[288] This is slightly less than the £7 billion per year that would be raised by Air Passenger Duty (based on projections through to 2050), although the advantage of a FFL is that it is underpinned by the polluter pays principle and focuses costs on the richest, most frequent flyers rather than lower income groups.

The UK projections for a FFL are based partly on passenger survey data that does not have an exact equivalent in Ireland, but using the same assumptions and substituting Irish passenger numbers can help us to reach a rough estimate of the revenue that such a tax might generate if it were to be applied in Ireland. On this basis, a Frequent Flyer Levy could raise up to €750 million per year in Ireland. If a scheme similar to the UK's Air Passenger Duty were to be adopted, this could raise up to €1 billion per year. Allocating all or a share of this financing to Loss and Damage could go a long way to meeting the financing gap.[289]

In the context of International Maritime Organisation (IMO) negotiations in June 2023, Minister Eamon Ryan advocated for both a shipping tax and aviation levy stating that "the great advantage is on equity – it is the wealthier people who fly," he said. "One euro on a plane ticket would give us €5bn a year. That's not a small contribution to the effort we need to make."[290] The UN Special Rapporteur on Human Rights and the Environment has estimated that if all 195 signatories to the Paris Agreement participated in both a maritime shipping levy and an air passenger levy, and air passenger travel returns to pre-pandemic levels, the proposed levies could generate between $132-392 billion annually. If only half of those countries participated and travel levels remained low, they would generate between $56-121 billion annually.[291]



Credit: George Desipris, Pexels

Debt relief

Developing countries have faced increasingly unsustainable debt burdens since the 2008 financial crisis. Developing country debt payments increased by 120% between 2010 and 2021, and now stand at their highest level since 2001.[292] The economic fallout of the Covid-19 pandemic has made the situation worse, increasing the public debt of most developing countries.[293] 54 countries that are home to more than half of the world's poorest people currently face a debt crisis, including 28 of the world's countries that are especially vulnerable to climate impacts.[294]

High debt levels reduce the fiscal space for public spending, limiting investment in loss and damage as well as other climate measures, meaning that countries cannot adequately prepare for and protect against climate impacts.[295] For example, Zambia is due to spend over four times more on debt payments than on addressing climate impacts in the next decade unless debt relief or cancellation is agreed.[296] Or, to take another example, Pakistan's external debt totalled $136 billion even before the floods (see case study), with 40% of government revenue ($18 billion) expected to be allocated to external debt interest and repayments in 2022.[297]

Climate vulnerability increases debt distress, since countries facing higher climate risks, especially SIDS and low-income states, pay considerably more to access finance.[298] Research commissioned by the UN Environment Programme found that climate risks have cost V20 countries over US$40 billion in higher interest payments over a decade (to 2018).[299]

Debt relief and cancellation can help to avoid a worsening spiral of debt and climate vulnerability. At a minimum, Ireland and other wealthy states should ensure that loss and damage financing is grant-based so as not to increase the debt burdens faced by national or local governments or communities.[300] More broadly, a new approach to climate and debt is needed so that when a climate-related disaster such as a tropical storm occurs, it can trigger an immediate, interest-free suspension of all debt payments from that country. This could be followed by a debt restructuring, including cancellation, via an independent and universally applied framework based on the needs of a particular country.[301]

A broad array of civil society organisations, researchers, human rights experts and international institutions have made clear that numerous options exist for governments to raise the money needed to respond to the climate emergency facing us – including ensuring that the world's poorest are not left picking up the pieces and adequate Loss & Damage funding is made available. As noted by Thomas Piketty and co-authors in the 2022 *World Inequality Report,* "over the past four decades, nations have become significantly richer... the private sector has become significantly richer... but governments have become significantly poorer."[302] The money needed is there – the onus is now on governments to deliver ambitious, coordinated, and bold action to raise it.

The global response to both Covid-19 and rising energy prices in the context of Russia's invasion of Ukraine demonstrated that economic policies often ignored for decades – such as windfall taxes on excess profits – can be driven back into mainstream thinking with the right political will. Ireland's initial efforts focused on the energy sector are a positive first step but should be expanded. The Irish government has previously declared that it is open to raising loss and damage financing from taxes on aviation and shipping, and from corporation tax, although it has not yet made any formal commitments to this.[303] It is essential that detailed work on these proposals forms part of a clear roadmap to meeting its fair share of Loss & Damage financing by 2030, and climate finance in general.

14. Recommendations

The Government of Ireland should:

- In the short term, increase its overall international climate finance contributions to at least **€500 million per year**, to meet its long overdue fair share of the existing global target (mitigation & adaptation).

- Make a specific commitment to financing the newly-recognised, additional 'third pillar' of climate finance – Loss & Damage – consistent with our fair share of the global effort needed, and develop a pathway to providing at least **€1.5 billion per year by 2030**.

- This could be met through a mix of direct budgetary contributions and "innovative" **new financial sources**. Ireland should cooperate internationally at EU, OECD and UN levels and push for agreement on fairer taxation of corporate profits, extreme wealth and fossil fuel production, progress on debt relief, and new levies on aviation and shipping.

- Support efforts at COP to develop a '**new collective quantified goal on climate finance**' (NCQG) that is needs-based, ambitious, and ensures updated, comprehensive international and national targets for all three pillars of climate action: mitigation, adaptation and loss & damage.

- Support the development of a **broad and comprehensive Loss and Damage Fund (LDF)**, including funding windows for rapid response, medium-term recovery, slow-onset events, and a small grants window for direct access by local communities.

- The fund should follow the principle of subsidiarity, wherever possible, and prioritise direct access, representation and participation in decision-making by impacted communities, including women and other marginalised groups.

- Support the development of the LDF as an independent, operating entity under the UNFCCC, as the **'centrepiece'** of new and existing funding arrangements, reflecting the highest level of accountability and compliance with core principles of equity and historic responsibility.

- Support the development of new monitoring, tracking and evaluation mechanisms, to ensure that Loss & Damage financing is '**new and additional**' to existing commitments, rather than just the relabelling or double counting of existing financial flows – including integration of L&D as an approved OECD DAC marker.

- Ensure that **all developing countries** are eligible to access the LDF, whilst supporting targeting and allocation criteria to reach countries and communities most in need.

- Support calls for a UN-led ***Loss and Damage Finance Gap* report** to provide a reliable assessment of finance needs for L&D.

- Adopt a gender-responsive and human **rights-based approach** to the development and governance of the LDF, including specific measures to address the rights of marginalised communities and prioritise vulnerable groups.

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