

Loss and Damage at COP26

The 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) opened on 31st October 2021 and closed on 13th November 2021. Key agenda issues included:

- **Emission-reduction commitments by Parties.** Updated Party commitments, some released just prior to the conference, remain insufficient to meet the goal of maintaining temperature increases within 1.5 °C above pre-industrial levels at the end of the century. Some parties, notably India, are yet to update their commitments.
- **Finance for developing-country Parties.** In 2009, developed-country Parties committed to “mobilising” financing for developing-country parties of USD 100 billion per year by 2020, a commitment that was renewed in 2015, but has not been met thus far. A balanced split between mitigation and adaptation finance, and between grants and concessional loans versus other types of finance are long-standing, unresolved issues.
- **Carbon markets.** Article 6 in the Paris Agreement allows Parties to meet a part of their emission-reduction commitments through the trading of carbon credits between Parties, and between Parties and non-state actors, such as corporations. Detailed rules are needed to ensure that the resulting carbon markets are robust, transparent and fully accountable.

Delegates managed to reach agreement on the rules that shall govern the trading of carbon credits, although concerns were raised about pre-2020 credits undermining the robustness of the trading mechanism. On emission-reduction commitments and finance for developing-country partners, COP26 made little progress with Parties agreeing to revisit their commitments, and a new target for adaptation finance adopted. On these two issues, specific binding commitments were postponed.

In addition, delegates gathering in Glasgow negotiated a number of questions related to Loss and Damage, on which the previous Conference of the Parties could not reach agreement. The main such issues are finance for Loss and Damage, the governance of the Warsaw International Mechanism, and the operationalisation of the Santiago Network for Loss and Damage, which was established in 2019, to catalyse technical assistance for averting, minimising and addressing Loss and Damage in vulnerable developing countries.

The remainder of this note outlines the agreements reached during COP26 on these three issues. The description is based on the text of the various decision drafts, accessed from the UNFCCC website in the week of 15th November 2021. Further, the description draws on both informal exchanges in which the authors were involved, and the exchanges between negotiators during COP26.

Finance for Loss and Damage

Developing countries have long called for more focus on mobilising action and support in the work under the auspices of the Warsaw International Mechanism. In the lead up to COP 26, many developing country Parties also indicated their expectation that finance for Loss and Damage would be included in the long-term finance goal. The process for negotiating such goal, which began at COP 26, does not yet include Loss and Damage substantively. Nonetheless, many developing country Parties expect that financing for Loss and Damage will be included in further negotiations on the long-term finance goal.

In the negotiations on Loss and Damage, the G77 and China proposed the creation of a “Glasgow Loss and Damage facility”, through which developed-country Parties would commit finance earmarked for Loss and Damage. Five philanthropies offered to provide “kick-start finance” for the facility (3 million USD), while the Wallonia region of Belgium committed 1 million EUR.

However, the proposal was not included in any formulation of the “Glasgow Climate Pact”, the agreement adopted at the end of COP26. Instead, paragraph 73 of the agreement calls for the establishment of a “Glasgow Dialogue between Parties, relevant organizations and stakeholders to discuss the arrangements for the funding of activities to avert, minimize and address Loss and Damage associated with the adverse impacts of climate change”.

The G77 and China proposal was unsuccessful because developed-country Parties, notably the United States, Australia and the European Union, opposed strongly the creation of the above-mentioned “Glasgow Loss and Damage Facility”, which they perceived as opening the door for large compensation claims. Since fear about compensation remains, it is not clear that the objectives of “Glasgow Loss and Damage Facility” will be realized any time soon, a point against which the G77 and China cautioned in a statement on the outcome of COP26. The G77 and China also stressed in their statement that they expect that the “Glasgow Dialogue” will lead to the mobilisation of finance to address Loss and Damage.

Finally, it is worth noting that the Scottish government committed 2 million GBP to finance efforts to address Loss and Damage in vulnerable developing countries. These funds will be channelled through the Climate Justice Resilience Fund.

Governance of the Warsaw International Mechanism

In 2019, at COP25, an agreement on the governance arrangements for the Warsaw International Mechanism was not reached. Developing country Parties have argued that the Warsaw International Mechanism should operate under both the Convention, under which the Mechanism was established and which includes mobilising action and support as one of the pillars of work, and the Paris Agreement, which recognises the importance of averting, minimising and addressing Loss and Damage. In contrast, developed country Parties have argued that the Warsaw International Mechanism should be governed only by the Conference of the Meeting of the Parties to the Paris Agreement, which governs the implementation of the Paris Agreement. At COP26, agreement on the governance proved equally elusive, as the two sides remain entrenched in their positions. As a result, it was decided negotiations related to the governance of the Warsaw International Mechanism will be re-initiated at the next COP.

Operational details for the Santiago Network

In 2019, Parties to the UNFCCC agreed to establish the Santiago Network. In 2021, at COP 26, Parties agreed that “the Santiago Network will be provided with funds” to undertake its work, and the process through which it will be made operational was determined. On the final day of COP 26, the government of Germany committed 10 million EUR to support the work of the Network. As part of the process to fully operationalise the Network, Party and non-Party stakeholders have been invited to submit their views on issues such as the Network’s operational modalities and structure, the role that the Warsaw International Mechanism’s Executive Committee shall play, and the “terms of reference of a potential convening or coordinating body”. These views, together with the outputs of a technical workshop, will form the basis for negotiations at the UNFCCC intersessional meetings in Bonn, Germany, in mid-2022. A final decision on the operationalisation of the Santiago Network is expected to be taken at COP 27, in 2022.

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Loss &
Damage
Collaboration