Towards a Policy Framework for Financing Future Loss and Damage

The inclusion of loss and damage (L&D) to the [COP27](#) agenda is a positive first step in achieving climate justice. While vulnerable nations have been fighting for its inclusion into global discourses for decades, the recent [climate-induced disasters](#) across the world, especially in [Pakistan](#), have played a pivotal role in its induction.

Why Should Global South Suffer for Emissions of the Global North?

The growth of the developed world (read as the Global North) has been catalysed by the exploitation of natural resources, with the release of carbon dioxide as a waste product. Yet, carbon dioxide does not obey man-made geographical boundaries, and the developing world is reeling under the impacts of [climate change](#) not because of its own emissions but from those of the developed world.

This raises a fundamental question of justice. Why should the Global South suffer for the emissions of the Global North?

The principle of L&D is that developed countries should pay [reparations](#) for the losses and damages to lives, livelihoods, and the like, that the developing world incurs because of the impacts of climate change. Within the framing of reparations, it is no surprise that there has been not much of a buy-in from the Global North. The hesitation towards compensations has been manifold.

First, attribution science, that is, the processes to link an extreme weather event directly to climate change is still a pioneering field with much work to be done to make the science accessible to the climate community.

Second, L&D can only quantify economic losses. It fails to address the losses of cultures, traditions, kinships, and so on (or non-economic losses for a lack of a better word).

Third, there still exists a deep mistrust between governments of the developed and developing world on the usage of L&D funds.

Finally, the developed world is not immune to the impacts of climate change.

The latest summer saw all the major rivers across Europe and the United States dry up, leaving in its wake a dire water, energy, and food crisis.

Therefore, garnering public support within developed countries for reparations will be a challenge in and of itself.

Where Do We Go From Here?

There is a possible use case for L&D within adaptation planning for future climate change impacts. With our current modelling capacities, we know that instances of climate hazards are only going to increase in the future, and with the current rates of adaptation, we can expect even more L&D.

Communities across India have been reeling under the impacts of extreme weather events. Economic losses due to weather-based disasters are doubling every decade, highlighting the inadequacy of our adaptation efforts. All the while, the cost of adaptation continues to escalate as we fail to meet the Paris Agreement goal of keeping the global average temperature below 2°C.

The Adaptation Gap Report, released by the United Nations Environment Programme (UNEP) in 2022, suggests that the annual adaptation costs could be as high as USD 340 billion to USD 565 billion by 2030s and 2050s, respectively.

Currently, adaptation financing needs are conceived and put forth as pilot projects under the purview of State Action Plans on Climate Change (SAPCC). Implementation of even these small-scale projects is a challenge because of limited funding.

While local adaptation projects are imperative, there is a simultaneous need for a more detailed and systemic stocktake of the costs of adaptation based on the IPCC risk framework, that is, the cost to avoid future L&D.

A possible mechanism to evaluate adaptation needs and outcomes would be to quantify the difference between historical L&D due to extreme climate events and the potential L&D from future climate change impacts.

The Intergovernmental Panel for Climate Change (IPCC) has laid out a framework for risk assessments that informs us about what is at stake. The risk framework computes an index from specific climate hazard(s), the exposure of lives and livelihoods, and the inherent vulnerability of the system and presents a climate risk profile.

Risk indices can be as granular as the block level to a macro scale at the national level. At each intermediate level, a policymaker can get a picture of how at risk a geography is, and why it is at risk. From this point, the relevant stakeholders can monetise the assets at risk to arrive at potential L&D.

Furthermore, the monetised L&D would become an adaptation metric, that is, an indicator to gauge whether a system has been able to adapt or not. The losses and damages avoided indicate the efficacy of implemented adaptation actions. This allows states to concretely communicate the assets at risk to funders, providing a larger incentive to release funds towards adaptation.

Finally, an important caveat is that the assessment of non-economic losses and damage will require a different framework altogether. One that is not polluted by placing monetary values on our shared humanity. Yet, this remains a policy blind spot.

Let us remind ourselves that the collective goal is to avoid L&D at all costs, that is, we hope that societies will be able to adapt to current and future changes in climate.

Although the fight for reparations must continue, the less contentious fight for adaptation finance and implementation is equally pivotal.

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