

Stop blocking progress on loss-and-damage financing at COP27

The issue needs to be discussed honestly, but it must not derail progress at the crucial climate summit.

At the two-week United Nations Climate Change Conference of the Parties (COP27) in Egypt, financing for ‘loss and damage’ is on the agenda for the first time. This is a landmark: after decades, high emitters are finally hearing the demand that they compensate low- and middle-income countries (LMICs) for the effects of climate change that many are already feeling.

Now all parties must proceed with care, build on research, study other UN environment negotiations and discuss their positions in a constructive spirit of give and take. The need for loss-and-damage finance can no longer be denied. Yet it must not become a wedge issue, dividing nations. If that happens, COP27 and future summits risk failure.

Until now, higher-income countries have preferred to concentrate their climate finance on mitigating the effects of climate change – for example, supporting green energy development – and, to a lesser extent, on adapting to a warmer world. So far, they have promised LMICs US\$100 billion annually in climate finance, and \$40 billion annually from 2025 specifically for adaptation finance (although neither of these targets is on track).

Rich countries have resisted loss-and-damage finance, partly because of a fear of being hit with large claims. But two factors have brought them to the table: first, there’s been sustained advocacy from representatives of climate-vulnerable countries and climate campaigners, backed by research; second, the horrific devastation now unfolding in regions that have contributed little to climate-altering emissions is impossible to ignore.

Loss-and-damage financing could come in several varieties. One possibility, backed by Germany and the V20 group of climate-vulnerable countries, is an insurance-style scheme called Global Shield, along the lines of existing climate-and-disaster insurance. Details are sketchy so far, but if the programme were similar to conventional (general) insurance provision, parties would contribute premiums, creating a pooled fund to provide payouts for damages.

Some countries favour another model, which looks more like climate-related humanitarian aid – a large pot of money to go to wherever there is climate damage. But for many LMICs, this goes against the spirit of loss-and-damage

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financing, which is money owed according to the ‘polluter pays’ principle, and not charitable funding. And given that mitigation and adaptation finance are already behind schedule, there is justifiable scepticism that another fund will materialize and, if it does, that it will be new money.

Many LMICs would rather see high emitters accept liability for their historical emissions and agree to provide compensation for damage wrought. This third option is by far the most contentious for high-income countries. They argue that attribution studies cannot yet determine whether climate damage in one country can be traced to specific emissions from another. They also fear that it could lead to trillions of dollars in claims. As a compromise, the COP agenda item agreed ahead of the meeting explicitly excludes questions of liability and compensation. But some LMICs will probably fight hard to have them discussed.

It will fall to conference hosts Egypt to help find a way forward. Pakistan (one-third of which was under water in September because of flooding) also has a pivotal, although tricky, role: it holds this year’s presidency of the G77, the largest group of LMICs, which also includes China. This group is not yet aligned on one model.

It might prove instructive to examine the experience of negotiators on the UN Convention on Biological Diversity. Compared with those working on the climate convention, biodiversity delegates have been more willing to discuss rules for liability and compensation. Take a biodiversity agreement called the Cartagena Protocol, which concerns the international transport of genetically modified (GM) organisms, signed in 2000 after a multi-year negotiation. African countries, led by Tewolde Berhan Gebre Egziabher, head of the Ethiopian environment agency, were determined to include a provision for liability and compensation if these organisms caused harm (see go.nature.com/3wnxtuc). This idea was opposed by some high-income countries, led by the United States, on the grounds that there was no or little evidence that GM organisms could be harmful. In the end, the provision was not included, because it risked endangering the whole treaty. However, all parties promised to continue discussions, and liability and compensation rules were adopted by UN biodiversity-convention member states in 2010.

It shouldn’t have taken 30 years for loss-and-damage finance to be included on the climate COP agenda. That time would have been better spent designing a scheme that could already have had a big impact on climate-vulnerable countries. The whole world is now at a much more precarious point, and LMICs in particular are more vulnerable.

Higher-income countries must accept responsibility for their previous blocking tactics as they approach this part of the negotiations. COP27 needs to succeed across the board: it must accelerate decarbonization much faster than has been promised so far. It must make good on climate finance that has already been pledged. In addition to loss-and-damage financing, the thorny topic of attributing historical responsibility for current impacts must be broached. It’s unlikely that this summit can solve all the issues. But it would serve no one’s interests to divide countries to the point that the meeting itself looks to be in peril.