



Loss and Damage Explainer

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Introduction

In the climate change context, “loss and damage” [1] does not have an agreed definition. It is generally understood as **irreversible or residual results from climate change impacts where adaptation is no longer possible. Sea level rise, tropical storms, floods, droughts or wildfires are examples of impacts that can lead to loss and damage.**

The concept refers to both economic - such as damage to infrastructure or reduced crop yields - and non-economic losses [2] - such as loss of culture, health, and biodiversity.

As early as 1991, the Alliance of Small Island States (AOSIS) advocated for the creation of an International Insurance Pool to compensate vulnerable small islands and low-lying coastal developing countries for loss and damage resulting from sea level rise [3] during the negotiation of the [UN Framework Convention on Climate Change](#) (UNFCCC). It was not until 2007 at COP13, however, that the expression “loss and damage” was first mentioned in a [COP decision](#).

Since then, promotion of the implementation of approaches to address loss and damage has gained momentum, culminating in the establishment of the [Warsaw International Mechanism for Loss and Damage](#) (WIM) in 2013.

In 2015, developing countries succeeded in including in the Paris Agreement a freestanding article on “loss and damage associated with the adverse effects of climate change” as Article 8. This represented global recognition of the limits of human and ecosystem adaptation to climate change impacts and formally distinguished the issue from adaptation.

However, the language used in Article 8 avoided creating financial commitments beyond the funding of mitigation and adaptation actions by developed countries and did not differentiate between developed and developing countries in their roles and responsibilities for addressing loss and damage.

The discussion on Loss and Damage has continued to evolve since the establishment of the Paris Agreement. Recent developments include the establishment of the [Santiago network for Loss and Damage](#) (Santiago network) in 2019 and the creation of the [Fund for responding to Loss and Damage](#) (Fund) in 2022, both of which are still in the process of being fully operationalised.

The science behind Loss and Damage

Since the adoption of the Paris Agreement in 2015, scientific assessments have shone a light on the immediacy of the risk of reaching human and ecosystem limits and the urgency required to address loss and damage. In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a [special report](#) on the **impacts of global warming of 1.5°C**, which states that **at 1.5°C, limits to adaptation will be reached, resulting in loss and damage in particularly vulnerable developing countries**. The 2023 Sixth Assessment Report of the IPCC assessed the scientific literature on loss and damage, across sectors and regions linked to: adaptation constraints and limits; global warming levels; and incremental and/or transformational adaptation to climate risks. The report underscored that as global warming continues to rise, losses and damages will also increase, and more human and natural systems will encounter limits to adaptation.

[1] Where we use “Loss and Damage” (uppercase “L” and “D”) in this explainer, we mean to refer to the mechanisms and arrangements that are used to address loss and damage at the UNFCCC.

[2] Non-economic losses in the context of the work programme on loss and damage United Nations. (2013, October 9). UNFCCC. Accessed October 5, 2024, from <https://unfccc.int/resource/docs/2013/tp/02.pdf>

[3] Report of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change on the Work of Its Fourth Session’, INC, held in Geneva on 9-20 December 1991. https://unfccc.int/sites/default/files/resource/docs/a/15_1.pdf

* Warsaw International Mechanism for Loss and Damage (WIM) and its executive committee

The WIM was established at [COP19](#) as the main vehicle in the UNFCCC process to address loss and damage by promoting the implementation of approaches associated with climate change impacts in developing countries that are particularly vulnerable to the adverse effects of climate change.

The same decision (Decision 2/CP.19) also created its [Executive Committee](#) (ExCom), formed of 20 members – 10 from Annex I Parties (developed countries) and 10 from non-Annex I Parties (developing countries)- to guide the implementation of the WIM's three core functions:

- Enhancing knowledge and understanding of comprehensive risk management approaches;
- Strengthening dialogue, coordination, coherence and synergies among relevant stakeholders; and
- Enhancing action and support, including finance, technology and capacity-building.

In practice the WIM's focus has been on the first and second functions mainly despite developing countries' demand for more work on action and support. The Paris outcome on Loss and Damage would later expand the WIM ExCom functions. Now operating through five thematic expert groups focused on [slow-onset events](#), [non-economic losses](#), [comprehensive risk management](#), [human mobility](#) and [action and support](#).

The Paris outcome on Loss and Damage would later expand the WIM ExCom functions. Now operating through five thematic expert groups focused on [slow-onset events](#), [non-economic losses](#), [comprehensive risk management](#), [human mobility](#) and [action and support](#). COP 21 asked the ExCom to create a [risk transfer clearinghouse](#) as a resource for insurance and risk transfer information, helping Parties develop comprehensive risk management strategies.

The Fiji Clearing House for Risk Transfer, launched at COP 23, offers guidance on designing risk transfer approaches, case studies, and tutorials. At COP 27, the ExCom adopted its second five-year workplan for 2023-2027 [4] and was encouraged to collaborate with the Loss and Damage Fund and Santiago Network (Decision 3/CP 28).

The Paris Agreement integrates the WIM into its institutional architecture (Article 8.2), placing it under the authority and guidance of the [Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement](#) (CMA). However, it is unclear whether this provision means the COP's role in governing the WIM has been replaced by the CMA.

This governance issue has become politically contentious and remains unresolved. For now, WIM decisions are generally negotiated within the CMA and approved by the COP. For more on the legal implications, please consult LRI's [legal advice](#) on the matter. (*"Moving the Warsaw Mechanism for Loss and Damage"*)

At COP 29, the third review of the WIM will take place, presenting an opportunity to enhance coordination within the evolving architecture of Loss and Damage governance under the UNFCCC. At SB 60 the Parties established the [terms of reference](#) for the WIM review that will include its performance and functions, its structure including its ExCom and Santiago network and progress in implementing their respective activities and links and synergies with the Fund.

* Santiago Network for Loss and Damage

The second review of the WIM (2019) led to the **creation of the Santiago Network to catalyse technical assistance** from relevant organisations, bodies, networks and experts (OBNEs) to vulnerable developing countries ([Decision 2/CMA.2](#)). At COP 26, the Parties agreed on its [functions](#), which include catalysing demand-driven technical assistance by identifying and prioritising needs, connecting those seeking help with providers, and facilitating discussions on substantive issues and access to information. They also [agreed](#) to establish a hosted secretariat to provide administrative support under the supervision of an Advisory Board.

During COP 27, the institutional arrangements were agreed and outlined in Annex I of the Decision ([Decisions 12/CMA.4 and 11 /CP 27](#)). With an agreement on the structure, the network began its path to full operationalization. At COP 28, the UNOPS-UNDRR consortium was selected as the hosting entity for an initial five-year term, with the option for renewal.

The first meeting of the Santiago network Advisory Board took place in March 2024 in Geneva, where it was decided that Geneva, Switzerland would host the secretariat of the Santiago Network. The inaugural meeting of the Advisory Board also involved the election of its co-chairs and progress made on reaching an agreement on several practical measures to advance different aspects towards the full operationalization of the network.

In July 2024, the Advisory Board had its [second meeting](#), making significant progress towards fully operationalising the network. The Board approved guidelines for designating OBNEs as members of the Santiago network. At the [third meeting](#) in September this year, the Advisory Board adopted various guidelines and relevant documents, including those focused on OBNE engagement in requesting and delivering technical assistance, and [announced](#) the new Director of the Santiago Network secretariat, Ms Carolina Fuentes, who will formally start work on November 1st.

With guidance from the Advisory Board, the Director will focus on establishing a permanent secretariat in Geneva, along with regional and subregional UN offices in all geographical regions to ensure comprehensive coverage.

[4] Second five-year rolling workplan of the Executive Committee of the Warsaw International Mechanism. (n.d.). UNFCCC. Accessed October 5, 2024, from https://unfccc.int/sites/default/files/resource/Second_5yrRWP_edited.pdf

* The Fund for responding to Loss and Damage

For many years, developing nations have been calling for financial resources to address loss and damage; no significant progress was made until COP 26 in 2021, when AOSIS put forward a proposal for the establishment of a [Loss and Damage Finance Facility](#). This proposal was supported by the G77 and China, but opposition from developed countries blocked its adoption in favour of establishing a '[Glasgow Dialogue for Loss and Damage](#)' between Parties, relevant organisations and stakeholders to discuss the arrangements for the funding of activities to avert, minimise and address loss and damage associated with the adverse impacts of climate change until the SB 60 (June 2024). However, **many vulnerable developing countries persisted in the efforts to create a fund**. This was finally agreed at COP 27/CMA4, which created new funding arrangements and a Fund dedicated to loss and damage.

This [Fund](#) constitutes a multilateral financing channel that aims **"to assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage with a focus on addressing loss and damage by providing and assisting in mobilising new and additional resources"**. A Transitional Committee (TC) (Decisions 2/CMA.4 and 2/CP.27, para 4.) was set up, tasked with presenting recommendations for the operationalisation of the Fund and the financing arrangements at COP 28. On the first day of COP 28, the countries took the unprecedented step of adopting the recommendations of the TC and defining the operating rules of the dedicated Fund through [decisions](#) on the operationalisation of Fund [5].

These -Decision 1/CP.28 and Decision 5/CMA.5.- cover various aspects: in terms of scope, the support provided by the fund also includes immediate humanitarian actions after extreme weather events, medium- or long-term recovery, reconstruction, rehabilitation, and addressing slow-onset events. It is intended that the Fund will have a streamlined and rapid approval process with simplified criteria and procedures, while maintaining high fiduciary standards, environmental and social safeguards, financial transparency standards and accountability mechanisms.

The decisions explicitly authorises all developing countries to access the Fund's resources directly, including through sub-national, national and regional entities (para.42 annex I). However, it is possible that the operational modalities, as well as the financial instruments and financing structures, still to be defined by the Board, will limit access and give priority to particularly vulnerable developing countries, in line with the Fund's objective.

The Fund is designated as an entity entrusted with the operation of the Financial Mechanism of the Convention, that also serves the Paris Agreement, which will be accountable to and function under the guidance of the COP and CMA. To ensure the operation of the Fund under such guidance, contractual arrangements are to be approved at COP 29 and CMA 6 (November 2024), between the COP, the CMA and the Board of the Fund. It can accept contributions from a wide range of funding sources, including grants and concessional loans from public, private, and innovative sources, as deemed suitable.

The World Bank will act as interim trustee, host the Fund's secretariat and operationalize the Fund as a World Bank hosted financial intermediary fund (FIF) for an interim period of four years. The World Bank will thus play a fiduciary role, particularly with regard to the management of day-to-day operations under guidance of the Board.

The [Board](#), which has 26 members, held its [first meeting](#) in April-May, during which it elected the co-chairs, agreed a process to select its Executive Director, and launched work on access modalities, financial instruments, modalities and facilities, arrangements for establishing and operationalising the annual high-level dialogue, and ensuring active participation of observers.

Its [second meeting](#) took place in July and progress was made on a range of agenda items including deciding on the name of the Fund: **"Fund for responding to Loss and Damage"** and selecting [the Philippines as the host](#) of the Fund Board, contingent on meeting its proposal commitments.

The Board also agreed on a workplan [6] for 2024 and 2025. Furthermore, the Board made a decision regarding active observers, pointing out the importance of ensuring meaningful participation with an emphasis of including civil society, indigenous peoples and all other marginalised group representatives. [7]

At the [third meeting](#), the Fund Board appointed the [first Executive Director](#) of the independent secretariat of the Fund, who is set to commence work on November 1, 2024. The Board adopted essential documentation enabling the World Bank to serve as the interim trustee and host of the Fund's Secretariat, including the host and trustee agreements and contribution arrangement forms.

Progress was also made on the additional rules of procedure, with the committee co-chairs tasked with outlining a pathway from the Board's third to fourth meeting. Looking ahead, formal discussions on operational details will begin at the fourth meeting scheduled to take place in December this year.

[5] At the end of COP 28, some fifteen countries, including Germany, France, Italy and the UAE, and international organisations pledged around \$700 million of the \$100 billion requested by developing countries for this new Fund.

[6] Workplan of the Board of the Fund for responding for Loss and Damage. (2024, July 1). UNFCCC. Retrieved October 7, 2024, from https://unfccc.int/sites/default/files/resource/WorkPlan_of_the_Board_for_2024.pdf

[7] Fund for responding to Loss and Damage: Decisions of the Board - second meeting of the Board, 9-12 July 2024. (2024). UNFCCC. https://unfccc.int/sites/default/files/resource/FLD_B2_17_Compodium%20of%20decisions_final.pdf?download

Relationship between the WIM, Santiago network and the Fund

The Decisions on the operationalisation of the L&D fund highlight the complementarity and coordination required with existing loss and damage relevant bodies, with specific mention of both the Santiago Network and WIM. The Santiago network is specifically called upon to align the catalysation of technical assistance and capacity building support to the L&D Fund. The role of the WIM is emphasised in deepening its collaboration with the Santiago Network, and all other entities that form part of the funding arrangements, including the L&D fund, and including this in its reports to COP. Further, it has been recommended that both the WIM and Santiago Network coordinate their channels of finance to improve synergies with the new L&D Fund. More on this relationship can be found on [LRI legal advice on the matter](#). [8]

Communicating about Loss and Damage

There are no compulsory actions for countries to take in relation to loss and damage in the UNFCCC regime. However, the Parties have the possibility of communicating to, among other things, set a benchmark for the types and levels of damage suffered by its population, environment and economy; identify support needs and request the cooperation and support of the international community to deal with loss and damage. The main tools for communicating are:

- Nationally Determined Contributions (NDCs): Parties are not obliged to include information on loss and damage in their NDCs but many do so in practice.
- Adaptation communication which parties are encouraged to regularly submit and update.
- Biennial Transparency Reports (BTRs): Parties will have an opportunity to include information on loss and damage when reporting on climate change impacts and adaptation.

Loss and Damage in the first GST process

The decision on the first Global Stocktake (GST) approved at COP 28 includes a sub-chapter on Loss and Damage. It acknowledges significant gaps, especially in finance, in addressing the growing scale and frequency of loss and damage, including both economic and non-economic losses. The decision also expresses concern about the impact on developing countries, noting reduced fiscal space and challenges in achieving the Sustainable Development Goals.

As a forward-looking measure, it calls on Parties to improve coherence and synergies between efforts on disaster risk reduction, humanitarian aid, recovery, planned displacement, resettlement, and slow-onset events. These actions aim to avert, minimize, and respond to loss and damage.

Following this first GST decision, Parties will continue to communicate about loss and damage in future GST submissions.

Loss and Damage at COP 29 and in 2025: next steps and mandated events

WIM

The upcoming COP 29 agenda includes the approval of the annual report of the WIM ExCom, conducting the third review of the WIM, organising the WIM ExCom outreach event, engaging in the launch of the [Fund Annual high-level dialogue](#), and discussing the governance of the WIM. In 2025, the WIM ExCom will hold its 22nd and 23rd meetings to advance their work towards implementing their second five-year rolling work plan.

Santiago network

During COP 29, the Advisory Board will recommend draft rules of procedure through the subsidiary bodies at SB 61 for consideration and adoption by the governing body or bodies.

The annual report of the Santiago network will be approved, and the Board will engage in a high-level dialogue. In 2025, the Advisory Board will convene additional meetings to further advance the network's work.

Funding for loss and damage

- Fund: The Fund's Board has one more meeting on 2-5 December 2024. It will start important discussions on the design of the Fund, including on modalities for direct access and direct budget support, minimum fiduciary standards and environmental and social safeguards for direct access entities, and a minimum allocation floor for LDCs and SIDS. Three meetings are scheduled in 2025 to advance its work.
- During COP 29, the mandated annual high-level dialogue on coordination and complementarity with representatives from the main entities that form part of the funding arrangements will be launched on the margins of the World Leaders Climate Action Summit. The first dialogue will then be held in the first half of 2025.
- During COP 29, discussions on the New Collective Quantified Goal (NCQG) could consider the inclusion of a Loss and Damage sub-goal.

[8] Advice to Q-15 Loss and Damage Fund Relationship with the WIM and the Santiago Network, October 2024, available at <https://legalresponse.org/legaladvice/ld-fund-relationship-to-the-wim-and-the-sn/>