

Q- What is loss and damage fund concept developed on platform of COP-27. Critically evaluate the opportunities of its practical marginalization of COP 28. Also Identify how Pakistan could benefit from it?

## 1. Introduction:

Climate Change is no longer a distant phenomena, is just around the corner. World has witnessed a number of climatic catastrophes in the past years. In the wake of these disasters, concept of "Losses and Damage" was established at COP-27 to address adverse impacts of climate change, which are irreversible. To enhance resilience and adaptation, loss and damage fund was established to help developing nations, which was confirmed at COP-28. However, it poses opportunities as well as challenges including governance, diplomatic, technical and financial etc. Developing states like Pakistan can benefit from fund in terms of financial support, resilience and adaptation.

## 2. Defining the Term "Loss and Damage":

UNEP defines "Loss and Damage":

"it refers to negative consequences that arise from unavoidable risks of climate change."

Unavoidable risks include rising sea levels, prolonged heat waves, desertification, acidification of sea etc.

### 3- Historical Context:

For over 30 years, there has been persistent call for wealthy nations to acknowledge their role in historic pollution, which raised the global temperature by over  $1^{\circ}\text{C}$ .

COP-19  $\rightarrow$  Warsaw, Poland  
(Loss and Damage Fund was established).  
LDF

COP-25  $\rightarrow$  Santiago Network for LDF Initiated

COP-26  $\rightarrow$  Glasgow  
Continued Discussions on Operationalization of  
Fund in 3 years

COP-27  $\rightarrow$  Pakistan lobbied vociferously in  
Egypt for Fund

COP-28  $\rightarrow$  Announcement of Loss and Damage  
Fund

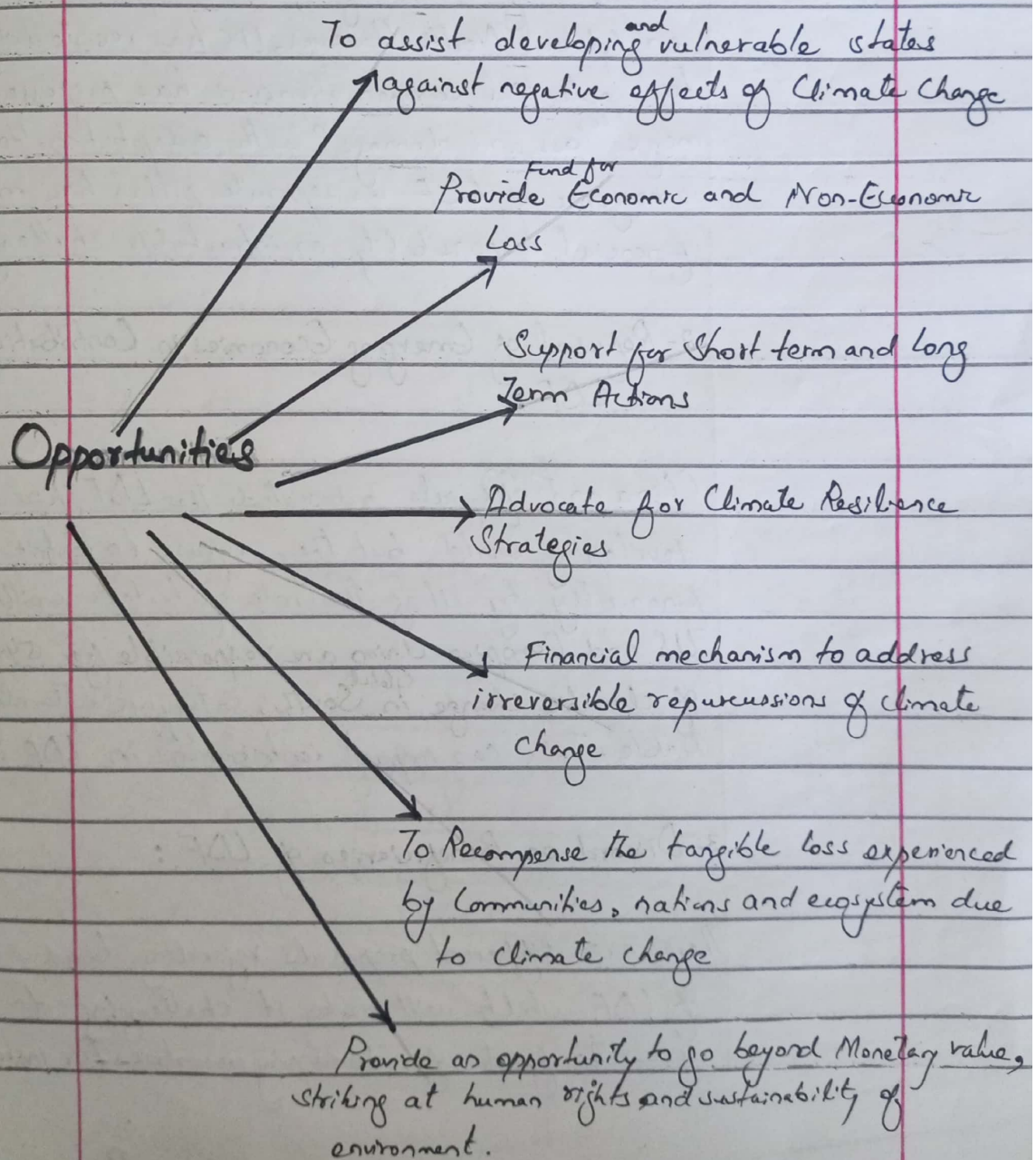
### 4- Contributions of Developed Nations in

#### LDF:

Name of country	Contribution
UAE	\$100 million
Germany	\$100 million
UK	40 million pounds
US	\$17.5 million
Japan	\$10 million

## 5- Opportunities for Practical Marginalization at COP 28:

COP-28 provided a platform to countries to strengthen their commitments to address loss and damage, mobilizing financial resources and developing frameworks for equitable financial distribution. This could lead to concrete actions and initiatives to support vulnerable communities and mitigate effect of <sup>negative</sup> impacts of climate change.



## 6. Challenges and Hurdles in Practical Materialization of COP-28:

### Challenges

i- Governance and 1- Contentious Debates on Historical Responsibilities, Current Emissions and Financial Contributions:

### Diplomatic

### Challenges:

Most of Global South advocates Common But Differentiated Responsibility Principle (CBDR) and Article 9 of Paris Agreement and put responsibility on Global North. However, US has resisted due to potential compensation and has preferred to merge "loss and damage" with adaptation. However, emergence of LDF as separate pillar has made financial responsibility an intractable challenge.

2- Refusal of Emerging Economies in Contribution of LDF:

China and <sup>Indian</sup> officials advocated the LDF for developing world but they refuse to contribute financially by citing the role of historic emitters. US and European Union are responsible for 54% of climatic change in <sup>Global</sup> South, so they are ultimately liable. This can impact contributions in LDF.

3- Discord on Beneficiaries of LDF:

There are different proposals regarding beneficiaries of LDF which will make it challenging to access the fund for developing countries. For instance,

US has proposed to limit the fund for states whose population is less than 5 million. Such proposal seems to exclude developing states from LDF making COP-28 difficult for implementation.

#### 4- Concerns on Location of LDF:

Developed states advocate for fund to be based in World Bank, as establishing new independent fund will be time consuming. They further advocate to structure the fund board to include seats for contributing members. This has sparked criticism from developing nations who perceived it as "US led Power Grab."

## ii- Climatic

### 1- Challenges in Establishing Funding Criteria:

#### Finance

#### Challenges:

Defining clear criteria for funding LD is challenging. This criteria must consider factors such as severity of events and vulnerability of affected community which is complex to measure.

### 2- Difficulty in Devising Financial Instruments:

Deciding whether funding should be given as grants or loans presents challenges. Grants may alleviate the burden on recipient state whereas, loans may impose further debt burden e.g. Ailing economies like Pakistan, which is already struggling. In 2023-24 FY, more than 7 trillion of total 14 trillion budget, will be spent to clear debt burden.

### iii-Scientific and Technical Challenges:

#### 1- Ambiguity in defining vulnerability:

#### Challenges:

LDF is established to compensate vulnerable communities. Term "vulnerability" has not been clearly defined in UNFCCC framework. Some will perceive it as to deal with adaptation, others with mitigation. Unless an accepted definition of LDF is reached, the problem with financing remains.

2- Issues regarding data collection and reporting in poor states

3- Complexity in Measuring Non-physical losses

### iv-Operational Challenges:

#### Challenges:

In 2009, developed nations pledged to provide \$100 billion to help developing nations vulnerable to climate change. However, they did not fully deliver this commitment. LDF will further diverge resources from existing financial efforts.

### v-Geopolitical Challenges

#### 1- Rising populism in Developed World:

Populism is a major factor that leads to nationalism and nationalist government are less likely to engage in international commitments. Trump's withdrawal from Paris Agreement is an evident proof of the agreement.

#### 2- Global Distractions:

The ongoing conflicts have put the focus of global power on different side. US is more involved

in sending military aid to Israel and Ukraine. These conflicts have eaten a major chunk of US fundings as it have contributed only 17.5 million US\$ in LDF.

### 3- Rivalry of Global Powers in Reversing Climatic Commitments :

There is ongoing rivalry between two superpowers which is pushing China towards South and it further divides Global North and South. This division of Global North and South will be a major distraction in building consensus on climatic engagements.

## 2- Importance for Pakistan :

The LDF will assist Pakistan - a country vulnerable to climate change - caused by major carbon-emitting nations.

### i- To Address Environmental Concerns :

According to Global Climate Risk Index 2022, Pakistan is 5th most vulnerable country to climate change. Last year at COP 27, Egypt acknowledge the devastating floods in Pakistan. Therefore, LDF will assist Pakistan in addressing its environmental concerns caused by major carbon emitters.

### ii- Transition to Clean Energy :

Pakistan lacks physical infrastructure needed to expand

mass electric vehicle expansion such as charging stations and technical capacity to support its production. In 2023, a former federal Minister highlighted a comprehensive 10-year plan to generate 10,000MW of electricity through wind and solar energy by 2031. Pakistan has an opportunity to learn from other countries' experiences and best practices in adapting to climate change.

### iii- Relief to Ailing Economy:

Climatic catastrophes had significant impact on country's economy, agriculture and health sector. ADB has estimated that Pakistan's economic loss due to climate change could amount to 18-20% of its GDP by 2050. Pakistan needs to increase its share in climate finance through such global initiatives.

### iv- Strategic Opportunities:

Pakistan was elected to funding board of LDF and secured 4 important positions: TEC (Technology Executive Committee), PCCB (Paris Committee on Capacity Building), ABSN (Advisory Board of Santiago Network), SCF (Standing Committee on Finance). These committees will work to address various aspects of climate change include technology, innovation and finance. Being member of them offers Pakistan strategic opportunities to leverage their working for their synergistic impact and advantages for Pakistan.

### v- Maximizing Revenue Potential in Regulatory Market:

The delay in finalizing Article 6 at COP 28 about Voluntary Carbon Markets provides Pakistan with opportunities to strengthen its carbon trading policies. By developing transparent



accountable mechanism, it can maximize potential in Projects like Mangroves initiative in Sindh, which has estimated regulatory market potential of \$6 billion revenue at \$50 per credit.

## 8. Conclusion:

Practical materialization of Loss and Damage Fund concept at COP-28 offers both opportunities and challenges while addressing negative effects of climate changes. It provides a platform for collective action and financial support to country like Pakistan in overcoming hurdles and ensuring meaningful required efforts and collaboration from international community.

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