



SECRETARIAT OF THE PACIFIC REGIONAL ENVIRONMENT PROGRAMME

Twenty-Second SPREP Meeting

Apia, Samoa
13 – 15 September 2011**Agenda Item 8.2.3:****International Mechanism to Address Loss and Damage
to the Adverse Impacts of Climate Change****Purpose**

1. To update member countries on the proposal by Pacific Island Countries and the Alliance of Small Island States (AOSIS) for an international mechanism to address loss and damage to the adverse impacts of climate change.

Background and Context

2. Pacific Island Countries (and other small island states) are highly vulnerable to the adverse impact of climate change. At the same time, science is showing that these impacts are worsening, putting SIDS in an even more vulnerable situation, as increasingly, climate related impacts are having devastating impacts on SIDS economies. As a result, SIDS are increasingly having to put aside an increasing share of their national budgets to deal with climate related impacts, which they are not responsible for, but also they have limited capacity to absorb these increasing costs. There are numerous examples of highly damaging extreme events in recent years, that all contribute to the sense of urgency within the region, such as Cyclone Heta and its impacts on Niue.
3. Climate change presents an additional challenge to the development aspirations of SIDS. At the same time, Pacific countries and other SIDS have limited insurance cover. What little insurance options exist in the region are increasingly being withdrawn by the private sector as the frequency of extreme events continues to increase, pushing it beyond reach of Pacific Island Countries. The small size of Pacific markets acts as a further barrier to private investment and as such there is an absence of tools to measure the true economic costs associated with adaptation and address the loss and damage from the unavoidable consequences of climate change,
4. Recent scientific finding have indicated that climate is changing faster than projected and under a high emissions scenario, a sea level rise of up to a meter or more is plausible. It has been noted (by the UN Secretary General's Climate Advisor) that low lying nations may become uninhabitable in a matter decades, making the issue of a mechanism to address loss and damage a high priority. Rather than rely on ad hoc relief, Pacific Island governments have identified the need for predictability and have called for an internationally agreed approach to manage these risks and address loss and damage.

Objective of the Mechanism to Address Loss and Damage

5. The objective of the international mechanism is to assist particularly vulnerable developing countries address unavoidable and residual loss and damage from the impacts of climate change. It is envisioned that this would be under the United Nations Framework Convention on Climate Change (UNFCCC) with links to an adaptation finance window, and would also engage the assistance of expert advice from the private sector to develop such modalities in a transparent manner, with Parties defining needs
6. Such an international Mechanism would be made up of two main components
- Insurance for extreme weather events underpinned by risk reduction and risk management
 - Rehabilitation for loss and damage due to slow onset impacts

The **Insurance component** would assist in the management of financial risks associated with increasingly frequent and severe climate-related extreme weather events, such as hurricanes, tropical storms, storm surges, floods and droughts. It would facilitate the development and implementation of financial risk management tools tailored to needs to facilitate affordable, sustainable and equitable risk sharing and risk transfer mechanisms. The Insurance Component would also leverage private and public sector funds to enhance adaptive capacity.

It has been proposed that under this component a **SIDS Insurance Facility** be established, building upon the experiences of the Caribbean Catastrophic Risk Insurance Facility, which uses a parametric modality for pay-outs in case of hurricanes and related weather extremes as well as earthquakes. Each country assesses its risks in partnership with experts and jointly agree on the parameters of acceptable risk for the participating country. This sets the level of insurance costs from each country for that year, which is paid into the donor-supported trust fund. Should a disaster strike that exceeds the parameters which have been used in the assessment, then an automatic pay-out is given to the country. For example, if a country considers that it can handle a category 2 hurricane, and is hit by anything higher, then there is a pay-out. It is not based on actual damages but on an estimation of what damages occur from a higher than category 2.

The insurance component would further incentive best practices in risk reduction and management, which would become a criteria for access. It would provide advice/assistance on risk management techniques, facilitate support for collection of weather data and analysis, provide support to risk assessments, identify hazards, make recommendations on appropriate investments in risk reduction, assist with capacity to manage climate-related risk and reduce risk exposure, and provide technical and financial support to risk reduction efforts for climate-related extreme weather events.

The **Rehabilitation Component** would address the progressive negative impacts of climate changes - ie sea level rise, increasing sea and land temperatures and ocean acidification causing loss and damage (e.g., permanent or extended loss of land, damage to coral reefs, damage to water tables, loss of fisheries, etc.). It is proposed that rehabilitation payments would be triggered by changes in internationally developed standardised parameters relative to agreed baselines, for example sea level rise, sea surface/air temperature, precipitation, wind speed, soil salinity, and ocean acidity. The types of loss and damage addressed here would include: economic loss, property loss and damage, loss of life, environmental damage (e.g., coral reef damage, salt-water intrusion, loss of fisheries, ecosystem damage). Baseline data could rely on historical data where available. Where historical data does not exist, it would be gathered through risk assessments, and based on data gathered by the international mechanism's technical advisory arm from objective sources. Rehabilitation would cover a portion of impacts, to minimize the need for a case-by-case requirement that each impacted country establish a causal link between emissions and impacts, or cover all projected impacts, depending upon the level at which triggers are set and the level of agreed payouts

International policy context:

7. In response to the request made by Pacific and other SIDS governments, the Sixteenth Conference of the Parties (COP 16) to the UNFCCC agreed in December 2010 on the need to strengthen international cooperation and expertise in order to understand and reduce loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather and slow onset events (decision 1/CP.16). The UNFCCC also agreed to establish a work programme in order to consider, including through workshops and expert meetings, as appropriate, approaches to loss and damage.

8. It is intended that this work programme will catalyse existing and future activities on loss and damage through an exchange of ideas between Parties and experts through activities such as workshops, events, and extensive dialogue with relevant experts and stakeholder organizations.

9. The need for the Pacific to engage strongly in this work programme was further supported and agreed to at the March 2011 Pacific Climate Change Roundtable (in Alofi, Niue). The Pacific Climate Change Roundtable prioritised the issue of addressing loss and damage as a key work area, and agreed on the need for members to continue to discuss and explore this issue in relevant regional meetings and processes, as well as to identify and address existing gaps to support an effective loss and damage mechanisms.

10. At the recent UNFCCC Subsidiary Body meetings (June 2011) Parties agreed on the initial elements and activities of a Loss and Damage work programme, including a set of three key themes which will look at (a) Understanding the current risks associated with Loss and Damage, (b) the range of approaches to address loss and damage and (c) the role that the UNFCCC will play in enhancing approaches to address loss and damage. To this end, the Parties have also been invited to make submissions (by September 19th) on further elements to be addressed under this work programme and an expert meeting will also be held in 2011, to address the first of these theme.

11. It is essential that if the Pacific wants to ensure an outcome in their favour in Durban, that the Pacific prepared through well developed strategies to engage activity in these initial activities, noting that there will be a need to ensure Pacific articulates its needs in the upcoming call for submissions, and participates activity in any upcoming technical meetings on this issue.

12. Parties will address this issue under the UNFCCC again, at COP 17 in Durban (December 2011) where they will also be invited to propose additional activities, to further elaborate the work programme on Loss and Damage.

Recommendations

13. The Meeting is invited to:

- **call** on partners and donor agencies to identify opportunities for assisting countries to provide further input into the UNFCCC work plan on Loss and Damage; and
- **direct** the Secretariat to provide assistance to Members in the further development of the work programme on Loss and Damage where possible, including convening a regional meeting on Loss and Damage in 2011 or 2012 and assisting countries to provide input into the September 2011 submissions to the UNFCCC.

Background documents

http://unfccc.int/files/kyoto_protocol/application/pdf/aosisinsurance061208.pdf

A proposal on a Multi-Window Mechanism to Address Loss and Damage from Climate Change Impacts, made by AOSIS to the UNFCCC AWG LCA in 2008.

<http://unfccc.int/resource/docs/2011/sbi/eng/misc01.pdf>

Submission made by Grenada, on behalf Alliance of Small Island States, to the UNFCCC, in February 2011, outlining the AOSIS views on a work programme to consider Loss and Damage.

Presentation made by the Cook Islands, on behalf of AOSIS at a workshop on Loss and Damage (June 5th, 2011) hosted jointly by Australia and Barbados.

18 July 2011