OXFORD CLIMATE RESEARCH NETWORK

Oxford Climate Research Network presents a talk and Q&A on

New Approaches to Financing Loss and Damage

from Professor Jeffrey Sachs

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Dept of Economics Lecture Theatre,
Manor Road Building, Manor Road, Oxford

New Approaches to Financing Loss and Damage

Prof. Jeffrey D. Sachs
University Professor at Columbia University
President of the UN Sustainable Development Solutions Network

Oxford Climate Policy
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Ten Basic Principles on Losses and Damages

1. Damages are likely to be much larger than previously estimated, on the order of 10% of GDP or higher, with considerable variability.

2. Accelerated mitigation and adaptation are *sine qua non* for handling future losses and damages.

3. Damages are persistent and long term, so the long-term sequelae of climate shocks must be understood, measured, compensated, and addressed through policy.

4. Difficult-to-quantify losses (losses of biodiversity, land area, sovereignty, social cohesion, refugee movements) are likely to be as large or larger than quantified losses in their impacts on wellbeing

5. Poorer countries face higher proportionate losses (as a share of GDP), for two main reasons: greater geophysical exposure (droughts, floods, storms, rising sea levels, disease vectors, others) and less resilience (as resilience is a function of capital per person, both human and physical)

6. Compensatory Justice reasonably entails joint and proportional liability for damages at the global scale. Countries should be assessed according to their cumulative share of GHGs and would receive transfers according to their losses, damages, and adaptation costs.

7. International loss and damage transfers should be conditional on adequate contributions (both pace and scale) to mitigation/end of GHGs, and on adequate investments in climate adaptation and resilience (up to point where the expected marginal cost of adaption equals the expected marginal benefit)

8. Losses and damages to shocks should be managed according to insurance principles: automatic payouts based on identified losses and damages according to reasonable attribution, assuming, as above, that adequate adaptation and resilience are in place.

9. Successful mitigation, adaptation and resilience require a change in the global financial architecture, as no low-income countries (LICs), and only three lower-middle-income countries (LMICs) have investment-grade credit ratings

10. The current policy framework is not remotely suitable: (a) HICs reject cumulative (historical) responsibilities for GHGs (and historical responsibility for anything else); (b) there are almost no international transfers for losses, damages, and adaptation; (c) voluntary contributions fail to fund losses, damages, and adaptation; (d) ODA is collapsing, even as a concept, in the Western HICs; (e) adaptation and mitigation investments are miniscule in the LICs and LMICs; (f) the global financial architecture needs an overhaul; (g) policy attention is diverted from sustainable development to great power conflict. Hence, mitigation, adaptation, resilience, and responses to losses and damages are all grossly inadequate.

Basic Principles for a Suitable Policy Response

1. Loss, Damage, and Adaptation funding should be based on international levies rather than on national voluntary contributions;

2. Sources for international levies include international shipping, international aviation, and GHG (CO2) emissions, both historical (cumulative) and current, of HICs and UMICs;

3. As an example, a levy of just $0.12 per ton of CO2 historical emissions and $4 per ton of CO2 current emissions, for the HICs, and half that rate for the UMICs, would yield more than $200 billion per year in 2025 ($190 billion in 2022);

4. The UN General Assembly should request an advisory opinion of the International Court of Justice regarding historical responsibility for costs of adaptation, losses and damages.

5. Loss, Damage, and Adaptation Financing should be embedded in a more general and adequate framework for climate financing (including mitigation financing), and Climate Financing should be embedded in a more general framework for Sustainable Development Financing.

6. The key for mitigation and SDG financing is long-term lending at near-AAA rates to LICs and LMICs, which is justified by their long-term growth potential.

7. Reform of the Global Financial Architecture requires a revamping of the Debt Sustainability Framework of the IMF-World Bank, and a massive scale-up of official funding through MDBs, leverage of specialized institutions (such as the GCF), and special-purpose guarantee funds (such as first-loss funds for SDG bonds and similar ”themed” instruments).