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**Date:** 2 December 2023

# LOSS AND DAMAGE FUND

*This article covers "Daily Current Affairs" and the topic details " Loss and Damage Fund". This topic has relevance in the Environment section of the UPSC CSE exam.*

GS 3: Environment

## Why in the news?

- The COP28 climate conference in Dubai marked the official launch of a loss and damage fund aimed at assisting vulnerable nations in managing the effects of climate change.

## Background:

- The announcement of the loss and damage fund initially took place at COP27 in Sharm el-Sheikh, Egypt, the preceding year.
- The fund's initial financial support is anticipated to total \$475 million.
  - The UAE, serving as the host, committed \$100 million to the fund.
  - The European Union demonstrated significant support with a pledge of \$275 million.
  - The United States contributed \$17.5 million to the fund.
  - Japan, in a show of commitment, allocated \$10 million to support the initiative.

## Loss and Damage Fund Overview:

- **Global Financial Package:** The Loss and Damage Fund is a global financial package designed to support the rescue and rehabilitation of countries experiencing the cascading impacts of climate change.
- **Responsibility and Compensation:** Rich nations, deemed responsible for the climate crisis due to their industrial growth, are obligated to pay compensation to poorer nations facing the adverse effects.
- **Impact on Vulnerable Countries:** Despite having a low carbon footprint, some nations are disproportionately affected by rising sea levels, floods, droughts, cyclones, impacting lives, livelihoods, biodiversity, cultural traditions, and identities.

## Complexity of Loss and Damage:

- **Lack of UNFCCC Agreement:** There is no universally agreed-upon definition of loss and damage within the United Nations Framework Convention on Climate Change (UNFCCC).
- **Categorization:** Loss and damage are often classified as economic or non-economic. Economic losses involve quantifiable monetary impacts, while non-economic losses are challenging to assign a monetary value to.

### Industrialization's Role in Climate Change:

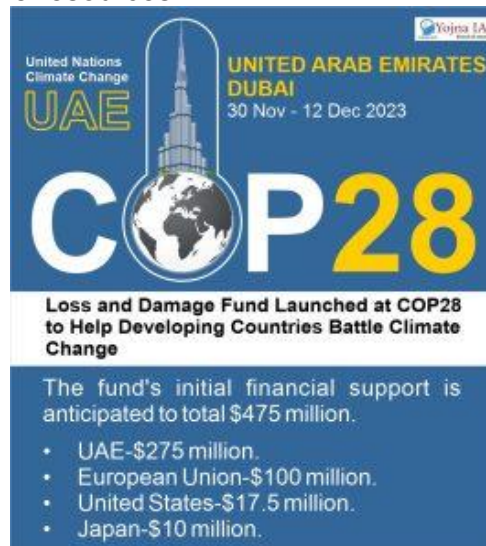
- **Historical Responsibility:** The Industrial Era since 1850 has disrupted Earth's natural mechanisms for greenhouse gas production and absorption.
- **Emission Responsibility:** The US, the UK, and the EU contribute to 50% of all emissions, while India's historical emissions account for only 3%. China, the largest emitter in recent years, is responsible for 30% of global emissions annually.

### Extent of Climate Crisis-Induced Loss and Damage:

- **Financial Impact:** Over the past two decades, 55 vulnerable countries have collectively suffered \$525 billion in losses due to climate crisis-induced events.
- **Future Projections:** Estimated losses are expected to reach \$580 billion annually by 2030, with projections indicating a continued increase as global warming persists.

### COP28 Summit's Climate Disaster Fund:

- **Positive Development:** The COP28 climate conference in Dubai saw a positive start with member countries agreeing to establish a climate disaster fund.
- **Fund Source:** Rich nations like the US, the UK, and the EU, along with some developing countries, contribute to the fund.
- **Interim Host:** The World Bank will serve as the interim host for four years, although some developing nations initially expressed concerns about potential financial control by richer nations.
- **Fund Scale and Operation:** The scale and replenishment cycle remain unclear, but the urgency necessitates a fund in the trillions. Key aspects, such as contributors and fund size, are yet to be determined.
- **Voluntary Payments:** Contributions to the fund are voluntary, and all developing countries are eligible to directly access the resources.



**Source:**

Loss and damage fund approved at COP28 summit: All you need to know | Explained News – The Indian Express

**Q.1 With reference to the Loss and Damage Fund established during the COP28 climate conference, consider the following statements:**

1. The World Bank will serve as the interim host for the Loss and Damage Fund.
2. Contributions to the fund are mandatory for all member countries.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**ANSWER: A**

**Q.2 Discuss the critical role of financial mechanisms in addressing the challenges posed by climate change. Examine the necessity for a robust financial framework to support climate adaptation and mitigation efforts globally, considering the recent developments at the COP28 conference in Dubai.**

**Rishabh**

