Opportunity for a New and Innovative Source of Finance to pay for Loss & Damage

What is loss and damage?

Loss and damage is the adverse effects of climate change that go beyond people's capacity to cope and adapt to climate change impacts.

Loss and damage includes:

- Extreme events: weather-related natural hazards
- Slow-onset events: sea-level rise; increasing temperatures; ocean acidification; glacial retreat and related impacts; salinisation; land and forest degradation; loss of biodiversity; desertification

Costs of loss and damage

Even if strong mitigation and adaptation is taken, the residual cost of climate change may be in the order of US$275 trillion between 2000 and 2200 for all countries. For Africa alone loss and damage is estimated at ~$100bn per year by 2050 for below 2°C and ~$200bn per year by 2040 for above 4°C[i].

Who are the Big Oil, Coal and Gas Producers?

A ground-breaking report by Richard Heede released in 2013 revealed that two-thirds of global carbon emissions can be traced back to 90 Big Oil, Coal and Gas Producers (the Carbon Majors report). These 90 entities include Chevron, ExxonMobil, Saudi Aramco, BP, Gazprom and Shell.

Subsidies and Profits of Big Oil, Coal and Gas Producers

The Big Oil, Coal and Gas Producers are provided with obscene subsidies and have made massive profits from selling fossil fuels knowing their products cause climate change. Taxpayers for Common Sense have calculated that, in the decade to 2012, the top five oil and gas companies alone made more than US$1 trillion in profits. A recent study by the IMF has shown the industry is supported by as much as $5.3 trillion in subsidies.

Proposal: Big Coal, Oil and Gas should fund the Loss and Damage Mechanism

We propose that a global fossil fuel extraction levy be established and paid into to the international Loss and Damage Mechanism. This funding would be used to assist the poorest and most vulnerable communities suffering the worst impacts of climate change. This fossil fuel extraction levy needs to be part of a general phase out of fossil fuels.

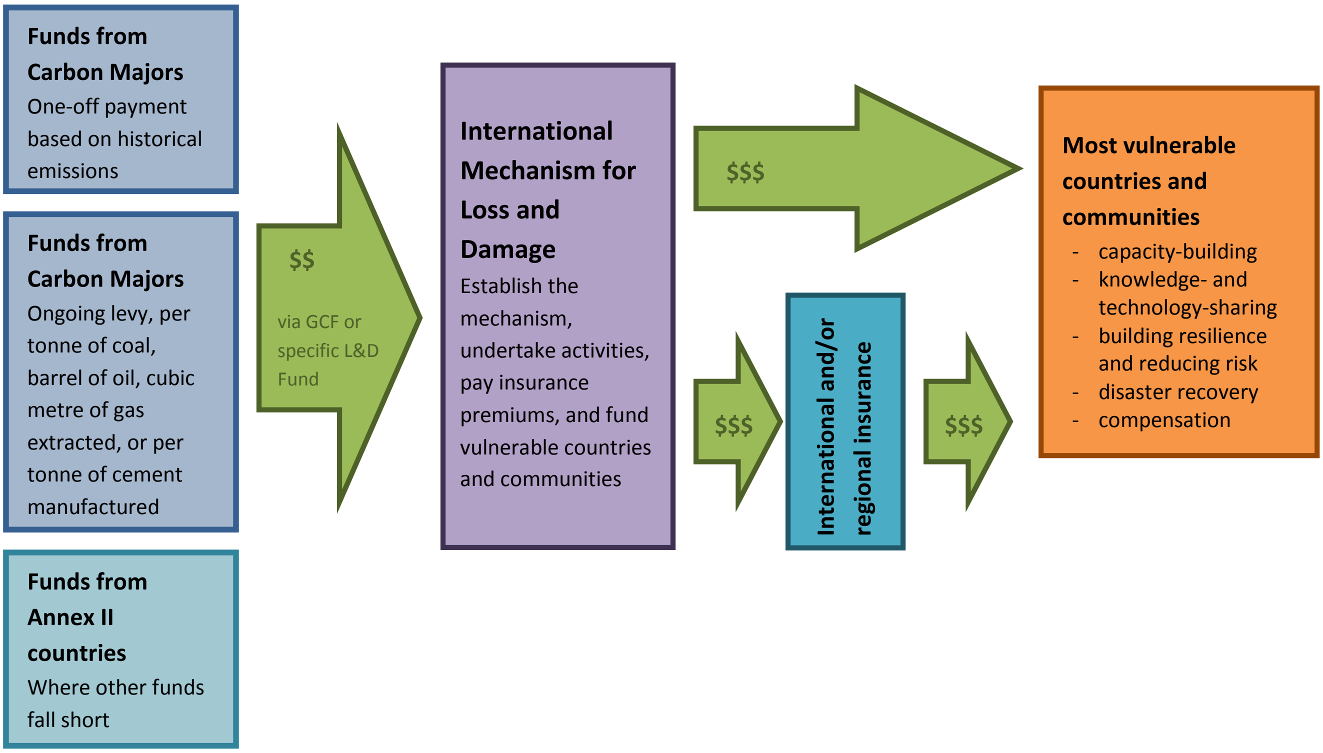
Climate finance is already inadequate – with a huge gap between what is needed and what is being offered. A new source of finance from a levy on Big Oil, Coal and Gas Producers could unlock some of the objections by rich countries to including loss and damage in a new Paris agreement.

Incorporating equity

The levy would be applied globally, but countries at a low level of responsibility and capability should be able to apply to the central coordinating body to temporarily keep the levy for domestic climate change use.

Based on existing precedents

Existing international law, in particular the polluter pays principle the no harm rule, and the right to compensation supports such a system. Our proposal draws from precedents such as the IOPC, the oil spill compensation regime which collects levies from companies that ship oil internationally which are used as compensation in the incidence of oil spills.



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Further Reading

Big Oil, Coal and Gas Producers Paying for their Climate Damage

Opt-out Process for Developing Countries (Discussion Paper)

UNFCCC documents – loss and damage

Loss and damage in vulnerable countries initiative of Germanwatch, CDKN, The International Centre for Climate Change and Development, Munich Climate Insurance Initiative, United Nations University

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[i] AMCEN/UNEP African Adaptation Gap II Report says that if all cost-effective adaptation is realised, Africa will still suffer large "residual" damages (loss and damage), which are estimated to be double the adaptation costs in the period 2030-2050 (double ~$50bn per year by 2050 for below 2oC and double ~$100bn per year by 2050 for above 4oC).