



FROM DUBAI TO BAKU NEXT GENERATION PLANET



A EUROPEAN PROPOSAL TO UNTIE THE FOUR OPERATIONAL KNOTS OF THE LOSS AND DAMAGE^[1]

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Sultan Al Jaber, the controversial president of the 28th Conference of Parties (COP28) that gathered in Dubai to assess progress on climate change last November, kicked off the annual UN climate summit with an early success. The first day of the two-week pow-wow saw the adoption of a proposal entitled “operationalisation of the new funding arrangements for responding to loss and damage”. This fulfilled a pledge made one year before at the COP in the Egyptian resort of Sharm El-Sheikh, where rich countries, chiefly responsible for historic carbon emissions, agreed to compensate mostly poor countries that did little to cause global warming but are the most threatened by its consequences.

A closer look at the text, did, however, hint that the arrangement was a lost opportunity.

The COP29 in Baku may provide the right chance to give some more substance to the proposal that may, indeed, become the blueprint for a reorganization of the multilateral, public funding of the climate change policies.

This paper on how to make the “loss and damage” more politically feasible is being finalized while people in Tampa, Florida are bracing for the biggest single damage that climate change has ever produced. According to scientists the hurricane Milton, the “storm of the century”, would not have been so huge without global warming of the oceans. As in the cover page picture, even Poseidon appears powerless in front of a nature that is violently reminding us that we are literally “one world” in the same boat.

THE PROBLEM SETTING: THE MOUNTAINS AND THE MICE OF COPS

One danger, as always with international organizations like COP, is that mountains of negotiations tend to give birth to a mouse.

Already the loss-and-damage proposal’s 18 pages looked distinctly murine. The nuts-and-bolts title notwithstanding, we had trouble to find anything particularly practical within those pages.

More importantly four big operational questions about the fund remained unanswered. Who is going to pay for it and how much? Who will be the beneficiaries? Which losses due to which kinds of events are going to be covered? Who is going to manage the whole thing?

The preamble of the draft agreement invites unspecified “developed” countries to volunteer donations; it does not say if China, the world’s second-biggest economy and today’s biggest emitter, is meant to pay.

[2] Al Jaber was criticised for being both the President of COP and CEO of one of the largest energy companies of the world, ADNOC. By the end of the COP, he was acknowledged that his business style was what drove the gathering to useful outcomes.

Eligible countries for funding are “developing countries that are particularly vulnerable”, which may hint to the exclusion of some poor countries that are not directly exposed to a specific climate change risk: this may indeed be the case of big central Asia states. It is then still to be determined, for instance, whether the fund would finance only the building of a barrier to protect against an imminent flood or whether it would also pay for economic damage caused by such a flood. And it is lastly far from clear how the World Bank, which has been invited to run the facility for the next four years, has got the right capabilities to do it and can do so while guaranteeing the fund’s independence.

Mr Al Jaber may have objected that this is nit-picking. He could argue that he got the best possible deal from inconclusive negotiations; that COPs cannot produce much more than such half-agreements; and that the UAE set a good example by donating \$100mn to the fund, which may have helped prompt four of the G7 club of big Western economies to stump up, too. That is laudable, but not good enough. This year is shaping up to be the hottest on record. According to Copernicus, the EU climate observation programme, every month of the last twelve ones, has set the record as the hottest month since 1960. The area covered by Antarctic Sea ice has shrunk by further 15%. Worse, 2023 saw humankind put more planet-warming carbon dioxide into the atmosphere than any previous year. This calls for faster action. And that may require a novel, less ideological approach to climate governance.

The “loss and damage” debate is a case in point. It is hamstrung by the division of the world into the “bad” (countries that grew rich by generating the damage) and the “good” (developing ones suffering the losses).

An alternative, sketched out by the [Dolomite Conference](#) on climate change, a global gathering of students, companies, media and policymakers, would be to ditch this Manichean approach in favour of a mechanism that is more functional and, importantly, conveys the message that we are all in the same, sinking boat.

THE PROBLEM SOLVING: THE IDEA OF A GLOBAL FACILITY FOR THE NEXT GENERATION

The idea would be to replicate some of the features of “Next Generation EU” (NGEU) ³, which the European Union launched to tackle to the “loss and damage” produced by another recent environment disaster: the COVID-19 pandemic. IN 2020, all 27 EU member states were asked to chip in to the €750 billion fund in line with their share of the bloc’s GDP; and each would have received support in line with the damage done to it by the pandemic [4] .

[3] The bulk of Next Generation EU was the “Recovery Resilience Facility”. Its total endowment of 672.5 billion was indeed about 360 billion euros in loans and 312.5 billion euros in grants. The loans are raised collectively by the European Union and lent to member states that will reimburse the sums; the grants come from the European Commission budget that is raised from member states in proportion to their GDP.

[4] 4 The formula to calculate the contribution of each country should be simple to be understood by citizens. A possibility could be that the percentage of the fund to be covered by XYZ country = $0,5 * \text{share of XYZ'S GDP on world GDP} + 0,25 * \text{share of XYZ'S current emission on world current emission} + 0,25 * \text{share of XYZ'S cumulative emission on world cumulative emission}$. This would lead to have the 54 African countries to contribute to less than medium size State like Netherlands.

A similar climate loss-and-damage fund, call it “Next Generation Planet” (NGP), would then be defined by three characteristics:

1. A predetermined overall endowment should be fixed based on a scientific assessment of the amount of potential “loss” to be covered (the current loss and damage’s US\$100 billion per year appears to be a rather optimistic assessment).
2. The fund would be financed by all the parties to the COP according to their financial capacity, possibly weighted by their historic and current emissions (this would likely mean that the whole of Africa would pay less than one medium size EU country and a simple, understandable formula 4 should be used to calculate the share of the burden for each party of COP 4 .
3. The resulting money would then be allocated to places that appear to be uninsurable against climate-related disaster in such a way that the NGP
 - covers a share of the potential damage that is **just enough** to attract private investors willing to underwrite the remaining risk and/or. So we identify the risk in hand and put in the private capital we need in the long term.
 - Invests **just enough** money into adaptation (dams and floodwater barriers, for instance) so that the place in question becomes insurable.

The “just enough” notion is essential because the amount of taxpayers’ money be invested has to be (more or less) precisely limited to what is needed to make put investment back into the radar of the financial markets (so to use their much larger financial muscles).

It will be It is obvious that there will still be a difference between Florida, where insurance withdrew from some locations and Lagos, Nigeria, where the problem may more be on the mere capability to pay premiums.

We then have a problem on who should run the facility: COP28 was suggesting that the “loss and damage” should be equipped by a strong secretariat. We agree that there is a management question, and we also believe that its first task of whoever will run the facility should be assessing climate related risks by country (or by region within larger countries). We are using more amount of money to make things insurable. Insurance companies can also play an important role.

They may bring to the table extra money via match-funding public money and, more importantly, much needed skills. This would make the NGP a globally managed insurance pool. This would be something that may not even require a bank (like the World Bank) as we are talking about risk management and not loans. Banks will certainly have a role in financing adaptation and yet the core managerial of the loss and damage will be about insurance.

One may counter that such a scheme would be a departure not only from COP but also from what has become the norm in multilateralism. That someone may be right. For if an even deeper climate crisis is to be averted, the world desperately needs a departure from the norm.

It is true that it is multilateralism per se to have become obsolete as all the institutions that were conceived to govern in a much more stable century: We even need to think to scheme as NGP to be joined by a subset of the 198 parties; a coalition of the willing that decide to share an efficient funding mechanism.

At the time of an unprecedented crisis, the European Union took an unprecedented decision to issue common debt. With luck, COP29 could be the place where the world experiments truly global governance of its most truly global problem. The EU can bring to the table its experience as a mediator amongst different cultures. An unideological loss- and-damage fund could be the start. We are using this fund not just for the nature, or to bring tourists back. It's to protect the community to the level that doesn't need this protection before.

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