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Loss and damage negotiations expose continuing divide over finance

Kuala Lumpur, 25 Nov (Jinghann Hong) – Against the backdrop of the devastating Bhote Koshi floods in Nepal and China in late August 2026, Parties at the COP 31, discussions at the Antalya climate talks largely centred on the implementation and operation of the bodies and institutions responsible for advancing the loss and damage (L&D) agenda under the UNFCCC process. The Antalya talks ended on 22 Nov.

In the course of the two weeks of negotiations, finance remained a recurring point of contention. Despite agreement on the decisions adopted which sought to strengthen the operational capacity of L&D bodies and institutions, significant divergences were evident between developed and developing countries regarding the scale and predictability of support for L&D, and the extent to which such issues should be reflected in the decisions. (See details below).

(Between 2013 and 2016, Parties had established and operationalised the Warsaw International Mechanism (WIM) and its Executive Committee [ExCom]; between 2019 and 2023, they had established the Santiago Network together with its Advisory Board (SNAB) and secretariat; and between 2021 and 2023, Parties agreed to establish the Fund for Responding to Loss and Damage [FRLD], together with the Board and its secretariat, which subsequently established the Barbados Implementation Modalities (BIM) as the start-up phase of the Fund in 2025 and launched its first call for funding proposals at COP 30 later that same year.)

In Antalya, consideration was over two key L&D agenda items viz. the joint annual report of the WIM Excom and the Santiago Network, and the report of the FRLD together with guidance to the Fund.

Consideration of L&D-related issues at COP 31 focused primarily on ensuring that these bodies and institutions are equipped to carry out their respective mandates and functions. As L&D continues to be addressed under both the Convention and its Paris Agreement (PA), corresponding decisions were adopted under both the COP and the CMA (Conference of Parties to the PA), with the joint annual report considered under COP agenda item 7 and CMA agenda item 10, and the report of the FRLD

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and guidance to the Fund considered under COP agenda item 8(e) and CMA agenda item 11(d).

This article details the main discussions and outcomes under the L&D agenda items.

LOSS AND DAMAGE FUND REPORT AND GUIDANCE

Parties were invited to provide guidance to the FRLD on policies, programme priorities and eligibility criteria taking into consideration the reports of the Board of the FRLD and the Standing Committee on Finance.

(The Governing Instrument (GI) of the FRLD states that its Board will receive guidance from the CMA and the COP on its policies, programme priorities and eligibility criteria, take appropriate action in response to the guidance received from the CMA and the COP and submit an annual report to the CMA and the COP for their consideration.)

This work was undertaken in a joint contact group co-chaired by **Jose Delgado Jimenez (Austria)** and **Daniel Lund (Fiji)**, and spilled over into overtime of COP 31 with the final text only being released on Nov 22.

At the outset of negotiations, developed countries including the **European Union (EU), Canada, United Kingdom (UK)** and **New Zealand (NZ)** maintained their long-standing position that "no guidance" was appropriate. The **EU** said that it was clear that the Fund already had guidance from the decision operationalising the FRLD, while **NZ** said that it was "premature" to provide additional guidance before the approval of the first funding requests.

Developing countries, by contrast, pushed for guidance to be provided. **Bangladesh** for the **Least Developed Countries (LDCs)** said that the Bhote Koshi floods in Nepal and China have shown both the "potential and limitations" of the FRLD: its "potential" in responding to the loss and damage that happens with increasing frequency and its "limitations" in the scale of resources that are a miniscule fraction of the trillions needed to address loss and damage.

The fight over rapid disbursement modalities

The situation of Nepal and the Fund's response was top of mind for developing countries but this was not reciprocated by developed countries. For example, the **Arab Group** and the **Philippines** in its national capacity, sought explicit guidance on the development of rapid disbursement modalities to be reflected in the decision text. [The Philippines is the host country for the FRLD Board.]

In the first iteration of the draft text, para 26 "requests the Board, in developing the long-term model of the Fund, to: (a) Prioritize the development of procedures and policies for operationalizing rapid disbursement modalities; (b) Consider indicators and triggers that would allow rapid disbursement to be triggered after a climate-related extreme event."

In addition to this, **China** had said that it wanted to see a deadline for rapid disbursement modalities so that the next disaster did not need the convening of an extraordinary Board meeting. Absent guidance for the development of rapid response modalities, China asked, if the Board plans to disburse funds in response to an event every time, rather than establishing rapid disbursement modalities, and to clarify that if so, would funding requests submitted during emergency situations be assessed the same as those submitted during normal circumstances.

However, any explicit mention of rapid disbursement modalities was later removed by the Co-chairs due to wide divergences amongst Parties, to which **Independent Alliance of Latin America and the Caribbean (AILAC)** and the **LDCs**, together with **Philippines** and **Colombia** in their national capacities, expressed concerns over.

According to the Co-chairs, "We understand that there is a wish by some Parties to have explicitly reference to rapid disbursement modalities,

but others insist on not singling out specific elements, which is why it is not explicitly referenced to, but implicitly referred in the para with workplan and long-term model" (referring to work on developing the Fund's modalities under the long-term model of the Fund).

The **EU** additionally said that singling out points like rapid disbursement modality goes against the spirit of streamlining [the draft text] and that this was "micro-managing" the Board of the FRLD.

The final adopted text therefore contains indirect reference to the issue. Para 9 "encourages the Board, in developing the long-term model for the Fund, to draw on lessons learned in operationalizing the BIM, including initial results, countries' experience in submitting funding requests and its response in the context of the first extraordinary Board meeting, referred to in para 6 above;" [Para 6 refers to welcoming the convening of the first extraordinary meeting of the Board and "its decision to provisionally set aside an additional USD 21.6 million for piloting … an approach allowing for the new submission of a funding request under the BIM outside of the submission period".]

Dilution of developed countries' obligation to provide finance

Developing countries also sought stronger language on developed countries' obligations to contribute to the Fund. The **LDCs** maintained their preference for Option 1 of a previous iteration of the text [which reads, "Emphasizes the urgent need for adequate capitalization of the Fund and calls on developed country Parties to provide new substantial, predictable and grant-based contributions to significantly scale up the Fund's resources in line with the growing needs of developing countries;"], compared to Option 2 which was eventually reflected as para 8 of the penultimate draft text released on Nov 17 ["Recognizes the importance of adequate and predictable resources for the Fund, and encourages continued efforts to scale up the Fund's resources, consistent with its GI."].

The **Arab Group** also wanted a reference to para 12 of decision 1/CP.28, to which the **EU**, supported by **Canada**, said that additional language was not going in spirit of further streamlining [of text] and questioned why it was being brought up now.

Switzerland said that the paragraph should align with the GI, which refers to adequate and predictable resources from all sources of funding. In response to this, the **Arab Group** said that it was "puzzled" at the sensitivities around para 12, decision 1/CP.28 given that it is not new language and has been around since establishment of Fund at Dubai at COP 28. It emphasised that para 12 was about "urging contributions of developed countries, and voluntary contributions of developing countries", and so to selectively reference parts of the GI without referencing others was "unacceptable".

Given the late hour in which various final texts were released, including the cover decision, the final text for adoption was a huge compromise on the part of developing countries, as by then the text had lost all reference to the importance of adequate and predictable resources for the Fund, and the mention of scaling up resources had been diluted to bare minimum of converting pledges into contributions. (For more on the cover decision, see TWN Update 14.)

Para 7 of the final adopted text thus "notes with concern that only USD 485.77 million of the USD 822.71 million pledged to the Fund had been received as at 31 July 2026, reiterates para 10 of decisions 5/CP.29 and 11/CMA.6, and urges the conversion of pledges as soon as possible." (Para 10 of decisions 5/CP.29 and 11/CMA.6 refers to urgent conversion of pledges and "requests the Board to engage with the relevant Parties for the timely conversion of pledges to fully executed contribution agreements or arrangements to increase the predictability of resources for the Fund.")

WIM AND SANTIAGO NETWORK JOINT ANNUAL REPORT

Parties considered the 2026 joint annual report of the WIM Executive Committee and the Santiago Network, with a view to recommending draft decisions for adoption by the governing bodies. Informal consultations, Co-facilitated by **Maria del Pilar Bueno (Uruguay)** and **Rachel Liao (NZ)**, this agenda item concluded during the first week of the session.

The final adopted decision includes several substantive elements on technical assistance (TA) that were priorities for developing countries. In para 11, Parties requested the SNAB to "(a) adopt…the proposal for determining a minimum percentage of TA…directed to communities…"; "(b) ensure...information on the timelines for each stage of work in responding to requests for technical assistance as included in the current guidelines for catalysing TA"; "(c) monitor...progress in implementing the simplified modality for access to TA"; and "(d) provide information to Parties through briefings or other modalities with respect to the steps taken to select the entity that will lead the preparation of the regular report" [the regular report as referred to in para 20 of decision 22/ CMA.7, endorsed by decision 11/CP.30].

The decision also requests the SNAB to "ensure that the independent review of the performance of the Santiago Network is concluded well in advance of the COP 33 (Nov 2028) and takes into account, inter alia, para 20 of annex I to decision 12/CMA.4".

Parties further requested the WIM ExCom, through para 13, to "(a) Support and strengthen the uptake and application respectively of its technical guides by developing countries, as appropriate"; "(b) Make use of qualitative, participatory and community-based approaches to assessing non-economic loss, as appropriate, in developing knowledge products on existing methodologies and approaches for assessing economic and noneconomic loss and damage"; and "(c) Develop its third five-year rolling workplan (envisioned for implementation for 2028–2032), taking into account the mandated activities referred to in decision 22/CMA.7, endorsed by decision 11/CP.30, with the aim of, inter alia, enhancing the implementation of the functions of the WIM."

Under-resourcing of the Santiago Network

The persistent under-resourcing of the Santiago Network emerged as a key point of contention between developed and developing country Parties. Of particular concern to developing countries was the withdrawal of a contribution initially pledged by the **UK**, as reported in the 2026 annual report of the Santiago Network .

The **G77 and China**, together with its sub-groups, strongly advocated for a political signal recognizing the seriousness of the matter and sought to reflect this concern in an operative manner. Amongst initial proposals included a request for the SNAB to include in its annual report for 2027 an assessment of the adequacy of the resources of the Santiago Network relative to its technical assistance pipeline and the cost of implementation of funding requests.

Earlier iterations of the draft decision also contained provisions relating to transparency and financial support from developed countries:

- "19. Encourages developed country Parties to include in their biennial transparency reports (BTRs), as appropriate, information on support provided to developing country Parties for averting, minimizing and addressing loss and damage;
- 20. Urges developed country Parties to provide predictable multi-year funding for the operation of the Santiago Network and the provision of technical assistance thereunder;"

With respect to the proposed paragraph on multi-year funding, which draws from agreed language of para 7 of decision 1/CMA.3, **Philippines** for the **G77 and China** stressed the importance of ensuring that support to the Santiago Network is provided at a level that

is "adequate, predictable and consistent with previous decisions" adopted by Parties.

Supporting this position, **AILAC** noted that while the Santiago Network secretariat was doing what it could, and that Parties must also be realistic about the resources required to meet growing needs." It reminded Parties that the Santiago Network has been promised approximately USD 47.9 million in contributions, but had only received USD 36.8 million so far. It warned that without additional reliable and predictable support, the Santiago Network could face a serious funding shortfall as early as 2028, or even by the end of 2027," and asked, "how can we expect the Network to respond to the needs of developing countries if it does not have the resources to deliver?"

Developed countries, including the **EU, Environmental Integrity Group (EIG), UK, Norway** and **Japan**, opposed the inclusion of the proposed language.

On the proposed paragraph on multi-year funding, the **UK** stated that the Santiago Network's resource mobilization strategy should draw on a diverse range of funding sources and cautioned against language that might pre-empt consideration of other avenues of support. On the proposed paragraph on the BTRs, the **UK** said that it "goes beyond BTR guidance which is voluntary for reporting on loss and damage."

France for the **EU** said that decision 18/CMA.1 [referring to the decision on BTR] was a "careful, balanced package" that "applies to all Parties equally as a matter of equity", where the proposed paras departs from, singles out and would create new reporting burdens as well as reinterpret the MPG, saying that it does "not believe this agenda is right to revisit transparency guidelines". [Modalities, procedures and guidelines (MPG) are the rules operationalising the Enhanced Transparency Framework (ETF) under the PA.]

In response to this, **G77 and China** reassured Parties that there was no intention to change the ETF and that the way the para is formulated also recognises that the provision is voluntary, but that the Group believes that "it is important that this information is provided because it provides us with a good idea of the kind of support we as developing countries can expect."

This clash of views was largely resolved through the deletion of the proposed paras on BTR reporting and multi-year funding, with the compromise relying on references to previously agreed decisions, while retaining language addressing the consequences of withdrawn pledges and the mobilisation of resources for the Santiago Network.

The final agreed text therefore reads:

- "17. Notes with regret the impact of the withdrawal of pledges on the resources available for the Santiago Network and urges the rapid and timely fulfilment of pledges of financing for the Santiago Network;
- 18. Reiterates paragraphs 30–36 of decision 2/CMA.2, which was noted in decision 2/CP.25, and paragraphs 37–38 of decision 22/CMA.7, which was endorsed in decision 11/CP.30;
- 19. Recalls paragraphs 61–74 of decision 1/CMA.3;
- 20. Stresses the importance of the timely implementation of the Santiago Network resource mobilization strategy and requests the Advisory Board to include in the annual report of the Santiago Network to the governing bodies information on such implementation and on the in-kind and other support provided by the host entities to the Santiago Network secretariat;"

Governance of the WIM

As in previous years, Parties addressed the longstanding question of the governance of the WIM by mirroring the decision text under the COP and CMA and deferring the issue for future consideration. The central question remains

whether the WIM operates solely under the authority of the CMA or remains jointly governed by the COP and CMA.

The **G77 and China** reiterated its position that the WIM remains subject to joint governance, and since "Parties have managed to develop a modus that has allowed continuation of work," it believed it to be sufficient for now. This was supported by its sub-groups including the **LDCs, Alliance of Small Island States (AOSIS), African Group, AILAC, Arab Group** and **Group Sur.**

The **African Group** also emphasized that since the WIM was established before the PA, and therefore before the creation of the CMA, it did not see a position where the CMA has full authority of the WIM ExCom. **AILAC** similarly stressed that the COP never explicitly decided to forego its authority over the WIM to CMA under decision 2/CP.19 [the decision that established the WIM in 2013].

The **EU** maintained its preference for avoiding duplication of work and therefore placed the governance of the WIM under the CMA. However, given Parties' hard work on the matter at COP 31, it signalled a willingness to continue with the existing arrangement of mirrored decisions and deferral of the issue, while stressing that this should not prejudice future discussions. This position was supported by the **UG** and the **Environmental Integrity Group (EIG)**.

The COP decision therefore "notes that considerations related to the governance of the WIM will continue at its 32nd session (Nov 2027)".