

Cop27: EU agrees to loss and damage fund to help poor countries amid climate disasters

Change in stance puts spotlight on US and China, which have both objected to fund

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Fridays for Future protest calling for money for climate action at Cop27. Photograph: Peter de Jong/AP

Fiona Harvey, Adam Morton and Patrick Greenfield in Sharm el-Sheikh

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A breakthrough looked possible in the deadlocked global climate talks on Friday as the **European Union** made a dramatic intervention to agree to key developing world demands on financial help for poor countries.

In the early hours of Friday at the Cop27 UN climate summit in Egypt, the European Commission vice-president, Frans Timmermans, launched a proposal

on behalf of the EU that would see it agree to establishing a loss and damage fund.

Rich countries had been holding out against this key demand, arguing it would take time to establish whether such a fund was needed, and how it would operate.

Climate 'loss and damage': why it's such a big deal at Cop27

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Timmermans said on Friday morning the EU had listened to the G77 group of developing countries, for whom the establishment of a fund at this summit is a core demand.

Loss and damage refers to the ravages of extreme weather on the physical and social infrastructure of poor countries, and the finance needed for rescue and reconstruction after climate-related disasters.

Timmermans said: “We were reluctant about a fund, it was not our idea to have a fund. My reluctance was because I know from experience it takes time before a fund can be established, and more time before it is filled, whereas we have existing instruments. I really believe we could move faster with existing instruments [for climate finance]. But since they [the G77] are so attached to a fund, we have agreed.”

Timmermans added that “clear conditions” would be attached to any fund. It would be geared towards supporting the most vulnerable, with a broad financial donor base contributing.

The fund would not operate in isolation, but as part of a mosaic of solutions that includes reform of multilateral development banks, for example.

In parallel, the EU wants more ambition on cutting emissions, with stronger provisions on updated national plans for emissions cuts in line with the 1.5-degree target in the Paris Agreement and peaking global emissions by 2025. “This would have to be a package deal,” Timmermans said.

Developing countries are considering the proposal. Carla Barnett, the secretary general of the Caribbean Community, gave an ambivalent response: “There’s only one option for small island developing states, a financing fund that delivers a just pathway for the future of our countries. Division and delay tactics will not work. This is a matter we defend on the basis of justice.”

One G77 negotiator, who asked not to be named, was not impressed by the EU’s proposal. “It is a predictable attempt by the EU to break up the G77 in talks. Of course, it’s not a breakthrough. They are merely repeating its original negotiating position by making it sound like a compromise when they know very well that it is not. It is completely disingenuous.”

Australia said it welcomed the EU’s contribution and would “engage constructively with it”. On loss and damage, it was “very attracted to a new fund that benefits from a broad contributor base and focuses on the most vulnerable”.

“We want to fully examine how other institutions such as multinational development banks can interact and further develop their interaction with this fund,” said Chris Bowen, the Australian climate change minister.

There was concern that more clarity would be needed. Yamide Dagnet, director for climate justice at the Open Society Foundations, said: “I expect Friday’s discussion to turn around the issue of defining vulnerability. Both the EU and the pair of ministers’ proposals on the table refer to the “most vulnerable countries” a those who should benefit from this fund – begging the question, who is included and who is excluded into this framing, which has never been clearly defined in UN terms and could limit the benefits of the fund.”

The EU’s move throws the spotlight on the US, which has also objected to a fund and has not yet responded to the proposal.

“The EU proposal crucially establishes the principal that payments to developing countries for climate adaptation must be matched by overall global reductions in greenhouse gas emissions, which after all is the central goal of the Paris agreement,” said Paul Bledsoe, a former Clinton White House climate adviser, now with the Progressive Policy Institute in Washington.

“But labels matter. Such payments to other nations must always be described as general foreign aid, never climate compensation or reparations, in order to gain US support. With that proviso, they stand a decent chance of gaining support from the Biden administration.”

The EU’s decision places much greater pressure on China, which has up to now avoided any obligation to provide climate finance to the poorest countries, despite being the world’s biggest emitter and second-biggest cumulative emitter, and the world’s second-biggest economy.

Under the 1992 UN Framework Convention on Climate Change, under which the conference of the parties takes place, countries are strictly delineated into developed and developing, and China is still classed as developing under the treaty.

Timmermans said: “[The fund] donor base should be under the Paris agreement and take account of the economic situations of countries in 2022 not 1992, as in the G77 proposal.”

Canada’s environment minister Steven Guilbeault said his country is supportive of the EU’s proposal, but countries like China, Saudi Arabia and Qatar should contribute to the fund given their historical emissions and wealth.

He told the Guardian: “We need to have a serious conversation about expanding the donor base. We recognise our responsibility but we are less and less large emitters compared to others. It’s in the interest of vulnerable countries to have more donors... China should definitely be there. I think there are a number of oil producing nations in the Gulf region that should be part of that. I haven’t looked at the UAE’s figures but Qatar and Saudi Arabia, yes.”

Preeti Bhandari, from the World Resources Institute, said countries had three options on loss and damage. Two involved agreeing to establish a fund, either immediately or next year in Dubai. The third – the preference of the US – would not mention a fund, but agree to work on funding arrangements in and outside the UN, a reference to the need to reshape the World Bank and other international agencies to better deal with the climate crisis.

“It all boils down to political will,” Bhandari said. “This is the time for concessions and compromises. Let’s hope that common ground is fine.”

EU reversal of stance on loss and damage turns tables on China at Cop27

Fiona Harvey

in Sharm el-Sheikh

China is responsible for more cumulative emissions than any country other than the US

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Xie Zhenhua: 'There is not an obligation on China [to contribute funds] but we are willing to make our contribution.' Photograph: Peter de Jong/AP

Fri 18 Nov 2022 13.38 GMT

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Late on Thursday night in the Egyptian resort of Sharm el-Sheikh, the Cop27 UN climate talks seemed stuck in an irretrievable logjam. Rich and poor

countries had reached deadlock, a “breakdown between north and south”, according to the UN secretary general, António Guterres.

By Friday morning, the talks had been upended and the battleground dramatically redrawn, in a way it has not been in 30 years of these annual talks. At stake is the question of whether some of the world’s leading economies – countries such as **China**, Saudi Arabia and other Gulf petrostates, Russia and countries with high per capita income such as South Korea and Singapore – should start contributing for the first time to help the poorest and most vulnerable countries with the impacts of climate disaster.

“The UN framework convention on climate change was written from a 1992 perspective,” said Eamon Ryan, Ireland’s environment minister. “The scale of the climate crisis here and now is something we did not expect then.”

He said countries responsible for high levels of emissions, and with the capability and resources to provide financial assistance to poorer nations, should be part of the “donor base” for any new fund. “Large emerging economies with significant resources should be included,” he told the Guardian. “Saudi Arabia said on Thursday night it must be all the responsibility of the developed world. But they have not insignificant resources. Surely they have the capability of providing funding?”

Thirty years ago, the UNFCCC – parent convention to the 2015 Paris agreement, and the treaty under which this annual conference of the parties takes place – made a sharp distinction between developed and developing countries. Under its commitment to “common but differentiated responsibilities”, rich countries – producers of the vast bulk of greenhouse gas emissions to that point – would shoulder the required cuts to carbon dioxide emissions. They should also help poor countries to develop in a lower-CO₂ way, and to adapt to the impacts of extreme weather.

Today, China is the world’s second biggest economy, and responsible for more cumulative emissions than any country other than the US. Nations classed in 1992 as developing – including Saudi Arabia, Russia, Brazil, Indonesia and

India – now figure in the top 10 of cumulative historical emissions, eclipsing many developed countries, and their economies are also growing fast.

Frans Timmermans, the vice-president of the European Commission, said: “[We have to] take account of the economic situation of countries in 2022, not 1992.”

The dramatic shift at Cop27 began with the question of loss and damage. This refers to the devastation wreaked on the physical and social infrastructure of vulnerable countries by extreme weather, and the question of how to finance their rescue and recovery from climate-related disaster. Examples include the recent record floods in Pakistan that left 20 million people in need of humanitarian relief, and the drought in Africa that threatens 150 million people with extreme hunger.

Developed countries said they were willing to talk about loss and damage, but little financial help was forthcoming. A group of developing countries, the Group of 77 plus China bloc, put forward a proposal for a wholly new fund dedicated to loss and damage, which they said must be settled at this conference. But the rich world demurred, claiming that existing financial institutions could be used instead.

Angry developing country negotiators expressed their frustration. Molwyn Joseph, minister for Antigua and Barbuda and chair of the Alliance of Small Island States, said: “Some developed countries are furiously trying to stall progress and even worse, attempting to undermine small island developing states. So, not only are they causing the worst impacts of the climate crisis, they are playing games with us in this multilateral process.

“There has to be a mechanism [for funding loss and damage]. Whether you call it a fund or a facility. Failure to do so would establish a feeling of betrayal.”

It was a new fund, or nothing.

Early on Friday morning, the EU made a sharp U-turn. The bloc abruptly dropped its objection to a new fund, handing developing countries the concession they had demanded. “We were reluctant about a fund, it was not our idea. I know from experience it takes time before a fund can be established,”

said Timmermans. “But since they [developing countries] were so attached to it, we have agreed. This is our final offer.”



Protesters demonstrate outside the Cop27 UN climate summit on Friday. Photograph: Peter Dejong/AP

The EU’s move turned the tables on all the main emerging economies, but China in particular. As part of the G77 plus China bloc, it was officially supportive of the demand for a new fund. But a new fund that included donors from countries deemed developing under the 1992 UNFCCC was not what China – or other countries, such as Saudi Arabia, Qatar, UAE and Russia – wanted.

“The problem with the 1992 approach is that it divides the world in a way that is not the reality any more,” said Ryan. “If you look at the historical emissions since the industrial revolution, there are lots of emerging economies [with a high proportion]. China and India would have significant responsibilities on that basis.”

This is not the first time at these talks that the EU has sought to make common cause with the poorest developing countries, pointing out that their interests are not identical to those of the biggest emerging economies. At the Durban Cop in

2011, the EU climate commissioner, Connie Hedegaard, gathered a coalition of nearly every developing country to push for a plan towards a new treaty, which became the Paris agreement of 2015. She was opposed by just two countries – China and India – who fought bitterly through a 48-hour marathon final negotiating session before finally agreeing. Four years later, the Paris agreement was signed.

Recent research, carried out by the Carbon Brief, found China, Russia and Brazil responsible for the **greatest cumulative CO2 emissions to date**, after the US. China is also the world's second biggest economy, and countries such as Russia, Saudi Arabia and other Gulf countries have shared in the \$3.9tn (£3.3tn) fossil fuel bonanza since the beginning of the Ukraine war.

China declined to comment. Last week, China's head of delegation, Xie Zhenhua, appeared to say China was willing to provide funds and other help, but stopped well short of accepting the idea of paying into a common fund.

Attendees listen to a review of the state of discussions at the Cop27 summit on Friday. Photograph: Nariman El-Mofty/AP

“There is not an obligation on China [to contribute funds] but we are willing to make our contribution ... China has already been doing that, [providing] help to other developing countries. Our attitude [to loss and damage] is very supportive and understanding,” said Xie. “We strongly support the concerns from developing countries, especially the most vulnerable countries, for addressing loss and damage because China is also a developing country and we also suffered a lot from extreme weather events. It is not the obligation of China to provide financial support under the UNFCCC.”

If China, or other emerging economies, prevent the EU proposal from being adopted, the poorest and most vulnerable countries will face a hard choice – whether to challenge such countries, or reach some other compromise.

Many developing countries were publicly cautious over the EU's proposals. Carla Barnett, the secretary general of the Caribbean Community group of countries, said: “There's only one option for small island developing states, a financing fund that delivers a just pathway for the future of our countries.

Division and delay tactics will not work. This is a matter we defend on the basis of justice.”

The Guardian has been told that some developing countries privately welcome the move by the EU, but are wary of saying so publicly for fear of incurring China’s wrath. Civil society groups attacked the EU’s proposals. Mariana Paoli, of Christian Aid, said: “It is clear that the US and Europe are trying to divide the developing country bloc of countries at Cop27. The new proposals from the EU on a loss and damage fund is an attempt to wriggle out of commitments made under the Paris agreement, which commits rich polluting countries to cut emissions in an effort to keep global heating to 1.5C. The EU is now trying to expand this to include lower income countries which goes against the principles of the Paris agreement, which states that it is developed countries which caused the climate crisis, that need to cut their emissions most urgently.”

Timmermans said the EU’s offer was not tactical, or intended as divisive, but made in good faith to forge a workable deal. “I’m thinking about my kids. We can’t afford to have a failure here,” he said. “If our steps forward are not reciprocated by others, there will be a failure. I hope that can be avoided.”

Cop27 talks continue over EU climate loss and damage fund proposal

Last-ditch plan for providing cash to countries suffering climate-related disaster brings overtime wrangling

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Frans Timmermans, vice-president of the European Commission, said EU member states would only provide cash to poorer countries suffering the effects of climate breakdown if ‘the donor base was broadened’. Photograph: Emilie Madi/Reuters

Fiona Harvey, Adam Morton and Patrick Greenfield in Sharm el-Sheikh

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Crucial climate talks have dragged on past their deadline with no end in sight, as governments wrangle over how to pay for the **rebuilding of poor countries ravaged by climate breakdown**.

There was **turmoil in the negotiating halls** of the **Cop27 UN summit in Egypt**. Delegates rushed from room to room as countries scrambled to decide their response to a **last-ditch proposal from the European Union** that would establish a new fund providing cash for countries suffering climate-related disaster, known as **loss and damage**.

Such a fund has been the core demand of developing countries during the two weeks of these negotiations. But the EU’s offer came with **conditions attached that forced developing countries into a quandary**.

Frans Timmermans, vice-president of the **European Commission**, said EU member states would only provide cash if “the donor base was broadened”.

EU reversal of stance on loss and damage turns tables on China at Cop27

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That means expecting payments – and tougher targets on cutting greenhouse gases – from countries such as China, the world’s biggest emitter and second-biggest economy, as well as high emitters with vast oil revenues such as Saudi Arabia and Russia, and potentially from rapidly industrialising nations such as South Korea and Singapore.

Those countries have all been classed as “developing” since the UN Framework Convention on Climate Change, parent treaty to the Paris agreement, was signed in 1992. That has meant they have been absolved from contributing to climate finance for the vulnerable, and many have lax targets on cutting emissions.

But in the past 30 years, their emissions and economies have ballooned. China’s cumulative emissions are now **second only to those of the US**, while Russia, India, Indonesia and Brazil are also in the top 10.

China did not respond to requests for a response. Last week, the country’s climate chief, Xie Zhenhua, **indicated that China did not face an obligation** to pay for loss and damage in vulnerable countries.

“We strongly support the concerns from developing countries, especially the most vulnerable countries, for **addressing loss and damage** because China is also a developing country and we also suffered a lot from extreme weather events,” he said, through a translator. “It is not the obligation of China to provide financial support under the UNFCCC.”



Cop27: is it right to talk of ‘reparations’?

Some vulnerable nations warmly welcomed the EU proposal. Seve Paeniu, finance minister for the low-lying Pacific island nation of Tuvalu, said it was a “major breakthrough”. Vanuatu and Palau took similar positions. “To me, that is a major concession,” Paeniu said. “It is our hope that it will be ending up in the text of the conference decision.”

Others gave a muted or ambivalent response to the EU proposal, even though they had been calling for the establishment of a loss and damage fund. Many poorer developing countries have traditionally sought to present a united front with China, which has offered investment to economies in Africa, Latin America and south-east Asia.

Carla Barnett, secretary general of the Caribbean Community group of countries, said: “There’s only one option for small island developing states, a financing fund that delivers a just pathway for the future of our countries. Division and delay tactics will not work. This is a matter we defend on the basis of justice.”

Many others would not respond officially, but the Guardian understands that some are pleased with the EU proposal but will not speak out for fear of

angering their allies. Civil society activists and some countries accused the EU of trying to create division in the developing world.

Mohamed Adow, director of the Power Shift Africa thinktank, said: “The fund shouldn’t be used as a poison pill to fix old divisions around expanding the donor base. [This] won’t meet the needs of vulnerable countries.”

One negotiator for the G77 plus China alliance told the Guardian: “It is a predictable attempt by the EU to break up the G77 in talks. Of course, it’s not a breakthrough. It’s completely disingenuous.”

Timmermans denied those claims. “I’m doing this for my kids,” he said. “We can’t afford to have a failure. If our steps forward are not reciprocated by others, there will be a failure. I hope that can be avoided.”

It is unclear whether the US will support the EU proposal, and a state department spokesperson declined to comment, citing active/ongoing negotiations. Several other developed countries including Australia and Canada have welcomed it.

As well as the EU proposal, the frantic last official day of the fortnight-long talks saw:

- The final publication of the **revised draft text** for a “cover decision” from the conference of the parties, cut down **from 20 pages** in its original version to 10, and including commitments to increase the funding to help developing countries adapt to the impacts of extreme weather.
- Fears of countries attempting to backslide on the target of limiting global temperature rises to 1.5C above pre-industrial levels. Some language in the draft text emphasised the upper limit of 2C from the Paris agreement, which scientists have shown would bring dangerous levels of extreme weather and inundate small islands.
- India appearing to have failed in its attempt to have a commitment to phase down all fossil fuels included in the outcome of the conference, which was missing from the draft.
- The Egyptian hosts coming under fire as delegates worried that the talks were progressing too slowly, with the negotiating timetable still

unclear and an endpoint not yet in sight as the official deadline of 6pm local time for the end of the conference passed.

- Calls for reform of the World Bank included in the draft text, to the relief of many countries that have made it a **key aim at these talks**.

US shamed as the ‘colossal fossil’ of Cop27 climate summit by campaigners

Climate action group believes US is blocking progress on global heating by rejecting payments to poorer countries



Climate and environmental activists demonstrate in Sharm el-Sheikh, Egypt at the UN climate summit Cop27 on 18 November. Photograph: Anadolu Agency/Getty Images

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The US has been named the “colossal fossil” of the **Cop27** climate talks by campaigners who criticised the country for its intransigence in providing support to developing countries hit hardest by the climate crisis.

The “award”, unveiled at a ceremony featuring a person dressed as a dinosaur, is an annual event staged by Climate Action Network International to shame the countries deemed to be blocking climate progress.

The US took this year’s unwanted title for so far failing to back the creation of a new “loss and damage” fund, **tentatively backed by the European Union**, that would provide money to poorer countries suffering severe climate impacts.

John Kerry, the US climate envoy, has said the US is open to discussing the idea over the next two years, although it is wary of opening itself up to any sort of liability for the damages its huge historical emissions have caused.

Our leaders had a final chance to halt climate breakdown. They failed each and every one of us

George Monbiot

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“Sadly, the US traded its supposed climate ambition for some dino-sized hypocrisy at this summit,” said Jean Su, energy justice director at the Center for Biological Diversity. Su said that the US has not only blocked loss and damage financing but is pushing ahead with new gas infrastructure on the Gulf of Mexico coast.

“In these closing hours of Cop27 the US can still show its climate chops, commit to a loss and damage fund and push for a fossil fuel phaseout in the final text,” she added.

“Dishonourable mentions” in the awards went to Russia for bringing a large contingent of fossil fuel lobbyists and to the “climate disaster” caused by Brazil under the outgoing government of Jair Bolsonaro. Luiz Inácio Lula da Silva, Bolsonaro’s successor as Brazilian president, has, however, received a largely warm welcome from activists at Cop27 due to **his promises to stamp out deforestation in the Amazon**.

