POLICY BRIEF

The Importance of Finance in a Loss and Damage Status Report

From Baku to Belém without Consensus

At the 62nd session of the Subsidiary Bodies (SB62) in Bonn, Parties resumed negotiations on the review of the Warsaw International Mechanism (WIM) for Loss and Damage (L&D). This marked the second round of negotiations on the WIM review, following COP29 in Baku, where no consensus could be reached, with one contentious issue being a proposal to develop an L&D Status Report.

In Baku, several countries from the Global South, including Vanuatu, Kenya, and the G77+China, strongly called for such a report to be developed and included into the WIM review. In contrast, countries from the Global North, including Australia, the United States, and the European Union, opposed this proposal. The topic was back on the agenda of the SBs in June 2025. In Bonn, it seemed as though an agreement on an L&D Status Report might be possible, but finance was still a contentious issue. Disagreements over finance, along with dissent regarding the location of the Secretariat of the Santiago Network on Loss and Damage (SNLD) – currently in Geneva –, led to a deadlock and to the review being carried over to COP30 in Belém.

The call for an L&D Status Report was already reflected in Article 134 of the Global Stocktake decision agreed upon at COP28, which calls on the UNFCCC Secretariat to prepare a synthesis report on L&D related information provided by Parties in their biennial transparency reports and other submissions.[1] Highlighting the need for enhanced information availability on L&D, this decision mandates the UNFCCC Secretariat to decide on the development of an L&D Status Report. An important step in this direction could be taken through a decision on the WIM review, which could invite an institution such as the UN Environment Programme (UNEP) or the Standing Committee of Finance to create such a report. Although UNEP cannot be mandated to do so, because it is outside of the UNFCCC, it can be invited. The Standing Committee of Finance could in fact be mandated to write a report, as it is part of the UNFCCC, but its approach would be focused on finance. Ideally, the report would assess needs and identify gaps in the finance, technical support, and capacity that is currently provided for addressing L&D in developing countries, which are particularly vulnerable to climate change. It would also highlight best practices and lessons learned from projects that have already been implemented. Similar, annual reports exist for adaptation and mitigation, for example UNEP's Adaptation Gap Report and Emissions Gap Report. However, no equivalent report exists for L&D. An L&D Status Report would provide valuable information that could support the work of the WIM, the SNLD, and the Fund for Responding to Loss and Damage (FRLD).

Why finance needs to be included in an L&D Status Report

When the Parties agree on an L&D Status Report being included in the WIM review, finance needs to be part of it. Without it, a Status Report would be incomplete. Gaps in capacity and other areas can only be addressed if there is clear information about funding gaps. Currently, information on the aggregated financial needs of developing countries is very limited, and little is known about how these needs evolve over time and with rising temperatures. Likewise, little is known about how much finance is already provided outside

[1] See UNFCCC, 2024, Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its fifth session.

the FRLD and its funding arrangements (considering that the FRLD is meant to fill strategic gaps within current funding arrangements), and about the size of the finance gap the FRLD would ideally aim to close.

Including finance is also critical because the New Collective Quantified Goal (NCQG), agreed on at COP29 in Baku, does not postulate a sub-goal for L&D. As a result, there is currently no UNFCCC-mandated obligation for countries to report L&D finance, nor is there an official tracking mechanism for funding already delivered or needed. Outside the UNFCCC, the OECD Rio Markers focus on tracking mitigation and adaptation, but do not track finance related to L&D.

Furthermore, the FRLD, set up to close the L&D finance gap, has no measurable funding commitment and remains disconnected from the Green Climate Fund (GCF) and the NCQG as UNFCCC's main financial architecture. Without data on how much finance has been delivered, how much is still needed, and where the gaps are, the FRLD lacks crucial information that is needed for implementation and developing priorities. In light of this, we want to highlight why it is particularly important that an L&D Status Report includes information on finance.

A comprehensive finance section in the L&D Status Report should:

- Assess how much L&D finance is already being provided,
- Estimate how much finance is needed to meet the needs of countries in the Global South,
- Provide a baseline for tracking changes over time.

This information is key for several reasons:

1. **Effective response:** Without understanding actual needs in relation to the financial resources already available, it is impossible to assess, avert, minimise, and address L&D.
2. **NCQG linkages:** The general lack of sub-goals for mitigation, adaptation, and L&D within the NCGQ leaves great uncertainty about the prioritisation of finance for each pillar. A finance section in the L&D Status report would fill a critical gap by providing data that should ideally be collected as part of NCQG processes.
3. **Transparency and accountability:** Transparent finance data would make it possible to track the amount of funding provided, hold the Global North accountable for its fair share, and strengthen trust between countries.
4. **Informing the FRLD**: To determine priorities the FRLD requires robust information on provided finance and existing gaps in the funding landscape.
5. **Coherence in the L&D landscape:** The report would map finance from various streams – such as disaster risk reduction, disaster risk finance, adaptation, and humanitarian support – and clarify which contributions qualify as L&D finance, helping to avoid overlap and improve coordination.
6. **Consistency:** Annual reports can track the support provided and further needs over the years.

A finance section in the L&D Status Report is not optional. It is necessary to identify needs, guide funding priorities, and ensure a coherent, transparent, and effective response to L&D.

Recommendations for next steps

At COP30, Parties need to decide on the development of an L&D Status Report that includes a dedicated section on finance. The next steps can include the following:

- The report should be hosted by an international institution under the UN umbrella, ideally UNEP, which already publishes the Emissions Gap Report and the Adaptation Gap Report. Particularly with regard to the Adaptation Gap Report, hosting by UNEP would be beneficial in order to avoid duplications with the L&D Status Report.

- The finance section needs to provide an overview of L&D funding available, while ideally also covering developing countries' financial needs, how they evolve over time and with rising temperatures, and climate finance gaps.
- It should offer evidence-based guidance to the FRLD Board, the annual High-Level Dialogue on Coordination and Complementarity of the Funding Arrangements, the WIM, and the SNLD. This will help them achieve their respective objectives to support those most vulnerable to climate impacts.
- It should propose options and solutions for closing L&D finance gaps, including new, innovative, and additional sources of finance. One option would be to hold carbon majors accountable.
- It should highlight practical examples and lessons learned from already established projects, programmes, and institutional and financial arrangements addressing L&D.

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