

Stay ahead with our exclusive insights on Asia

Nikkei Asia brings you news and insights on the region's most influential companies, and comprehensive coverage of politics, economy, markets and trends - all from a uniquely Asian perspective.

Get full access to our award-winning journalism served to you by a diverse newsroom of over 100 reporters and editors from around the globe.

To subscribe, visit s.nikkei.com/NASub



NIKKEI Asia



If you have any queries contact us at s.nikkei.com/contactus

WHO PAYS THE PRICE?

As the world meets for COP27, developing countries seek reparations due to the impacts of climate change

SAYUMI TAKE Nikkei staff writer

Residents retrieve belongings from their village following floods caused by Typhoon Vamco, in Rodriguez, Rizal province, the Philippines, on Nov. 14, 2020.

TOKYO Part of growing up on the outskirts of Manila, 25-year-old Mitzi Jonelle Tan says, is living with the “very real” fear of drowning in your own bedroom.

In the fall of 2009, Typhoon Ketsana struck Tan’s home. She went without electricity or clean water for several days. Floodwater reached just beneath her knees, and she had to bail water out of her bedroom. “But we were fortunate because our city happened to be located higher from the ground.”

In other cities, floods reached the third floors of buildings, people were stranded on rooftops and children were found dead in the flood below. At least 400 died, 500 were injured, and 185,000 houses were damaged, according to the humanitarian information service ReliefWeb.

At the time, Tan, not yet a teenager, had no idea such experiences could be attributed to climate change. Classes at school taught her that climate change was “about melting ice caps and polar bears, global warming and carbon dioxide emissions, and the way to fix it is to turn your lights off, and to reduce, reuse, and recycle,” she said.

In 2020, the Philippines took a one-two punch from super Typhoon Goni followed by another typhoon. “Torrential rains, violent winds, mudslides” took about 100 lives, injured 500, flooded tens of thousands of homes and left 905,000 in need of assistance, according to a United Nations report.

“I had no electricity again, the roads were flooded, I couldn’t go home and I couldn’t contact my mom,” Tan recalled. At a nearby community she visited for relief operations, “the rain and mud were piled up so high that when you walked, you could hold the top of your house.”

By then, the young future activist had educated herself, learning that the greenhouse gases warming the Earth’s surface and lower atmosphere were fueling extreme



“We are very clear on our position for the upcoming COP. Big emitters must move to create a formal mechanism to finance losses at the next COP”

Sherry Rehman
Pakistan's climate minister



Getty Images

weather events like typhoons and floods. While these gases were mainly emitted by a handful of wealthy countries, the effects were mostly felt in poor communities that had barely contributed to global warming.

“What angers me the most,” she said, “is the betrayal of leaders [of the developed world]” that have failed to take responsibility for “benefiting from the destruction of the planet.”

Voices like Tan’s feed into a long-standing controversy about whether rich, industrialized countries -- in addition to cutting emissions -- should offer reparations to poorer countries for the historical damage they have caused.

It is a debate that will feature at a crucial summit being held in Sharm el-Sheikh, Egypt. The U.N. Climate Change Conference 2022 (COP27) follows a particularly devastating year for climate-related disasters around the globe -- from disastrous floods in Pakistan and record heat waves in Europe, to catastrophic storms battering the U.S. and droughts hitting countries worldwide.

CLIMATE CHANGE INEQUALITY Climate change is indeed wreaking disproportionate havoc in developing countries, say experts. A June study commissioned by the Vulnerable 20

group, made up of over 50 economies vulnerable to global warming, found that those economies had lost \$525 billion, or 22% of their 2019 gross domestic product, in the past two decades due to human-induced changes in temperature and rainfall patterns.

Of the total losses, 44% were concentrated in Bangladesh (population 166.3 million), the Philippines (111 million) and Vietnam (98.1 million), due to their large populations and levels of economic development, according to the study.

The reality of climate change in these countries is increasingly obvious. In southern Bangladesh, Ajmat Ali, a farmer from the coastal village of Damuria, told Nikkei Asia that in recent years saltwater intrusion has been turning his land infertile, making it nearly impossible to earn a living.

Ali’s struggle is caused by rising sea levels. A 2009 study by the state-run Soil Resource Development Institute found more than 1 million square kilometers of arable land in the country’s coastal areas was affected by salinity, a 26% increase from 35 years earlier.

“I cannot raise two crops of rice a year because of the shortage of fresh water,” Ali told Nikkei in a recent interview. “Even vegetables don’t grow well in the salty soil.”

A man walks among dead trees killed after Cyclone Amphan hit Satkhira, Bangladesh, in 2021.



The ruinous Cyclone Amphan that struck Bangladesh in 2020 and disrupted agriculture across the country was the final straw for Ali. A few months later he and his family packed their bags and migrated to the capital, Dhaka, in search of a better future.

“My heart aches for my ancestors’ home in my village,” he said. “I just couldn’t afford to live there anymore.”

Cases like Ali’s are increasingly being linked to global warming by scientists. Saleemul Huq, director of the International Center for Climate Change and Development, told Nikkei that, while extreme weather is common in Bangladesh, this year’s pre-monsoon flash floods in the northeastern Sylhet region arrived well before the usual monsoon season and were “definitely attributable to human-induced climate change.”

“Sea level rises, river erosion, cyclones and salty water moving inland could force millions of people to leave their homes and become climate refugees” in the near future, Huq added.

In a first for the country, this summer’s devastating floods in Pakistan were also linked to climate change. Scientists reported that downpours in the region have become 50% to 75% more intense due to global heating, and that “the fingerprints of global warming are evident.”

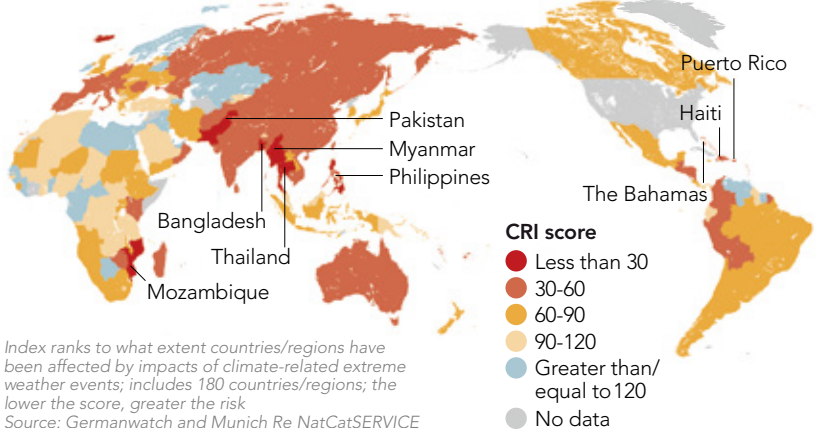
Pakistan’s disaster left almost 1,400 people dead, 1.7 million houses in ruins, around 7,000 kilometers of roads washed away and as many as 250 bridges destroyed. Massive damage to crops and livestock beckons hunger and food shortage across Pakistan over the next couple of years, according to experts.

At last year’s COP26, held in Glasgow in the U.K., a coalition of more than 130 developing countries representing over 80% of the world’s population proposed to include text in the final statement calling on parties to establish a facility that would provide new financial support to developing countries for addressing loss and damage.

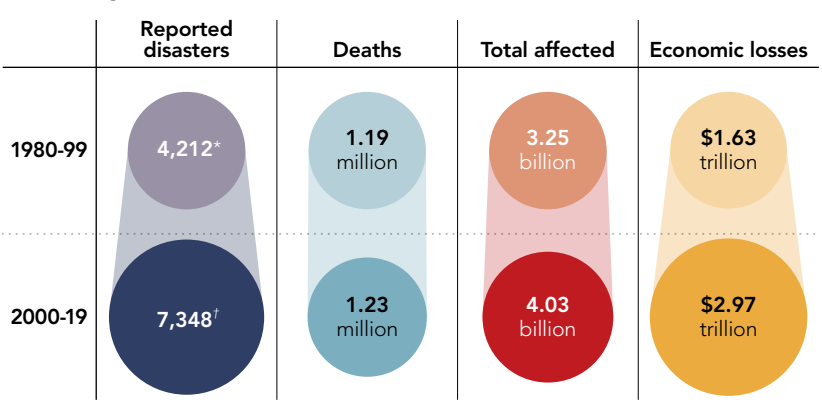
But the proposal received pushback from developed countries like the U.S., who questioned the need for a new institution, as well as the

The Climate Risk Index: Who is most vulnerable?

(Climate Risk Index score for 2000-19)



The rising cost of natural disasters (Impact of natural disasters worldwide)



Climate-related disasters are those categorized as meteorological, climatological, or hydrological; circle sizes represent percentage changes between two periods
*3,656 were climate related †6,681 were climate related
Source: United Nations Office for Disaster Risk Reduction

\$30 billion
Estimated losses and damages from recent flooding in Pakistan

Source: World Bank

European Union and Japan, whose negotiators said they did not have the mandate to agree to such a facility, according to the conference’s observer and nonprofit Third World Network. Instead, countries agreed to “discuss the arrangements for the funding of activities” related to the issue. The dialogue is to be conducted on a three-year scale, due to finish in 2024.

But developing country leaders say they are more determined than ever to secure concrete financial commitments for loss and damage at this year’s conference.

“We are very clear on our position for the upcoming COP,” Pakistani climate minister Sherry Rehman told Nikkei ahead of the conference’s Nov. 6 start. “Big emitters must move



“Can you tell Pakistan, when their country is flooded, to please put [up] solar panels? No, you need to first give them money to reconstruct their homes”

Harjeet Singh

Head of global political strategy at the nonprofit Climate Action Network



to create a formal mechanism to finance losses at the next COP, as we will continue to experience loss and damage.”

Host nation Egypt has appointed Germany’s climate envoy and Chile’s environment minister to facilitate negotiations. “We are consulting widely with all major groups and players to listen to their positions” on the issue, Germany’s Jennifer Morgan told Nikkei. “It’s important that everybody listens to each other, and we’re helping to facilitate that.”

But for many developing countries, being listened to is not enough. “[At COP27], I think developing countries will need to get the right assurances that their concerns are being addressed with a level of seriousness, [and] that we are not just having another round of discussions that doesn’t have expected outcomes,” said Mohamed Nasr, chief climate negotiator for Egypt.

On its official COP website, Egypt says it is eager to accelerate a “just transition” on behalf of African and other developing countries at the conference.

STICKING POINTS Unsurprisingly, calls for loss and damage compensation face skepticism from countries that are most responsible for carbon emissions.

The U.S. -- the No. 1 emitter going back centuries -- has made clear it will not meet at-risk countries’ demands. According to Our World



in Data, of total carbon emissions from 1751 to 2017, the U.S. emitted the most (25%), with EU countries and the U.K. coming in second place at 22%. In contrast, the Philippines and Vietnam were responsible for 0.2% each, and the whole of Africa contributed 3%. China ranks third in the data, although its carbon emissions did not really start accelerating until the 2000s.

In September, John Kerry, U.S. special presidential envoy for climate, told the audience at a Climate Week event in New York he refuses to feel “guilty” for climate change. On whether the current Congress would vote to pledge financial compensation for loss and damage, he said, “Good luck. I’m in the zone of reality.”

At an event hosted in late October by London-based think tank Chatham House, Kerry expanded on his stance. “We are not resisting the notion that we have to deal with the dialogue, but there

are complicated relationships here,” he said. “An awful lot of countries have been using coal for 70 or 80 years, not just us. So how do you apportion that? How do you deal with that?”

Whether rich countries are truly guilty of damage caused decades ago -- before climate science was even born -- is just one of many sticking points of the proposal to establish a new facility. Experts also point out the need to hammer out the details of the facility, from the scale and source of funding to how it will be managed and the criteria for providing it.



U.S. climate envoy John Kerry has said he refuses to feel “guilty” for climate change.

Left: A coal-fired power plant in the U.S. state of Colorado: The country has produced roughly a quarter of all global carbon emissions since 1751.

Right: Residents evacuate a neighborhood in Marikina, Metro Manila, the Philippines, following Typhoon Vamco.

“If it becomes just some liability, compensation, and reparation [issue] or something, that’s not going to advance the dialogue,” Kerry said. “The dialogue has to advance around finding ways to address loss and damage. ... What will be the legitimate, not facility, but financial arrangements, by which we go forward?”

Another major sticking point for wealthy nations is that, should they start agreeing to pay, they may end up having to pay vast amounts. Annual financing necessary to address loss and damage in poor countries could be at least \$116 billion in 2020, \$290 billion in 2030, and \$1 trillion in 2050, according to a widely cited estimate by researchers at the Basque Center for Climate Change in Spain.

“You tell me the government in the world that has trillions of dollars, because that’s what it costs,” Kerry said at the September event in New York.

The U.K., which played a prominent role in raising the issue at COP26, is committed to delivering on the commitments to loss and damage made “within” last year’s agreement, a spokesperson told Nikkei.

Nasr said summit host Egypt would make an agreement on loss and damage a priority. “We will use our maximum diplomatic skills to bring [the parties] together in an agreement on a way forward that is focused on delivering finance for loss and damage,” he said.

TOO LITTLE, TOO LATE? A leading developing country in the debate this year is Pakistan, still struggling to recover from the stupendous rainfall and flooding this summer that affected at least 33 million people and left one-third of its land underwater. At COP27, it is heading the flagship coalition of developing nations that last year made their case in Glasgow.

Pakistan is burdened with an estimated \$30 billion bill to repair the losses and damages created by this year’s floods. As of early

\$83.3 billion
Amount financed by developed countries in 2020 to aid climate action in developing nations, a record high to date, but still below the \$100 billion per year pledged at a U.N. conference in 2009

Source: OECD

September, Pakistan had received pledges to fund 2%, or \$610 million, of the amount, mainly in the form of humanitarian aid. Of the pledged amount, \$350 million would come from the World Bank, \$160 million from the U.N., \$58 million from China and \$50 million from the U.S.

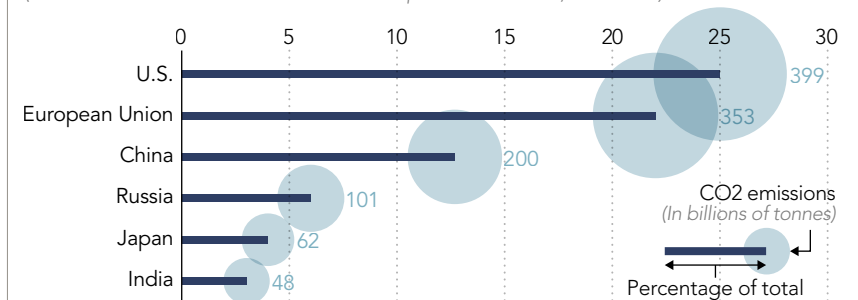
In October, the U.N. revised its appeal for aid fivefold to \$816 million, having received only \$90 million, a little over half the previous appeal, according to Reuters.

“The funds pouring in right now are barely Band-Aids, which are essential to cope but certainly not enough for a sustainable future for the country,” climate minister Rehman stressed.

Developed countries have long argued that paying for loss and damage is already being done in the course of current climate finance, which is used mainly for two purposes: “mitigation” measures to reduce greenhouse gas emissions, such as investments in solar panels and onshore

Who is most responsible for climate change?

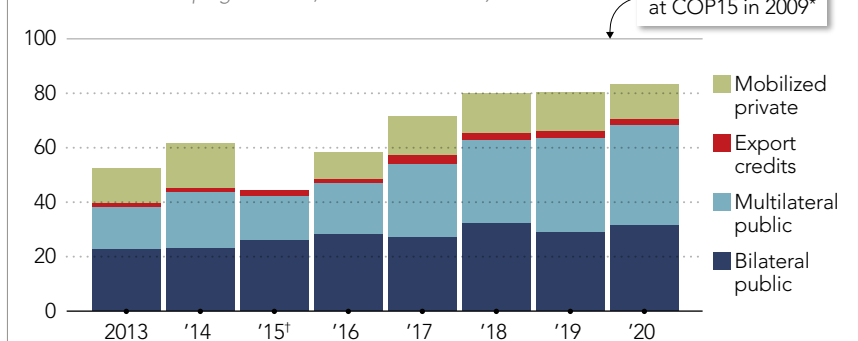
(Cumulative CO2 emissions of the world’s top carbon emitters, 1751-2017)



Source: Our World in Data

Falling short: Climate finance for developing countries

(Funding for climate action pledged and mobilized by developed countries for developing countries, in billions of dollars)



*Extended to 2025 at COP21 in 2015. *Gap in private finance series in 2015 due to implementation of enhanced measurement methodologies; private flows for 2015-18 cannot be directly compared with private flows for 2013-14

Source: OECD

“If you look at the climate finance pledges, they are minimal compared to what was mobilized for COVID, for other causes”

Mohamed Nasr
Egypt's chief
climate negotiator

wind projects, and “adaptation” measures to minimize future damage, such as early warning systems and land conservation.

For example, of \$83.3 billion raised from developed countries in 2020 for climate action in vulnerable countries, 58% went toward mitigation, with 34% going to adaptation according to the Organization for Economic Cooperation and Development. The figure, meanwhile, was still short of commitments made at the U.N. climate conference in 2009 which pledged to mobilize \$100 billion per year by 2020 for climate action in developing countries.

Meanwhile, climate-vulnerable countries insist financing “mitigation” and “adaptation,” however, does not address the damage that has already been done.

“Can you tell Pakistan, when their country is flooded, to please put [up] solar panels? No, you need to first give them money to reconstruct their homes,” argued Harjeet Singh, head of global political strategy at the nonprofit Climate Action Network. “You [also] don’t talk about adaptation. You talk about relief, rehabilitation, providing food, helping rebuild homes. That is addressing loss and damage.”

THE QUEST FOR COMPENSATION SO FAR

COP27 comes with developed countries tending to multiple crises impacting politics, the economy and people trying to make ends meet. In Europe and other developed countries, Russia’s invasion of Ukraine and subsequent sanctions have strained energy supplies and lifted inflation. As a result, governments might be more inclined to keep an especially tight hold of their purse strings.

“The context for this COP is difficult all around,” said German climate envoy Morgan, recognizing that the EU is “not alone” in the multiple issues it faces.

Alok Sharma, president of COP26, in October warned an audience at an event at the Wilson Center in Washington that “what we need to make sure [of] is that we build consensus around [loss and damage].” Otherwise, “a number of countries will walk away, and suddenly the whole fragile discussion falls apart.”



Reuters

Small island countries scattered over the Caribbean, Pacific and other seas say they are getting especially desperate. The Alliance of Small Island States founded the debate in 1991, when they requested at a U.N. climate committee meeting that “industrialized developed countries” bear “the financial burden of loss and damage” that had fallen to them “as a result of rising sea levels.” These demands have been the subject of negotiations for the three decades since.

The Maldives, a member of the grouping, has been particularly vocal in driving the loss and damage debate ever since its cabinet held an underwater meeting in 2009 to raise awareness of rising sea levels.

Mohamed Nasheed, a former Maldivian president and leader of the 2009 gathering, told Nikkei that “the Maldives has done almost nothing to cause the climate emergency, yet it is an existential threat to the future of our nation.”

Nasheed added that “it is time for the countries which caused this crisis to properly fund the loss and damage we are already suffering.”

Vanuatu, a state comprising over 80 islands in the South Pacific

Ocean, is also campaigning to ask for an advisory opinion from the International Court of Justice, the U.N.’s top court, on how responsible states are for preventing and fixing climate change.

In the face of potential legal challenges, rich countries signed on to a compromise in 2015, when the landmark Paris Agreement was adopted at COP21, legally binding countries to ambitiously work toward limiting global warming.



Alok Sharma, president of the COP26 summit, fears that the compensation divide between rich polluters and poor impacted countries could lead to climate talks falling apart.

A COP27 sign is seen on the road leading to the conference area in Egypt’s Red Sea resort of Sharm el-Sheikh.

◀

The agreement includes an article on the importance of addressing loss and damage, but on the condition that it did “not provide a basis for any liability or compensation.”

Developing countries “agreed not to discuss liability or compensation any further, in return for having a stand-alone article that explicitly mentioned loss and damage,” said Nagisa Shiiba, a policy researcher for Japan’s Institute for Global Environmental Strategies and an adviser to the nation’s COP delegation.

For at-risk countries, this was considered a positive outcome because the agreement finally recognized loss and damage as a new category of climate finance that developed countries must contribute to in addition to mitigation and adaptation, Shiiba said.

The first financial pledges for loss and damage were made at last year’s COP26, by Scotland in the U.K., Wallonia in Belgium and philanthropists offering a total of about \$7 million. In September, Denmark became the first country to join in, with \$13 million.

ALTERNATIVE APPROACHES Other countries are exploring approaches that provide help without explicitly mentioning funding for loss or damage.

One approach is to provide technical assistance, another approach is to explore insurance, providing property owners with financial relief for loss or damage caused by extreme weather events.

Germany, home to large global insurers and which holds the presidency of the Group of Seven developed nations this year, is coordinating G-7 countries and vulnerable economies in “a wider effort to accelerate prearranged financing” such as insurance, with a plan to launch an initiative crowned the Global Shield Against Climate Risks at COP27.

However, many say insurance schemes do not tackle loss and damage to their full extent. According to the OECD, “barely a tenth” of economic losses and damages from climate-related extreme events are insured in low- and middle-income countries, versus a majority in high-income countries.

An estimated
22%
of the total GDP of 50 economies vulnerable to climate change has been lost over the past two decades due to human-induced changes in temperature and rainfall patterns

Source: Vulnerable 20 survey

Climate activist Mitzi Jonelle Tan, center, marches during a protest on a university campus in the Philippines in 2019.



Courtesy of Mitzi Jonelle Tan

Insurance is also unsuitable for addressing the impact of disasters that take place over a long period of time, such as rising sea levels and coastal erosion. It also fails when cultural heritage and other noneconomic assets are lost, a report by the Stockholm Environment Institute notes.

The institute’s report points to “innovative” sources of finance that could “sidestep the need for reaching consensus” at COP in the first place, such as raising funds through air passenger levies, taxing fossil fuels or shifting their subsidies, or canceling debts.

Nasr insisted, however, that the key is securing government-level commitments. “We need to avoid spillover from other issues into the climate change discussion,” he argued. “If you look at the climate finance pledges, they are minimal compared to what was mobilized for COVID, for other causes.

“Sometimes the challenge [lies] in the political will and the commitment to go beyond the COP to deliver on the ground what we pledged to at the COPs.”

Philippine activist Mitzi Tan says policymakers from both sides have told her that “the only way to change political will is to make [governments] see that their voters care -- you need that pressure.

“That’s why I went to COP26 and am going to COP27 too. I know that if [policymakers] are left alone, they’re really not going to change. We’ve seen that.” **N**

Additional reporting by Rhyannon Bartlett-Imadegawa in London, Faisal Mahmud in Dhaka, Marwaan Macan-Markar in Colombo, and Wajahat S. Khan in New York.