Justice a Radical Demand:
Financing Loss and Damage

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Three decades after the creation of the United Nations Framework Convention on Climate change (UNFCCC), developed countries yielded to world pressure and finally a step forward was taken in the Loss and damage negotiations. At the COP27 climate conference, the creation of a financing mechanism and a fund for Loss and damage was agreed. This decision opens a process to discuss ways to finance addressing loss and damage. However, the structure of this mechanism and how this fund is implemented depends on the decisions taken in the coming months. Addressing loss and damage is an obligation that transcends Article 8 of the Paris Agreement and Article 3.1 of the UNFCCC and is focused on the obligation to be accountable regarding the harm caused to the environment and society. Developed countries carried out economic activities that were under their control, caused loss and damage within and outside their jurisdiction. It is in this discussion on rights that we must demand justice, always bearing in mind the economic and climatic reality of Latin America and the Caribbean.

INTRODUCTION
LATIN AMERICA AND THE CARIBBEAN

The climate projection for Latin America and the Caribbean is worrisome. Climate impacts in the region translate into reduced food security, impact on water security, and the threat of increasing the frequency and intensity of climate extremes. Today around the world, but especially in Latin America, there are millions of people exposed to severe food insecurity and suffering from reduced water security due to extreme weather events.

The territories of Latin America and the Caribbean are disturbed by a slow transformation that exacerbates existing crises and is interspersed with extreme events that destroy the ability to maintain the status quo. It has been reported that:

- the average rate of temperature increase per decade has doubled from 1961 – 1990 compared to 1991 – 2021 with 0.2 °C per decade.
- the glaciers of the Andes lost 30% of surface area since 1980; sea-level rise is increasing at a faster rate than on a global scale.
- in 2021 there were 21 named storms being the most active year on record in the Atlantic.
- whereas there are high levels of food insecurity in Central America.
- extreme rainfall, floods and landslides cause significant losses.¹

Climate change affects the enjoyment of human rights such as the right to life, housing, water, sanitation, food, health, development, security of the person, adequate standard of living, and a healthy environment. The negative impacts of climate change disproportionately affect people living in poverty, women, children, migrants, persons with disabilities, minorities, indigenous peoples, and other marginalized populations.²

The pre-pandemic economic crisis was severe in Latin America and the Caribbean, but now after COVID-19, the fiscal situation has deteriorated, and state debt levels are projected

to grow from 68.9% to 79.3% of GDP. These levels of indebtedness make Latin America and the Caribbean the region of the developing world with the highest external debt in relation to exports of services and goods (57%).

The pandemic has exposed the deep inequality of the region, product of the existing structural and institutional gaps, causing a severe impact on "productive structures, which resulted in the closure of more than 2.7 million companies, and a crisis in the labor market, since the number of people without work increased to 44.1 million." These closures caused a greater impact on vulnerable populations, raising poverty levels from “185.5 to 209 million people (from 30.3% to 33.7% of the total population)” and an increase in extreme poverty from “8 million, to 78 million people.” Economic and social development is expected to be delayed by at least a decade, by the end of 2020 the level of GDP per capita was equal to that of 2010. These conditions exacerbate the contextual vulnerability of communities in Latin America and the Caribbean, increasing their risk and reduced capacity to adapt to climate impacts.

**EXTRACTIVISM IN CLIMATE CRISIS**

Climate change has its historical roots in the carbon-intensive extractivist economic model of the northern economies. This economic activity has changed the climate and imposed an unusual and disproportionate risk on our communities. The profit and

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5. ibid.
The ecological debt has two nuances, one related to exports at very low prices of primary products that do not include the negative externalities (of extraction and processing and pollution on a global scale) and that deteriorate the basis for local development. And second, "the free or very cheap occupation of environmental space -atmosphere, water, land- by depositing the residues of the productive process" which have their clearest example in the abuse of our biological and genetic diversity, climate change and the unbalanced use of the global carbon budget by the countries of the North.

Under a sustainable, responsible and equitable economic model as established by the objectives and commitments of the United Nations Framework Convention on Climate Change (UNFCCC), the “external debt of Latin American countries has already been paid, not only in economic terms due to the effect of the enormous amount of interest paid that far exceeds the original debt; also in terms of commercial exchange for the wide

economic benefit obtained by developed countries, who have speculated with the prices of these goods to benefit in the process of buying and selling." Under a condition of usury and extreme vulnerability is that Latin America and the Caribbean face the loss and damage caused by the economic activity of the global north.

**Debt and Inequality**

Debt and inequality go together in Latin America and the Caribbean. A region plundered by the pressures and needs of the northern economies. Economic crises in the global North have a dynamic relationship with the increase in external debt in Latin America and the Caribbean. Indeed, "debt in underdeveloped countries has often been the best (or perhaps the only) way out that international financial capital had to guarantee its reproduction, be it the profitability of banks or the commercial profitability of companies." In this sense, indebtedness is not only the product of selfish and corrupt acts of Latin American elites, but also a product of structural inequality in an economic model dependent on and subject to foreign interests.

This is a cycle that has been accompanied by structural reforms that determined our economic model towards the export of raw materials and that have diverted a large amount of financial, intellectual, and environmental resources abroad. Our countries "are adjusted to participate according to the expectations and needs of international financial capital. Debt, then, not only reflects a quantitative phenomenon, but plays an important role "in the restructuring processes of Latin American economies." The primarization and restructuring of the economy as a response to the creditors' impositions is complicit to the interests of the global north.

This system of exploitation and vulnerabilization is patriarchal, excluding women from decision-making, but subjecting them to subsidize the economic system with unpaid labor and transferring violence, economic and

8. ibid.
9. Sánchez-Parga and others (n 6).
10. 10 ibid.
political exclusion to them, and placing them in conditions of vulnerability that increase their risk in the face of climate change. It is a racist and discriminatory system in which Afro-descendants, migrants, indigenous peoples and other marginalized populations are the basis that sustains this unequal exchange of resources and capital.

The current economic model and the debt imposed on our peoples make it impossible to improve living conditions and human rights. It is no secret that the use of our environmental resources does not respond to our own consumption needs, in other words “the geography of extraction is very different from the geography of consumption”. For example, Latin America produces 26.2% of the world’s bauxite, but consumes only 2.9%; As for copper, it produces 45.1% and consumes 6.1%; With respect to gold, it produces 15.2% of the world total and consumes 3%:\textsuperscript{11}

This dynamic is present again when addressing the climate crisis. Latin America has 60% of the world’s reserves of lithium.\textsuperscript{12} The world big economies seek to extract this mineral for their energy needs, having already their companies anchored in our territory.\textsuperscript{13} The demand for lithium in the world is expected to multiply by 40 by 2040.\textsuperscript{14} However, each ton of lithium requires 2.2 million liters of water, so a mine like San Cristobal in Bolivia consumes 50,000 liters a day. What was once coffee, gold, bananas, copper, oil, and coal is now lithium, a new primary resource serving the consumption model of the global north.

There is an interrelationship between the desire to access the resources of our region and providing debt as a structural way out of the crises we face in the region. On the one hand, lithium mining in Latin America is presented as the solution to climate change and at the same time we are presented with innovative debt reconfigurations to face the consequence of climate change.

\textsuperscript{11} Azamar-Alonso and Carrillo-González (n 7).
However, this medicine is not necessarily the cure, but a means to adjust the current economic model towards the new needs of the economies of the North in the context of climate change. We do not intend to become a large sacrifice zone in the face of the climate crisis in order to maintain the model of consumption and exploitation that sustains the Global North.

**Loss and damage are negative externalities.**

Article 8 of the Paris Agreement has 3 key words, avoid, minimize, and address loss and damage. The first refers to avoiding carbon emissions and the second to minimizing climate impacts (adaptation). However, it is the third word to which we should pay attention, being that it is the one that implies addressing, that is, responding to the loss and damage that has occurred in the territory.

The central axis of the discussion of loss and damage is in an injury generated to the most vulnerable populations by the release of carbon into the atmosphere by economic activity in a greater proportion of developed countries for their benefit, privilege and profit. This lucrative carbon-based activity has transformed the climate on a planetary scale and resulted in violent adverse effects. These climate impacts have negatively and disproportionately affected vulnerable communities in the Global South.

The carbon-intensive economies of the global north consumed most of the global carbon budget and have caused transboundary environmental damage with socio-economic and human rights implications. In this context, Latin America faces multiple crises trapped in harmful economic relations that structure its dependence on the global north.

**A Fund and a Mechanism based on Aid.**

In 2022, Decision 2/CMA.4 established a new financing mechanism to “assist” developing countries that are “particularly” vulnerable to the adverse effects of climate change. This mechanism should make it possible to respond to economic or non-economic loss and damagees. In this way, it would respond to the effects of extreme weather events and slow-onset events. This response would address both immediate and ex-post action, in the form of rehabilitation, recovery and reconstruction. Another key point of this decision was...
the creation of the fund to respond to loss and damage. This fund is mandated to “address” loss and damage.

Decision 2/CMA.4 refers to “particularly” vulnerable countries, which opens the possibility of limiting who can be the recipients of the resources that the mechanism or the fund receives. The concept of particularly vulnerable countries is not mentioned in Article 8 of the Paris Agreement, which recognized loss and damage as the third pillar of climate governance. This is a concept used with respect to adaptation in Article 4.4 of the United Nations Framework Convention on Climate Change (UNFCCC). In this sense, this limitation is imposed by Decision 2/CMA.4 and not a legal instrument.

On the other hand, the financing mechanism is restricted under the word “assist”. This is of interest as it could represent an intention to distance the work of the mechanism from the principle of common but differentiated responsibilities and loss and damage. By introducing the concept of assisting or helping, responsibility is dissolved, and the cost is shifted to communities, while developed countries can assume an assistive and helping role. This is far from assuming financial responsibility for having generated loss and damage, affecting human rights, and putting millions of people at existential risk.

It is important to remember that it was the countries of the global north that also imposed Decision 1/CP21 paragraph 51 where Article 8 of the Paris Agreement interpreted, saying that it “does not imply or give rise to any form of legal liability or compensation.” Loss and damage is structured under a regime of exception with respect to liability and compensation. And the current discussion attempts to frame the response to loss and damage within the concept of aid, again outsourcing the negative externalities of the economic operation of the global north to the victims.

The word assist is not mentioned by Article 8 of the Paris Agreement. On the contrary, the concept of assisting is used in the Paris Agreement in its Article 9 regarding Adaptation and Mitigation to refer to the obligation of developed countries to “provide financial resources to developing country Parties”. Similarly, Article 4.4 of the UNFCCC mentions that developed countries should help developing countries particularly vulnerable to the adverse effects of climate change to meet the costs related to their adaptation. Therefore, the response needed to address loss and damage was differentiated by the text of the Paris Agreement regarding the other pillars and merits distinction.

The logic of addressing loss and damage cannot be one of help as it is of adaptation and mitigation. We have
reached a reality of 440ppm of CO2 in the atmosphere and a climate crisis has been openly declared. Loss and damages manifest itself in an inconceivable magnitude and scale, so we can assure that the parties have failed to "stabilize greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system." Nor has the large emitters allowed sufficient time for natural or social systems to adapt. The UNFCCC has not met the objectives set 3 decades ago, so now it must address the transboundary environmental damage that has materialized in the term “loss and damage”.

Therefore, having parties not circumscribing within the text of the international climate agreement the obligation to address loss and damage as aid, to do so in a decision is to facilitate the avoidance or diluting of responsibilities. Furthermore, based on the common but differentiated responsibilities principle that the obligation to provide financial resources to address loss and damage cannot be considered aid, as if the cause was the victims’ own problem. On the contrary, what communities affected by loss and damage merit is due reparations for loss and damage generated by the economic activity of developed countries.

**Interdependent financial obligations**

Referring specifically to finance, Article 4 of the UNFCCC establishes specific obligations for developed countries, which should have been fulfilled to stabilize carbon emissions and for adaptation to be feasible. The extent to which developing countries could fulfil their adaptation and mitigation commitment under Article 4.1(b) of the UNFCCC is dependent on the finance provided by developed countries in accordance with Article 4.7 of the UNFCCC.

“The extent to which developing country Parties effectively implement their commitments under the Convention will depend how developed country Parties effectively implement their commitments on financial resources and transfer of technology, and the fully aware that economic and social development and poverty eradication

are the first and essential priorities of developing country Parties.\textsuperscript{16}

This financing obligation with respect to adaptation and mitigation is reiterated by Article 9.1 of the Paris Agreement, which states that developed countries "shall provide financial resources to developing country Parties to assist them in both mitigation and adaptation, and thus continue to meet their obligations under the Convention."\textsuperscript{17} It is this logic of interdependent obligations that allows us to affirm the existence of a duty of developed countries to provide financing to "avoid" (mitigation) and minimize "(adaptation) loss and damage.

In this sense, it is consistent to claim that an obligation to provide financing by developed countries persists when loss and damage are generated, when these are consequences of the failure of the commitments adopted by parties to the UNFCCC. The nature of the financing that must be provided to address loss and damage derives from the same obligation regarding its causes, mitigation and adaptation, which have been implemented in ways that do not meet the objectives of the UNFCCC. Funding to address loss and damage does not respond to voluntary aid but to the duty of implementation of the UNFCCC.

In this sense, after 3 decades of failed implementation of the UNFCCC, it is time for Parties to consider the measures that should be adopted in terms of finance "to address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change or the impact of the implementation of response measures", whereas the objectives and commitments of the UNFCCC have not been met and in response to existing financial obligations.\textsuperscript{18} Failure to fulfill the commitments and objectives of the UNFCCC does not relieve responsibility for its consequences, as the inclusion of Article 8 on loss and damage in the Paris Agreement makes evident. The normative structure of the climate regime includes and recognizes the obligation of Parties to address loss and damage.

Climate finance mechanisms

Climate finance can be understood as the type of local, national or transnational finance that is used to support and
implement climate change mitigation and adaptation actions, with financial resources that come from public, private and alternative sources, and that are 'new and additional' (that have not been previously committed).”

Today, climate finance mechanisms have focused on developing mitigation and adaptation initiatives. At COP15, it was established as a goal that developed countries should continue to mobilize resources in this line and established as a goal a minimum of USD 100 billion per year by 2020. Later, at COP21, this goal was extended until 2025. However, by 2020, climate finance funds reached only $83.3 billion. Of these funds, out of what Latin America received, 75% went to mitigation, 12% to adaptation and 8% to plans with multiple approaches. In context, Latin America has historically had a CO2 footprint well below 10% and has seen a significant reduction.

Among the existing climate finance channels, the following can be identified:

- **Global Environment Facility (GEF)**, established in 1991, is an operational agency of the UNFCCC financial mechanism. Resources are allocated based on the impact of the money spent on environmental outcomes. This fund also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). These funds finance the development and implementation of national adaptation plans.
- **The Adaptation Fund (AF)**, also linked to the UNFCCC, is financed through a 2% levy on the sale of emission credits from the Kyoto Protocol’s Clean Development Mechanism.
- **Green Climate Fund (GCF)**, invests in four transitions: built environment; Energy industry; human security, livelihoods and well-being; and land use, forests and ecosystems. The GCF uses part of its funds to help mobilise private sector financial flows towards compelling and cost-effective climate-smart actions.

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investment opportunities. Provides grants and loans.

- **Global Environment Facility (GEF)**, funds available to developing countries or countries with economies in transition to meet the objectives of international environmental conventions and agreements.

- **The Standing Committee on Finance** is charged with preparing a biennial assessment of climate finance flows.

- **Multilateral Development Banks** provide multilateral climate finance.

- **Investment funds**:
  1. **Clean Technology Fund**, promotes the expansion of funding for the demonstration, deployment and transfer of low-carbon technologies.
  2. **The Climate Resilience Pilot Program** provides financing and technical assistance for developing countries to build on existing national efforts to integrate climate resilience into national and sectoral development plans.²³

All these focused on mitigation or adaptation actions.

Likewise, there are different climate finance instruments such as green climate bonds (they are a type of loan), debt swaps (debt forgiveness, in exchange for debt repayment being invested in activities related to climate change), co-financing, concessional loans, payment for ecosystem services, insurance, results-based climate finance, and technical assistance. However, the existing financing mechanisms and instruments are “insufficient” to the countries of the global south, by not including resources for Loss and damage. Also, in many instances this mechanisms function as loans which exacerbate the economic dependence and financial fragility of these countries. Similarly, the processes for accessing financing does not fit with the reality of dealing with loss and damage due to transboundary environmental damage.

### Participation of civil society

Existing climate finance mechanisms have large gaps in ensuring civil society access to them, limiting their participation. They also perpetuate the dependence of the global south.

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²³ Watson and Schalatek (n 21).
on the global north, because a significant percentage of available resources are being delivered in the form of indebtedness.

The financing mechanisms for climate change and especially for the loss and damage mechanism must have a focus on climate justice. This mechanism must not lead to greater indebtedness. This requires that communities and civil society organizations are able to effectively participate in the creation of the mechanism, through the generation of data that allow decision making and prioritization of actions.

Likewise, ease of access must be ensured. In this sense, the mechanism must consider that the response to loss and damage requires immediacy and speed. A comprehensive vision that considers not only economic losses and damages, but also considers non-economic ones is needed. The fund must have different levels of impact, so that in this way it has an intersectoral approach, which impacts institutions, grassroots organizations and communities.

On the other hand, an accountability mechanisms must ensure the effective participation of beneficiary populations. Unlike the other pillars of climate action, in the case of loss and damage the impact has already occurred and it is very likely that the human rights of the beneficiaries have been harmed. In this sense, accountability mechanisms are central to the loss and damage mechanism.

To Bridgetown without a compass

After COP27, the discussion on the mechanism and fund for loss and damage has been developed in financial and governance terms. Gradually, the technical aspects at the UNFCCC overshadow the socio-political realities that gave rise to the demand for justice regarding loss and damage.

The Bridgetown Initiative is one such technocratic narratives that offers a menu of financial solutions to address the climate crisis. This proposal is summarized as:

1. Restore debt sustainability today and in the long term and support countries in restructuring their debt

with low long-term interest rates.

2. Dramatically increase official sector development lending to achieve a $500 billion annual stimulus for SDG investment.

3. Mobilize more than $1.5 trillion per year of private sector investment in green transformation.

4. Transform the governance of international financial institutions to make them more representative, equitable and inclusive.

5. Create an international trading system that supports global green and fair transformations.

6. Provide immediate liquidity support, including the rechanneling of at least $100 billion of unused SDRs through the IMF and multilateral development banks.

The original Bridgetown Initiative proposal does not directly mention loss and damage. The main objective of this initiative is to respond to three crises:

• “a cost-of-living crisis stemming in part from the war in Ukraine and the COVID-19 pandemic;

• a developing country debt crisis following the COVID-19 pandemic and climate-related disasters, and;

• climate crisis as glaciers melt and storms and droughts intensify”.  

This recipe for reforms includes the transformation of the global financial architecture but does not take into account the contextual reality of Latin America and the Caribbean, but focuses on fitting into the economic discussions led by the global north. This proposal depends heavily on the international financial institutions, many of which have been at the center of the economic measures that have sunk our region.

The Bridgetown initiative seeks to move beyond the question of “who should do more” towards a global subsidy mechanism for any country that has just been endangered by a climate disaster. Furthermore, according to Avinash Persaud, to address loss and damage in the most vulnerable countries, the strategy is to “define loss and damage in a way that is strict enough to be financed by grants.”

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minimalist approach to loss and damage assumes that grants are scarcer than non-concessional loans.\textsuperscript{27} In this sense, a financing mechanism for loss and damage based on responsibility is not proposed, but on maintaining the status quo through a reform of the multilateral financial institutions that provides greater liquidity, restructuring and providing better debt. This proposal takes place in the context of a new era of extractivism of raw materials to face the crises. This approach is similar to the debt and development strategies that Latin America and the Caribbean have experienced in the past.

However, the recognition of its responsibility by the global north for loss and damage, as well as for ecological debt, could bring both parties to an equal footing. It is an opportunity where both sides could find justice by exchanging foreign debt for socioenvironmental harm suffered and reformulate economic relations. In the discussions on the loss and damage mechanism and fund, an agenda item has been introduced regarding identifying and expanding sources of financing. This point should be interpreted from responsibility for socioenvironmental harm caused by carbon-intensive activities.

The debt of the Global North is extensive and its culpability is connected to the cause of climate change and the increased vulnerability that extractivism has facilitated. The climate crisis and biodiversity loss have a common denominator: the extractivist and exploitative economic model. This is why the demand for justice and reparations extends from the climate crisis to the biodiversity crisis because those responsible and the debtors are the same.\textsuperscript{28}

It is not necessary for climate victims in the Global South or the countries that represent them to find ways for those

\textbf{All We need is Justice.}

To deal with the loss and damage caused by the economic activity of the global north, all we need is justice. Financing loss and damage is as simple as it is painful for those who are responsible. They must pay for loss and damage caused by climate change.

It is not our duty to look for ways to sweeten the economic cost that this must represent for the global north.

\textsuperscript{27} ibid.
who have violated rights to comfortably meet their obligations. This has not been the treatment received by the victims of climate impacts, which for 3 decades were left forgotten. There is no need to be afraid to demand what is due, unless deep down one does not perceive oneself as deserving of rights, and that is not the case for Latin America and the Caribbean.

If we do not fight to level the playing field to face the crises, we will condemn the future of Latin America and the Caribbean to vassalage in the global economic context. We have a valid and fair financial claim to demand.
“Underdevelopment isn’t a stage of development, but its consequence. Latin America’s underdevelopment arises from external development, and continues to feed it. A system made impotent by its function of international servitude, and moribund since birth, has feet of clay. It pretends to be destiny and would like to be thought eternal. All memory is subversive, because it is different, and likewise any program for the future.”

Eduardo Galeano