Global Counsel

# Adaptation and resilience: Who builds? Who pays?

**Blog post by Practice Lead Elizabeth Beall, 18 November 2020**

---

Over the last few years, climate finance investment has focused on mitigation over adaptation and resilience. A few things are probably driving this. One is the sense that adaptation and resilience are responses to potential physical changes still in the relatively distant future. Mitigation, by contrast, is seen as an urgent race to reduce emissions to forestall more catastrophic impacts.

Adaptation and resilience have also long been seen – at least by some – as developing country issues. The concept of 'loss and damage' (and the need to both compensate for it and finance the adaptation and resilience to reduce it) was framed by small island states impacted by sea level rises in the early 1990s. At COP25 in Madrid, an agreement was reached on scaling up attention and support for loss and damage but with two key provisions unresolved – who will pay and any associated liability, and where decisions on liability will be made.

COP26 will inevitably return to these questions. With loss and damage from climate impacts expected to reach into the hundreds of billions by 2030, there is considerable pressure to answer these two points. Anne-Marie Trevelyan has been appointed as International Champion on Adaptation and Resilience, with a brief to drive the debate on the issue. It is unlikely to be an easy one – not least because in the wake of covid-19, many developed world governments may feel they are being asked to choose between the vulnerable abroad and the voting vulnerable at home.

However, this is a debate that investors and corporates need to watch closely for several reasons. The first is that the adaptation and resilience problem is in part an infrastructure problem. There is a growing market for good and ideas and practical capabilities to deliver infrastructure solutions, both in the developed and developing world. With disclosure on the incorporation of climate risk into investment decisions becoming mandatory, all infrastructure investment will need to illustrate how it has been designed around resilience and adaptation.

The second is that the liability question could easily focus in time on the question of private sector contributions. A range of proposals to this effect are already on the table. Some are sophisticated and interesting ideas for new models of insurance; some are much blunter calls for direct transfers from the hydrocarbon extraction sector or air travel industry.

These might seem politically unlikely choices, but the questions of how to fund resilience are not going away and will ultimately be part of the wider political package that defines the future COP agenda. With developing countries already on the hook to pay back 75% of the adaptation and resilience funding released to date, there will be calls to increase grant financing particularly to those most vulnerable with highest loss and damage. Here, private sector levies may start to seem a necessary tool for some policymakers.

With COP26 approaching, adaptation and resilience should no longer be viewed as the purview of the state or the donor sector. Increasingly, they will become issues that directly affect how investment decisions are made, and in what. They may also raise difficult questions about who pays for future resilience and adaptability, both at home and abroad.