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Nepal Seeks Climate Compensation After Himalayan Disaster, Challenging Global Climate Finance and Climate Justice Frameworks

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Recent Developments:

- A catastrophic **glacial collapse and flash flood on 26 August 2026** devastated northern Nepal and adjoining areas, causing more than 1,200 deaths, thousands of missing persons and extensive destruction of infrastructure; by 5 September, reported deaths in Nepal had risen to around 1,295–1,300.
- In the aftermath, Nepal shifted the diplomatic focus from conventional humanitarian assistance towards **climate compensation and climate justice**, arguing that countries with much larger emissions should bear greater responsibility for climate-related losses.
- Nepal's position has particular significance because the country contributes only a small share of global greenhouse-gas emissions, while its Himalayan geography exposes it disproportionately to glacier-related hazards.
- The episode has therefore revived debates over **Loss and Damage**, historical responsibility, climate finance, adaptation limits and the principle of **Common but Differentiated Responsibilities and Respective Capabilities**.

Why Is Nepal's Demand Significant?

From Humanitarian Aid to Climate Justice:

- Nepal's diplomatic approach is significant because it seeks to frame assistance not merely as **charity**, but as part of a broader international responsibility towards countries suffering severe climate-related losses despite having contributed relatively little to historical emissions.
- However, the demand should be understood primarily as a **political, moral and climate-justice claim**, rather than an already established legal right to compensation from specific emitting countries.
- The debate therefore raises an important question for global governance: **Can existing climate institutions deliver finance at the speed and scale required after catastrophic climate-related events?**

The Third Pole Paradox:

- The **HindKush Himalaya (HKH)** is often described as the **Third Pole** because it contains one of the world's largest concentrations of snow and ice outside the polar regions.
- The region supports food, water, energy and livelihood security for billions of people through major river systems, while its glaciers are undergoing accelerating ice loss.
- ICIMOD's 2026 assessment found that **HKH glacier ice-loss rates have doubled since 2000**, while glaciers lost about **12% of their area and 9% of estimated ice reserves between 1990 and 2020**.
- The region's vulnerability creates a major climate paradox: countries with relatively low historical emissions can face disproportionately high impacts because of **elevation-dependent warming, glacier retreat, extreme precipitation and fragile mountain ecosystems**.

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How Climate Change Amplifies Himalayan Risks:

Glacier Instability and Extreme Events:

- Rising temperatures accelerate **glacier melt, permafrost degradation and slope instability**, increasing the probability of cascading hazards involving ice, rock, debris and floodwater.
- The 26 August disaster near the Nepal–China border demonstrated how a sudden collapse in the cryosphere can rapidly transform into a destructive downstream flood, affecting settlements, transport networks, hydropower projects and river systems.
- Scientific assessments indicate that Himalayan climate risks cannot be viewed only through individual disasters because long-term warming simultaneously alters **water availability, flood intensity, glacier stability and ecosystem resilience**.
- The HKH region is also crucial for India because Himalayan glaciers feed major river systems whose waters support agriculture, drinking water, hydropower and ecosystems across northern India.

Climate Teleconnections:

- Himalayan climate risks are influenced not only by local warming but also by broader atmospheric processes, including **changes in circulation patterns, monsoon behaviour and Northern Hemisphere climate dynamics**.
- Consequently, extreme events in mountain regions can reflect interactions between global atmospheric warming and highly vulnerable local topography.
- This strengthens the argument for treating Himalayan disasters as part of a **transboundary climate-risk system**, rather than as isolated national emergencies.

Economic Impact on Nepal:

Damage to Hydropower and Infrastructure:

- Nepal's development strategy relies heavily on **hydropower**, making climate-resilient infrastructure essential for both economic growth and energy security.
- The August disaster damaged hydropower facilities, construction sites, roads, bridges and other critical infrastructure, while rescue operations were complicated by extensive debris and inaccessible mountain terrain.
- The destruction has wider economic implications because damage to electricity-generation capacity can simultaneously affect **domestic supply, export earnings, industrial activity and reconstruction costs**.
- Nepal's experience demonstrates that climate adaptation cannot remain limited to conventional engineering; future Himalayan infrastructure increasingly requires **climate-resilient design, improved hazard mapping, early-warning systems and risk-sensitive land-use planning**.

The Development–Resilience Dilemma:

- Climate disasters can force developing countries into a cycle in which resources intended for **poverty reduction, infrastructure development and human capital** are repeatedly diverted towards reconstruction.
- This creates a **climate finance trap**, where countries least responsible for cumulative emissions may face increasing fiscal pressure to finance adaptation and recovery themselves.

The Global Climate Finance Gap:

Loss and Damage Fund:

- At **COP27 in 2022**, Parties agreed to establish new funding arrangements for addressing **Loss and Damage** in particularly vulnerable developing countries, while COP28 in 2023 operationalised the Fund for Responding to Loss and Damage.

- The Fund is intended to support developing countries facing both **economic and non-economic losses**, including losses arising from extreme weather events and slow-onset climate processes.
- The World Bank was invited to host the Fund as an interim financial intermediary for four years, while the Fund retains its own institutional structure and decision-making arrangements.

Scale Mismatch:

- The central challenge is the enormous gap between available climate finance and the rapidly increasing cost of climate-related disasters.
- By April 2025, the Fund had received **USD 768.40 million in pledges from 27 contributors**, illustrating the limited scale of resources compared with global climate-related losses.
- Earlier UNFCCC assessments also highlighted that vulnerable developing countries could face hundreds of billions of dollars in climate-related damages, making existing commitments inadequate relative to projected needs.
- Nepal's demand therefore exposes a structural problem: **a multilateral fund designed to address systemic climate losses cannot effectively respond if its resources remain far below the magnitude of individual catastrophes.**

Why This Matters for Global Climate Governance:

From Charity to Responsibility:

- Nepal's position strengthens the broader Global South argument that climate finance should be **predictable, adequate, accessible and additional**, rather than dependent primarily on voluntary humanitarian contributions.
- It also highlights the distinction between **adaptation finance**, which seeks to reduce future vulnerability, and **Loss and Damage finance**, which addresses residual impacts that cannot be prevented or adapted to.
- The debate could strengthen demands for innovative sources of climate finance, including **polluter-based contributions, fossil-fuel levies, international shipping levies and other predictable financing mechanisms.**

Limits of Attribution:

- A major challenge for Nepal's compensation argument is establishing a direct causal chain between emissions from a particular country and a specific disaster.
- Climate change can increase the probability or severity of extreme events without making one emitter legally responsible for an individual event.
- Therefore, a workable global system may require **collective responsibility and vulnerability-based financing** rather than case-by-case litigation over individual disasters.

Implications for India:

Climate Diplomacy:

- Nepal's demand creates a complex situation for India because India has consistently supported **equity, climate justice, historical responsibility and CBDR-RC** in international climate negotiations.
- India's 2026 NDC explicitly links climate policy with the **fair and equitable sharing of the global carbon budget** and emphasises cumulative historical emissions in assessing responsibility.
- At the same time, India is itself highly exposed to Himalayan climate risks, including **glacial lake outburst floods, glacier retreat, landslides and changing river flows.**
- Recent assessments have identified numerous high-risk glacial lakes in Sikkim, demonstrating that Nepal's experience has direct relevance for India's Himalayan states.

Regional Cooperation:

- India and Nepal need stronger cooperation on **hydrometeorological data sharing, glacier monitoring, early-warning systems, disaster-response capacity, resilient hydropower and transboundary river management**.
- Climate diplomacy in South Asia should therefore combine **finance, technology transfer, disaster preparedness and scientific cooperation** rather than focusing exclusively on compensation.

Way Forward:

Building a Climate-Resilient Himalayan Framework:

- Strengthen **regional cryosphere monitoring** through satellites, ground stations, glacier inventories and high-altitude observatories, particularly because major portions of the HKH remain inadequately monitored.
- Develop interoperable **early-warning systems** for floods, landslides, glacial hazards and extreme rainfall across Himalayan countries.
- Make new hydropower, roads and settlements subject to **climate-risk and cumulative-impact assessments** rather than relying only on conventional environmental clearances.
- Reform Loss and Damage financing to ensure **rapid access, adequate scale, concessionality and transparency**, while preventing vulnerable countries from accumulating unsustainable debt.
- Promote **India–Nepal–China scientific and disaster-risk cooperation** wherever politically feasible, particularly on glacier observation and transboundary hazards.

Conclusion:

- Nepal's demand following the August 2026 disaster represents more than a request for financial assistance; it is a challenge to the existing architecture of **climate responsibility, finance and international solidarity**.
- The central lesson is that climate justice requires moving beyond declarations towards institutions capable of delivering **timely finance, technology, resilience and disaster-risk reduction**.
- For India, the episode reinforces the need to balance its climate-justice position with its role as a major regional power and a country facing increasingly serious Himalayan climate risks.

Value Addition for UPSC:

Key Concepts:

- **Loss and Damage:** Climate-related economic and non-economic losses that cannot be fully avoided through mitigation or adaptation.
- **CBDR-RC:** Common but Differentiated Responsibilities and Respective Capabilities, recognising common responsibility but differentiated obligations based on circumstances and capabilities.
- **Third Pole:** The HindKush Himalaya region, containing extensive mountain cryosphere outside the polar regions.
- **Climate Justice:** The principle that climate action should account for historical responsibility, vulnerability, capacity and equitable development.

Mains-Ready Analytical Point:

- “The Nepal disaster demonstrates that climate vulnerability is no longer merely an environmental concern; it is simultaneously a question of development, fiscal stability, regional security and international justice.”