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Update on the Arctic Council Project Support Instrument;
version 14 October 2015

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For information

Update on the Arctic Council Project Support Instrument; version 14 October 2015

(Presented by the PSI Fund Manager, Nordic Environment Finance Corporation (NEFCO))

This PSI Report updates the previous Report¹ to the SAO Meeting in Whitehorse, Yukon, Canada March 4-5, 2015

Background

1. **PSI Mandate**²: The Arctic Council Project Support Instrument (PSI) is to focus on actions against pollution in the Arctic. The Instrument is a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the Arctic Council. The PSI Instrument may make use of a broad range of funding arrangements to include grants and revolving instruments.
2. **Response to Arctic Council Priorities**³: The PSI strengthens the Arctic Council and its work on environment protection including climate change (SLCP) and actions in support of the implementation of the Persistent Organic Pollutants (POP) and Heavy Metals Protocol on Long-Range Trans-boundary Air Pollution (LRTAP).
3. **PSI strategic work programming**: For the period 2014–2019, the PSI has tentatively allocated⁴ about 40 per cent for projects on hazardous waste management including POPs and pollution prevention. Budget allocation for mitigation of mercury is about 25 percent and 20 percent for AC projects dealing with clean production, energy efficiency, short-lived climate pollutants (SLCP) including black carbon and methane.
4. **Reporting**: The Arctic Council PSI Guidelines (§5.1)⁵ requires the Fund Manager (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

5. On the 14th of September 2015, the Government of Norway, as Contributor, signed the Arctic Council PSI Agreement on Cooperation with the NEFCO as the Fund Manager.
6. The Russian Federation deposited the final tranche of EUR 5 million of its pledge of EUR 10 million on the 7th of April 2015. PSI Contributions, deposits, pledges, as of 30 April 2015, are summarised in Table 1 below.

¹ SAO Meeting Whitehorse, Yukon, Canada March 4-5, 2015; Update on the Arctic Council Project Support Instrument (PSI); ACSAO-CA04 Whitehorse / Mar 2015.

² Reykjavík Declaration on the Occasion of the Fourth Ministerial Meeting of the Arctic Council, 2004.

³ Senior Arctic Officials Report to Ministers, pp 75-76; Kiruna, Sweden, 15 May 2013.

⁴ Arctic Council Project Support Instrument, Protocol of Decisions, Document AC/PSI/PCOM/1402-2-1; First PSI Committee Meeting; Helsinki, 6 May 2014.

⁵ SAO 2005 Meeting, Yakutsk, Russia, April 6-7, 2005, pp 13.

Table 1 — PSI Pledges, Deposits, and Disbursed amounts (30.04.2015). Pledged amounts are rounded-off.

No	Contributor	Pledges EUR	Deposited EUR	Comment
1	Finland	200 000	200 000.00	Received
2	Iceland	8 000	8 298.76	Received ICEK 1M
3	Norway	238 000	237 729.27	Received
4	Russian Federation	10 000 000	10 000 000.00	Received
5	Sweden	272 000	271 565.31	Received SEK 3M
6	United States	3 782 000	404 149.06	Received \$.56M. Award \$5M; Act. \$1M
7	NEFCO	1 350 000	1 350 000.00	Received
8	Sami Parliament	13 000	12 987.26	Received NOK 100 000
9	Interest		24 238.80	
10	TOTAL	15 863 000	12 508 968.46	Target was EUR 3 million
11	Amount committed		1 885 000,00	(PCOM decisions on FID, admin)
12	Used Funds		302 302.85	Projects, legal fees, bank costs etc.
	Total available	15 863 000	10 623 968.46	

4.9.2014: EUR 1 = USD 1.3015

7. Total funds used up to 30 April 2015 amounted to EUR 302 302.85. Approved allocations from the PSI, including decisions made at the Fourth Meeting of the PSI Committee on 13 October, amount to EUR 2.3 million. A total of EUR 10.2 million is thus available for further allocations.
8. Funding relevant decisions made by the PSI Committee at its 4th Meeting can be summarised as follows:
 - An allocation of up to EUR Four hundred thousand (EUR 400,000) for a feasibility study to assess a Russian Railways' project proposal to manage and destroy PCB⁶ wastes in the Russian Federation;
 - Encouragement to the Fund Manager to continue discussions with the Expert Group on Short Lived Climate Pollutants (EG SLCP) to develop an Expression of Interest to finance a project on "Mitigation of Black Carbon and Methane Emissions in the Russian Arctic Region";
 - Noting of the Fund Manager's continued discussions with Arctic Council's Working Group on Sustainable Development (SDWG/Expert Group) and the Expert Group on Indigenous Peoples Contaminant Action Program (IPCAP) to further develop an Expression of Interest to finance the project pertaining to "Clean Water Supply, Sewer and Renewable Energy in the Arctic Region";
 - Encouragement to the Fund Manager to continue discussions with the EG SLCP and project partners in the Russian Federation to further develop an Expression of interest or a Final investment Decision, as appropriate, to finance the project "Mitigation of Methane Emissions -- Syktyvkar Dyrnos Landfill Project, Russian Federation".
9. The PSI work since 2014 and the Work Plan for the period 2015-2016 is summarised in Table 2 below. The PSI is addressing approximately 30 projects with a total cost estimate of about EUR 58 million.

⁶ PCB = Polychlorinated Biphenyls

Table 2 — Overview of PSI Work Plan (2014-2016) including approvals, allocations, commitments, proposals and work under-way (14 October 2015).

No	Projects	Investment Projects	Sector	DEC	PCOM	TOTAL EUR	PSI Alloc.PCOM 4
1	8	Valday Cluster – Diesel Black Carbon (BC)	SLCP/BC	FID	PCOM 2	4 200 000	1 120 000
2	2	Mercury NFM Smelter	Hg	EOI	PCOM 1	3 500 000	
3	2	UNIDO [GEF] Management of POP Hazardous Waste*	W/POPs/PCB	EOI	PCOM 4	31 600 000	
4	1	Tundra diesel BC Indigenous Peoples-Reindeer farm	SLCP/BC	FID	PCOM 2	100 000	95 000
5	2	Dioxins and Dust Reductions Cement Plant	POPs/BC	EOI	PCOM 3	5 000 000	
6	2	Syktvykar Dyrnos Landfill Project	W/SLCP/CH4	EOI	PCOM4	9 500 000	
7		Sub-total Investment Projects	Investments			53 900 000	1 215 000
8		Feasibility Studies, Technical Assistance					
9	1	Dolgoschcheli diesel energy conversion (BC)	SLCP/BC	FID	PCOM 2	90 000	90 000
10	1	Mapping substituting solutions for diesel power plants	SLCP/BC	FID	PCOM 2	30 000	30 000
11	2	Arctic Oil and Gas Flaring	SLCP/BC-CH4	EOI	PCOM 4	300 000	
12	4	Arctic Water Supply, Sewer, Waste, Renewables	W/SLCP/BC	EOI	PCOM 4	400 000	
13	2	AIA Community-Based BC-Health Assessment	W/SLCP	EOI	PCOM 3	649 000	
14	1	Mercury Workshop in Russia	Hg	EOI	Inter	195 000	
15	2	Dioxin Inventory, Tech. Support RF Compliance	POPs	EOI	PCOM 3	1 600 000	
16	1	Component 1 PCB Project Feasibility Study*	W/POPs/PCB	FID	PCOM4	400 000	400 000
17		Sub-total Technical Assistance (TA)	TA			3 664 000	520 000
18		Sub-total Administration	Administration		PCOM 3	565 000	565 000
19	31	TOTAL				58 129 000	2 300 000

* FID for feasibility study for the UNIDO [GEF] PCB Project

10. A working draft (Version 2015.09.09) of the PSI Manual has been prepared by the Fund Manager. The Manual is to undergo regular revisions. The PSI Manual is intended to provide members of the PSI Committee and the Arctic Council (AC), its permanent participants, AC bodies, observers and other possibly interested stakeholders and potential project proponents with a detailed guide on the workings of the PSI, including guidance on how to apply for funding and the criteria used for approving financing from the PSI. The PSI Manual is freely available at the Fund Manager NEFCO's website: http://www.nefco.org/financing/financing_instruments
11. A corresponding, user friendly, 2 paged "PSI Flyer" was published by the Fund Manager on 1.7.2015. The purpose of the Flyer is to provide simple and understandable information on the PSI to policy makers and the interested layman. The PSI Flyer, in English and Russian, is available at SAO Meeting (table distribution) as information and accessible at http://www.nefco.org/sites/nefco.viestinta.org/files/NEFCO_PSI_Brochure_EN_web.pdf,
12. The Chair of the PSI Committee is elected on the basis of the alphabetical order of the Contributing Arctic Council (AC) States and rotated on a one year basis. In light of above, the 2015 Chairmanship of the PSI Committee, provided by Sweden, will be succeeded by the United States of America for 2016.

Action from SAO:

13. SAOs may wish to:
 - i) note the Fund Manager's Update Report (version 2015.10.14) on the Arctic Council Project Support Instrument to the SAO Meeting of October 20-22, 2015.
 - ii) welcome the signing the Arctic Council PSI Agreement on Cooperation by the Government of Norway with the NEFCO as the Fund Manager.
 - iii) welcome the deposit of the second tranche of the Russian Federation contribution, an amount of EUR 5 million, of its total pledge of EUR 10 million.

iv) note with appreciation the 2015 PSI Chairmanship provided by Mr. Ulrik Westman (Sweden) and welcome [•]ⁱ of the United States of America as the 2016 Chair of the PSI Committee.

Documentation:

- 1) Fund Manager's Update Report (version 2015.10.14) to SAO Meeting, Anchorage, Alaska, USA. 20-22 October, 2015.

ⁱ Awaiting an inter-sessional confirmation of name.