




**NEFCO**

## Update on the Project Support Instrument (PSI), March 2014

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Meeting of Senior Arctic Officials  
Yellowknife, Canada, 26-27 March 2014

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### Agenda (Ag.) 7: Preamble

- Arctic Council PSI Guidelines, requires semi-annual reporting to the SAOs
- REPORT\_NEFCO\_PSI\_Doc01\_PSI Update, AC\_SAO-CA02. [Yellowknife March 2014]

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## Ag. 7: Developments (1/2)

- Signing on 12 March 2014 outstanding agreements between NEFCO and the Ministry of Natural Resources and the Environment of the Russian Federation as the Authorised Governmental Agency (AGA) for PSI matters on the division of functions between AGA, NEFCO and the VTB Bank, as the nominated Russian Executing Agency for PSI Projects in Russia (REA)
- The PS1 has eight (8) Contributors and pledgers, namely: Finland, Iceland, NEFCO, Norway, the Russian Federation, the Sami Parliament, Sweden and the United States of America
- The PS1 pledges, deposits, allocations and award from the Contributors stand at EUR 15.9 million.


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## Ag. 7: Developments (2/2)

- With the 2014-03-12 signing of the agreements with Russia, all conditions have now been fulfilled and **the PSI Cooperation Agreement with the RF has entered into force**
- As, a minimum of four (4) Contributors have already paid in their contributions to the PSI Account, the PS1 can begin its operations as soon as the Russian Federation has paid its contribution
- The Russian Federation, in accordance with its Cooperation Agreement on the PSI, is to transfer into the PS1 Account its contribution tranche within 45 (forty five) days after the entry into force of the Cooperation Agreement. This process is under execution.

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### Ag. 7: PSI Pledges and Deposits as of Q1 2014

Amounts are rounded-off

No	Contributor	EURO	Deposited	Comment
1	Finland	200 000	200 000	Received
2	Iceland	8 000	8 000	Received ICEK 1M
3	Norway	238 000	238 000	Received
4	Russian Federation	10 000 000	[5 000 0000]	[Process underway]
5	Sweden	272 000	272 000	Received SEK 3M
6	United States	3 782 000	<b>383 000</b>	Award \$5M; \$1M Act.1
7	NEFCO	1 350 000	[675 000]	[Process underway]
8	Sami Parliament	13 000	13 000	Received NOK 100 000
	Total	15 863 000	[6 789 000]	Target was € 3 M
				<b>NB: First US tranche of USD 526 000 received on 2014.03.25</b>

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### Ag. 7: Strategic Planning

Table 1 - PSI Resource allocation [2012-2015] strategic business plans\*. <sup>1</sup>

AC Projects -	[2012-2015]	Total Euro
	Percentage	
Integrated Hazardous Waste Management demo incl. POPs**	[40]	[6 345 200]
Mercury demonstration project***	[25]	[3 965 750]
Clean Production/Energy Efficiency/SLCF-Black Carbon	[20]	[3 172 600]
Other areas	[6]	[951 780]
Standard Costs	[9]	[1 427 670]
Total	100	15 863 000

\*This represents NEFCO's understanding of the priorities of the Contributors  
 \*\* Persistent Organic Pollutants (POPs) are hazardous substances such as Polychlorinated Biphenyls (PCBs), pesticides and the allocation for demonstration project includes destruction of POPs.  
 \*\*\* Mercury demonstration project is to address concrete mitigation of mercury release to the environment.


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## Ag. 7: Approved AC Projects

- AC Projects seeking financing from the PSI are to address pollution prevention, abatement and elimination
- Based on Arctic Council decisions, NEFCO envisages that the PSI will be addressing a broad range of projects/programs of the Arctic Council
- Additional projects are expected responding to initiatives and information from the AC subsidiary bodies

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## Ag. 7: PSI Overarching AC Project Areas

P1: Elimination of PCB-contaminated wastes in the RF  
 P2: Mitigation of Dioxins and Furans in the RF  
 P3: Reduction of Mercury releases  
 P4: Sound management of obsolete pesticides in RF  
 P5: Cleaner Production/Energy Efficiency in RF  
 P6: Mitigation of Brominated Flame Retardants (BFR)  
 P7: Priority RF contaminated area (e.g. Franz Josef Land)  
 P8: Climate change, Short Lived Climate Pollutants  
 P9: Integrated Hazardous Waste Management, incl. P1-P8  
 P10: Indigenous Peoples Contaminants Action Program (e.g. IHWM, mitigation of release of BFR)


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## Ag. 7: FM Preparation of Projects 2013-2014

- **Mercury PSG projects**
  - Non-ferrous/Zinc Smelter Mercury Reduction in the Russian Federation
  - Mercury Control Information Exchange (2014)
- **Dioxins and furans PSG projects**
  - Phase III project on Vorkutinskiy Cement Plant
- **PCB PSG Projects**
  - Management/Destruction of PCB liquids from transformers
  - Remediation Programme of Franz Jozef Land – NEFCO BHSF
- **SLCP PSG projects**
  - Valday Cluster Upgrade for Black Carbon Reduction in the Republic of Karelia, Russian Federation

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## Ag. 7: Criteria for Project Selection

The PSI criteria for financing are expected to include:

- The project has been Arctic Council approved
- The Project's potential to relevant environmental improvement
- Replicability
- Capacity of project partners to manage and implement the project according to plan
- PSI leveraging factor
- Use of PSI financing
- Maturity of project
- Rationale for a phased approach
- Local approval

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### Ag. 7: Criteria for Project Selection

- The detailed criteria for PSI financing of AC Projects are to be approved by the PSI Committee (Rules of Procedures of the PSI)
- NEFCO shall ask the PSI Committee to clarify and make available to the SAOs the criteria for selection of AC Projects to be financed from the PSI


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### Ag. 7: Next steps

- The kick-off meeting between the Fund Manager and REA for the Arctic Council projects in Russia is to take-place on 2<sup>nd</sup> April 2014
- FM Comfort Letter to Contributors on NEFCO's contractual arrangements with respective Contributors.
- 1st Meeting of the PSI Committee scheduled for the 6<sup>th</sup> of May 2014 in Helsinki.

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**Ag. 7: Conclusion**

**Action:** SAOs may wish

1. To note with appreciation the NEFCO's March 2014 Update on the PSI [REPORT\_NEFCO\_PSI\_Doc01\_PSI Update, AC\_SAO-CA02];
2. To welcome the signing of the 12 of March 2014 agreements enabling the entry into force of the Russian Federation PSI Cooperation Agreement;
3. To welcome the deposit of the 1<sup>st</sup> tranche of the US contribution to the PSI.

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**Thank you for your Attention!**

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