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**Info Doc 3: Update from the Nordic Environment Finance Corporation (NEFCO) on the Arctic Council Project Support Instrument (PSI). Version 14 February 2016.**

This PSI Report updates the previous Report<sup>1</sup> to the SAO Meeting in Anchorage, USA, 20-22 October 2015

## SUMMARY

The Arctic Council Project Support Instrument (PSI) focuses on actions against pollution and strengthens the Arctic Council work on environment protection including climate change. The PSI is a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the Arctic Council. For the period up to 2019, about 40 per cent of the pledged PSI resources have been allocated for hazardous waste management, 25 percent for mitigating release of mercury, and 20 percent for projects dealing with clean production, energy efficiency, and short-lived climate pollutants.

A total of EUR 15.86 million have been pledged for the PSI from the contributors Finland, Iceland, Norway, the Russian Federation, Sweden, the United States of America, NEFCO and the Sami Parliament. By December 2015, EUR 12.73 million had been deposited into the PSI accounts. The target for making PSI operational was EUR 3 million.

Since PSI operationalisation, in 2014, eight Arctic Council projects have been completed or are near completion with PSI assistance. For 2016, the PSI will be addressing a pipeline of approximately 31 projects with a total cost estimate of about EUR 58 million. PSI allocations up to 31 December 2015 amounted to EUR 2.3 million of which EUR 0.7 million have been disbursed. Overall, a total of EUR 10.45 million are available for further allocations by the PSI Committee at its Fifth Meeting to be held on 22 March 2016.

## Background

1. **PSI Mandate**<sup>2</sup>: The Arctic Council (AC) 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 may make use of a broad range of funding arrangements to include grants and revolving instruments.
2. **Response to Arctic Council Priorities**<sup>3</sup>: 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).

<sup>1</sup> Arctic Council SAO plenary meeting 21-22 October 2015, Anchorage, Alaska, U.S.A.; Update on the Arctic Council Project Support Instrument version 14 October 2015;

EDOCS-2648-v2 ACSAOUS201\_Anchorage\_2015\_Info\_doc\_4\_NEFCO\_Progress\_Report

<sup>2</sup> Reykjavík Declaration on the Occasion of the Fourth Ministerial Meeting of the Arctic Council, 2004.

<sup>3</sup> Senior Arctic Officials Report to Ministers, pp 75-76; Ki runa, Sweden, 15 May 2013.

3. **PSI strategic work programming:** For the period 2014–2019, the PSI has tentatively allocated<sup>4</sup> about 40 per cent of the pledged resources 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 projects dealing with clean production, energy efficiency, SLCPs including black carbon, methane and HFCs (HydroFluoroCarbons).
4. **Reporting:** The Arctic Council PSI Guidelines (§5.1)<sup>5</sup> requires the Fund Manager (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

## STATUS REPORT

5. PSI Contributions, deposits, pledges, as of 31 December 2015, are summarised in Table 1 below.

**Table 1 — PSI Pledges, Deposits, and Disbursed amounts (31.12.2015). 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	622 358.52	Received \$.81M. Award \$5M; 1st 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	12 727 177.92	PSI initial target was EUR 3 million
11	Amount committed		2 280 000,00	PCOM decisions on investments and admin.
12	Used Funds		667 332.62	Projects, legal fees, bank costs etc.
	Total available		10 447 177.92	Basis: Line 10 (deposited) minus Line 11

4.9.2014: EUR 1 = USD 1.3015

6. Eight of twelve Arctic Council projects benefitting from PSI financing have been completed or are near completion. The completed projects address mostly mitigation of SLCP-black carbon and have been carried out in cooperation with the ACAP Expert Group on Short Lived Climate Pollutants. Work is in progress to address an additional twenty three projects on management of hazardous wastes, mitigation of mercury and SLCPs.
7. Total PSI allocations up to 31 December 2015 amount to EUR 2.28 million. PSI Funds used up to 31 December 2015 amounted to EUR 0.67 million. Final Investment Decisions (FIDs) from the PSI Committee (PCOM) -- including decisions made at the Fourth Meeting of the PSI Committee (PCOM) in October 2015-- have committed EUR 1.72 million to implement 12 approved Arctic Council Projects. A total of EUR 565 000 have been allocated to cover the administration costs of the Russian Execution Agency (REA) and the Fund Manager. Overall, a total of EUR 10.45 million is available for allocations by the PCOM at its upcoming Fifth Meeting to be held on 22 March 2016.

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

<sup>5</sup> SAO 2005 Meeting, Yakutsk, Russia, April 6-7, 2005, pp 13.

8. The PSI work since 2014 and the Work Plan for 2016 is summarised in Table 2. The PSI is addressing a project pipeline of approximately 31 projects with a total cost estimate of about EUR 58 million. Table 3 below provides a summary of completed projects and the work in progress.

**Table 2 — Overview of PSI Work Plan (2014-2016) including approvals and allocations.**

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 RR 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			<b>53 900 000</b>	<b>1 215 000</b>
8		<b>Feasibility Studies, Technical Assistance</b>					
9	1	Dolgoshcheliye diesel energy conversion (BC)	SLCP/BC	FID	PCOM 2	90 000	70 000
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			<b>3 664 000</b>	<b>500 000</b>
18		Sub-total Administration	Administration		PCOM 3	<b>565 000</b>	<b>565 000</b>
19	31	<b>TOTAL</b>				<b>58 129 000</b>	<b>2 280 000</b>

\* FID for feasibility study for the UNIDO PCB Project

**Table 3 — Overview of PSI Work 2014-2015 including Completed Projects and Work in Progress (WIP).**

No.	Proj.	Description	Sector	Dec.	PCOM	PSI-Alloc.	Comment
<b>INVESTMENT PROJECTS</b>							
1	8	Valday Cluster Renew.	SLCP/BC	FID	2/1410	1 120 000	5 under comp. 3 WIP
2	2	Mercury – Smelter	Mercury	EOI	1/1405		WS – Outreach
3	2	PCB Management	Waste/POP	EOI	4/1504		TOR UNIDO-RR
4	1	Tundra Indigenous Farm	SLCP/BC	FID	2//1410	95 000	Completed
5	2	Dioxin – Dust Cement	POP/BC	EOI	3/1503		WIP - work in progres
6	2	Syktvykar Landfill	SLCP/CH4	EOI	4/1504		WIP
7	17	Sub-total Projects	Investment			1 215 000	
<b>FEASIBILITY STUDIES (FS)/TECHNICAL ASSISTANCE(TA)</b>							
8	1	Dolgoshcheliye Diesel C	SLCP-BC	FID	2/1410	70 000	Completed
9	1	Mapping diesel substitute	SLCP-BC	FID	2/1410	30 000	Completed
10	2	Arctic Oil & Gas Flare	SLCP-CH4	EOI	4/1510		WIP
11	4	Arctic W.W., Renewables	W/SLCP	EOI	4/1510		SDWG
12	2	AIA BC-Health	W/SLCP	EOI	3/1503		WIP
13	1	Mercury Workshop, RF	Mercury	EOI	2/1410		Tabled
14	2	Dioxin Inventory, Capacity	POP	EOI	3/1503		WIP
15	1	PCB Project Comp.1- FS	Waste/POP	FID	4/1510	400 000	WIP
16	13	Sub-total Technical Assist	TA/FS	2014 –		500 000	
17		Sub-total Standard/Admin	Admin	2/1401 – 3/1501		565 000	REA - FM
18	31	<b>TOTAL</b>				<b>2 300 000</b>	

9. During the period up to December 2015, NEFCO also carried out an outreach to the working groups -- ACAP, AMAP, CAFF, EPPR, PAME, SDWG, and the Task Force on Black Carbon and Methane -- regarding the PSI.

## PSI Work Plan 2016 - Highlights

10. In accordance with PCOM decisions, the PSI Work Plan for 2016 includes:

- Hazardous Waste: development of the Terms of Reference for the NEFCO PCB Project <sup>6</sup> in cooperation with the EG Hazardous Waste. Based on the outcome of the feasibility study, the PSI Fund Manager (NEFCO) is to revert to the PSI Committee (PCOM) for possible approval of remaining components as elaborated or modified by the feasibility study
- SLCP Flaring-- discussions with the SLCP EGs and project partners in Russia to develop an Expression of Interest (EOI) for consideration of the PCOM to finance the project "Mitigation of Black Carbon and Methane Emissions in the Russian Arctic Region"
- SLCP Flaring –NEFCO is to continue discussions with the SLCP EG and project partners in the Russian Federation (RF) to further develop an EOI or a Final Investment Decision (FID), as appropriate, for consideration of the PCOM to finance the project "Mitigation of Methane Emissions -- Syktyvkar Dyrnos Landfill Project, RF"
- Circumpolar – Energy and Sanitation: NEFCO may continue the discussions with SDWG /EG and EG IPCAP to further develop an EOI to finance the project "Clean Water Supply, Sewer and Renewable Energy in the Arctic Region"
- Mercury Mitigation: Outreach to the non-ferrous smelter owner; cooperation with RF and EG POPs-Mercury regarding development of associated Best Reference (BREF) guidelines
- Dioxins and Furans: Investment projects and institutional strengthening in cooperation with RF and the EG POPs-Mercury

11. The 2016 PSI Work Plan, in addition, includes development of the following project activities in cooperation with the respective Expert Groups.

- Hazardous Waste: i) Project proposal on pesticides (Leads: Finland, RF); ii) PCB Feasibility (Leads: Russian Federation, NEFCO, UNIDO)
- SLCP: i) HFC Inventory – End-of-Life Equipment (Leads: RF, Sweden, [USA]); ii) Progress Dolgochelic Feasibility Study to investment (Leads: USA, RF, NEFCO); iii) Flaring -- Oil and Gas; and Landfill (Leads: Norway, RF, Sweden, NEFCO); iv) Bio-mass burning (Leads: RF, Sweden, NEFCO, International Cryosphere Climate Initiative); v) Renewable Energy-- a circumpolar initiative (to be determined, (tbd)).

12. Other

- Feasibility study / Investments on Sanitation / Clean Water – Circumpolar (tbd)
- Russian Execution Agency (REA). Establishment of REA capacity; Engagement of local consultants.

### **Action from SAO/PPs:**

The NEFCO's Update Report on the Arctic Council PSI to the SAO Meeting of 16-17 March 2016 is for information and clarification purposes. The SAOs/ PPs are invited to take note of the NEFCO Report.

**Documentation:**

NEFCO Update Report. Version 2016.02.14.SAO Meeting, Fairbanks, Alaska, USA. 16-17 March, 2016.

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<sup>6</sup> Arctic Council Secretariat ID 12 AMAROK–The Arctic Council Tracking Tool – Demonstration of Management and Destruction of 250 tons of PCB in Transformers; 15 October 2015; AC Document ACSAOUS201