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Nordic Environment Finance Corporation (NEFCO) Report on the Arctic Council Project Support Instrument (PSI). Version 3 February 2017.

This PSI Report updates the previous Report¹ to the SAO Meeting in Portland, USA, 5-6 October 2016

PREAMBLE

1. **PSI Mandate**²: 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**³: The PSI strengthens the Arctic Council and its work on environment protection including climate change (including Short Lived Climate Pollutants (SLCP) such as Hydrofluorocarbons (HFCs), Black Carbon (BC)) 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 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.
4. **Reporting**: The Arctic Council PSI Guidelines⁵ requires the Fund Manager (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

5. The PSI is a mechanism for financing approved Arctic Council projects that focus on actions against pollution in the Arctic. A total of EUR 15.9 million has been pledged from the contributors Finland, Iceland, Norway, the Russian Federation, Sweden, the United States of America, NEFCO and the Sami Parliament. By 31 December 2016 EUR 12.8 million had been deposited into the PSI accounts.
6. Since the operationalisation of the PSI on 18 July 2014, financial assistance from the PSI to Arctic Council projects has resulted in completion of 8 projects addressing SLCP including a minor intervention on eliminating the use of mercury lamp. In the cluster of investment projects, five sub-projects are being followed up currently to resolve outstanding performance issues with the installed ancillary equipment.
7. 6 projects with approved funding (termed "FID") are under implementation and 10 proposals, with a number of sub-projects components, are being further developed for a possible future funding

¹ Arctic Council SAO plenary meeting; Update from the Nordic Environment Finance Corporation (NEFCO) on the Arctic Council Project Support Instrument (PSI), 5-6 October 2016, Portland, Maine, U.S.A.; EDOCS-33792-v1A-ACSAOUS203_Portland_2016_InfoDoc3_PSI_NEFCO_Report to SAO Oct.

² Reykjavik 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.

approval by the PSI Committee. Overall, the PSI work plan 2014-2017 is addressing a portfolio of approximately 33 projects with a total cost of about EUR 62 million (Table 1). The projects address waste management including POPs like PCBs and pesticides; cleaner production that mitigates emissions of dioxins and heavy metals (e.g. mercury); energy efficiency (SLCP/BC) that enables climate change mitigation; and bio-diversity.

8. PSI financing, hitherto, has benefited mainly project proposals from the Arctic Contaminant Action Programme (ACAP) working group (WG) and one Conservation of Arctic Flora and Fauna (CAFF) project. PSI allocations for Arctic Council Projects, up to 31 December 2016, amounted to EUR 2.9 million (Table 1) of which EUR 0.9 million have been disbursed. A total of EUR 9.9 million is available for further allocations by the PSI Committee (PCOM) at its Seventh Meeting to be held on 28 March 2017.

Table 1 — Overview of the Arctic Council Project Support Instrument (PSI) Work Plan for the period 2014-2017.

Projects	Investment Projects	Sector	AC-WG	DEC	PCOM	TOTAL EUR	PSI Allocation
8	Valday Cluster – Diesel Black Carbon (BC)	Climate	ACAP	FID	PCOM 2	4 200 000	1 120 000
2	Mercury (Hg) Non-ferrous Metal Smelter	Mercury	ACAP	EOI	PCOM 1	3 500 000	
2	Management of POP-PCB Hazardous Waste*	Waste	ACAP	EOI	PCOM 4	31 600 000	
1	Tundra diesel BC Indigenous Peoples-Reindeer farm	Climate	ACAP	FID	PCOM 2	100 000	95 000
1	Dioxins and Dust Reductions Cement Plant	POPs-Climate	ACAP	EOI	PCOM 3	5 000 000	
2	Sykttyvkar Dyrnos Landfill Project	Waste	ACAP	EOI	PCOM 4	9 500 000	
2	Dolgoschcheli diesel energy conversion (BC)	Climate	ACAP	EOI	PCOM 5	1 500 000	
1	Super Critical Water Oxidation Destruction - POPS	Waste	ACAP	EOI	PCOM 5	1 400 000	
	Sub-total Investment Projects	Investments				56 800 000	1 215 000
	Feasibility Studies, Technical Assistance						
1	Dolgoschcheli diesel energy conversion (BC)	Climate	ACAP	FID	PCOM 2	90 000	70 000
1	Mapping substituting solutions for diesel power plants	Climate	ACAP	FID	PCOM 2	30 000	30 000
1	Arctic Oil and Gas Flaring	Climate	ACAP	FID	PCOM 6	500 000	
2	Arctic Water Supply, Sewer, Waste, Renewables	Waste-Climate	SDWG	Note	PCOM 4	400 000	
1	AIA Community-Based BC-Health Assessment	Climate-Health	ACAP	FID	PCOM 5	137 500	137 500
1	AIA Community-Based BC-Health Assessment	Climate-Health	ACAP	EOI	PCOM 3	511 500	
1	Mercury Workshop in Russia	Mercury	ACAP	EOI	Inter-sec	195 000	
2	Dioxin Inventory, Tech. Support RF Compliance	POPs	ACAP	EOI	PCOM 3	1 600 000	
1	Component 1 PCB Project Feasibility Study*	Waste	ACAP	FID	PCOM 4	400 000	400 000
1	Component 1 SCWO- Pesticides Feasibility Study	Waste	ACAP	FID	PCOM 5	100 000	100 000
1	Small size financing - Project initiation - Scoping	Cross Cutting	ALL WG	FID	PCOM 6	300 000	
1	Arctic Migratory Bird Initiative Actions - for two flyways	Biodiversity	CAFF	FID	PCOM 6	100 000	100 000
	Sub-total Technical Assistance (TA)	Tech. Assist.				4 364 000	837 500
	Sub-total Administration	Administration			PCOM 5	847 500	847 500
33	TOTAL					62 011 500	2 900 000
	* FID for feasibility study for the UNIDO PCB Project Note: PCOM dec in the context is to note that the FM may continue the discussions with the SDWG & EG IPCAP to further develop an expression of interest for the project "Clean water Supply, Sewer & Renewable Energy in the Arctic Region."						

9. NEFCO is working with the WGs and Expert Groups to submit project proposals to the 7th Meeting of the PCOM. The anticipation is that the proposed projects are able to fulfil the WG and PSI criteria, respectively. In the event a project idea needs further development, NEFCO welcomes the use of a simplified "project idea" template along the lines of the format approved by ACAP at its January 2017 Meeting in Kiruna, Sweden. It is hoped that a simplified template will facilitate better structuring of project proposals to respond to contemporary criteria for financing of Arctic Council projects.
10. Subject to the currently on-going review, anticipated proposals for consideration at the Seventh Meeting of the PSI Committee on 28 March 2017 will be addressing:
- The fisheries sector in Russia - use of alternatives to HCFC and HFC in food processing;
 - Promotion of green shipping and enabling infrastructure in the Arctic rivers;
 - Oil and gas sector flaring covering utilisation of the flared gas alternatively re-injection;

- Information exchange on introduction of best available techniques in Russia in line with
- requirements of the Russian legislation and preparation of a number of pilot cases for investments
- Waste management in the Arctic settlement of Dudinka in Russia.

11. The Arctic Council Senior Arctic Officials, at the Portland Meeting 5-6 October 2016, approved the PSI trial period of 5 years up to 18 July 2019 and re-iterated that PSI funding is available to all Arctic Council's working groups for projects approved by the Arctic Council that meet the PSI criteria. In the above context, NEFCO is working for an evaluation of the PSI. The process is expected to be initiated during 2017 for a review in 2018 and a decision in 2019 on the destiny of the PSI following the trial period.

ACTION FROM SAO/PPS:

12. The SAOs/ PPs are invited to take note of the NEFCO Report on the PSI.

Documentation:

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