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Nordic Environment Finance Corporation Report on the Arctic Council Project Support Instrument to the Arctic Council Senior Arctic Officials' meeting in Rovaniemi, Finland, 31-October - 2 November 2018. Version 11 October 2018

This PSI Report updates the previous Report¹ to the SAO Meeting in Levi, Finland, 22-23 March 2018

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 (Nordic Environment Finance Corporation (NEFCO)) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

5. Since start of the PSI on 18 July 2014 and up to the Ninth Meeting of the PCOM in March 2018, the PCOM has approved funding for 15 Arctic Council Projects. The total costs associated with the approved Projects are estimated to be approximately EUR 710 Million. The PSI allocation to the approved Arctic Council projects is up to EUR 3,7million. The 15 approved Projects are in the sectors of mitigating climate change, hazardous waste management, enhancing bio-diversity, external evaluation of the performance of the PSI during its pilot phase and for communications regarding the PSI, Table 1.

¹ Arctic Council SAO plenary meeting; Project Support Instrument (PSI) NEFCO's Report to SAOs, 22-23 March 2018, Levi, Finland; SAOFI202_2018_LEVI_InfoDoc02_PSI-Report.

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.

Table 1: Summary of approved projects 2018

PSI Project No	Project name	Sector	AC WG / PSI	PSI Allocation, EUR	Status Sept 2018
PSI-1/14	Valday Cluster (8 sites) - Diesel Black Carbon (BC) – Investment Project (IP)	Climate	ACAP	1 120 000	Completed. 5 out of 8 sub-projects commissioned (Jan 2016). 3 on hold. Follow-up to clarify sustainability
PSI-2/14	Tundra Diesel BC Indigenous Peoples Reindeer Farm – Investment Project	Climate - Hg	ACAP	95 500	Completed (2015); Follow-up to clarify sustainability
PSI-3/14	Mapping substituting solutions for diesel plants – TA Study	Climate	ACAP	30 000	Completed (2015)
PSI-4/14	Dolgoshchellie diesel energy supply conversion (BC) – TA Feasibility Study	Climate	ACAP	70 000	Completed (2015)
PSI-1/15	PCB Project - Component 1 - Feasibility Study	Waste	ACAP	400 000	WIP. Awaiting response from RR & roles of stakeholders
PSI-1/16	AIA Community Based BC - Health Assessment – TA	Climate – Health	ACAP	137 500	Ongoing since Sept 2017
PSI-2/16	Pesticides SCWO: Component 1 Feasibility Study	Waste	ACAP	100 000	Completed 2017
	Component 2 - Demo Testing (investment)			450 000	Under implementation. Risk for delay - tests Q3-Q4, 2019
PSI-3/16	Arctic Migratory Bird Actions - for two flyways – Study - TA	Biodiversity	CAFF	100 000	Ongoing since Sept 2017
	Circumpolar - AMBI Plastics			100 000	Approved PCOM 10, Oct 2018
PSI-2/17	Arctic Oil and Gas APG – Flaring: Phase 1a Evaluation of AGP Flaring on the Arctic Zone environment	Climate	ACAP	200 000	Ongoing since Feb 2018. To be completed Q 4, 2018
	Phase 1b Demonstration of best available technologies and practices (BAT-BEP) to reduce SLCP from AGP flaring			250 000	Planned to commence after Phase 1a completed. ToR awaits response from PSC/EG expert
	Phase 2 The use of new technologies to reduce AGP flaring at remote fields			400 000	Planned to commence after Phase [1a] [1 b] completed
PSI-3/17	HFC-ODS in Fisheries and Food Enterprises – Feasibility Study	Ozone-Climate	ACAP	180 000	Under implementation Feb 2018. Awaits PSC/EG expert response

PSI Project No	Project name	Sector	AC WG / PSI	PSI Allocation, EUR	Status Sept 2018
PSI-6/17	PSI Evaluation	Evaluation	PSI	75 000	Completed. Final Report 28 Sept. 2018
PSI-1/18	PSI Communication	Outreach	PSI	50 000	Approved 3/2018
Total				3 758 000	

IP = Investment Project, TA = Technical Assistance Project (commonly used for planning and feasibility studies)

6. Three of the approved PSI Projects, Table 2 below, continue to be under study reservations from the Russian Federation. The implementation of the three projects will commence when the respective reservations are lifted or as advised by the PSI Committee. This is further address in paragraph 9 below.

Table 2: Approved commitments to projects under study reservation (situation: August 2018)

PSI Project No	Project name	Sector	AC WG / PSI	PSI Allocation, EUR	Status May 2018
PSI-1/17	Decreasing Arctic Pollution by BAT-BEP	Cross-media	ACAP	425 000	PCOM March 2017; Study reservation by RF
PSI-4/17	Dudinka Municipal Solid Waste - Russian Arctic	Waste	ACAP	50 000	PCOM March 2017; Study reservation by RF
PSI-5/17	Arctic Rivers Green Shipping	Climate	ACAP	60 000	PCOM Oct 2017; Study reservation by RF
Total				535 000	

7. Of the EUR 12.9 million deposited into the PSI Account with NEFCO, the PSI Committee had by 9th Meeting on 20 March 2018, allocated up to EUR 3.7 million (29 percent) for the approved Projects. Total allocations, including administrative costs, amounts to EUR 4.9 million (about 38 percent). Up to 15 August 2018, EUR 1.79 (14 percent) has been disbursed from the PSI account for the approved Projects.
8. The PSI Committee at its Seventh Meeting on 28 March 2017 approved a one-time cost for an external evaluation study for the PSI and at the Eight Meeting on 10 October 2017 approved the Terms of Reference (ToR) for the PSI evaluation for presentation to the Arctic Council Senior Arctic Officials (SAOs). The SAO approved the ToR for the external evaluation of the PSI at their Meeting on 24 October 2017. The Project on the external evaluation of the PSI is nearly complete. The external evaluator submitted the Draft Final Report on 3 September 2018 to NEFCO. The review process by the PSI Committee and response to the evaluator's Draft Final Report concluded on 25 September 2018. The PSI Committee (PCOM) at their Tenth Meeting informally and preliminarily considered the external Evaluation Study of the PSI, Final Report dated 28 September 2018, on 9 October 2018.

9. The PSI Committee at their Tenth Meeting on 9 October decided as follows:
- i) To approve the Final Investment Decision (FID) of a PSI commitment of up to EUR 100,000 for the Project “Arctic Migratory Birds Initiative (AMBI) Circumpolar Flyway - Mitigation of Habitat Degradation”; and request the Fund Manager to develop the project further towards implementation together with the Arctic Council Working Group on Conservation of Arctic Flora and Fauna (CAFF) and other relevant stakeholders in the AMBI in accordance with the PSI manual and guidelines;
 - ii) That the project for the “small window allocation” will be approved in a written procedure. It will be submitted to the PSI Committee, by the Fund Manager (FM), after clarification with the Russian Federation (RF) has taken place. The FM shall add the language regarding the process and include applicable template. The RF is expected to come to a conclusion by December 1 2018;
 - iii) On the Project “Promotion of Best Available Techniques and Practices, BAT-BEP, Russian Federation”, to note the Russian Federation's request to incorporate elements related to national programme on ecology (Decree of May 2018) and provide the FM with the clearance and adjustments required by 20 January 2019 to enable modifications of the PSI Committee’s approval and FID to become effective;
 - iv) On the Project “Dudinka Municipal Solid Waste Landfill in the Russian Arctic”, to note the Russian Federation's request to incorporate elements related to private partnership and recovery of energy / resources regarding the project and to provide the FM with the clearance and adjustments required by 20 January 2019 to enable needed modifications of the PSI Committee’s approval and FID to become effective;
 - v) On the Project “Arctic Green Shipping - SLCP Mitigation”, to note the Russian Federation's request to incorporate elements related to strengthening the Arctic relevance of the intervention and incorporating possibilities to utilise LNG (liquid natural gas) in the project and to provide the FM with the clearance and adjustments required by 20 January 2019 to enable needed modifications of the PSI Committee’s approval and FID to become effective;
 - vi) To Request the Chair of the PSI Committee to inform the Arctic Council, through the Senior Arctic Official [at their Meeting on 31 October 2018], on the informal preliminary discussions had at the Tenth Meeting of the PSI Committee.
 - vii) To finalise Protocols from the PSI Committee Meetings within one month from the PSI Committee meeting and allowing the silent approval procedure to apply if no comments are received within a month.

ACTION FROM SAO/PPS:

The SAOs/ PPs are invited to take note of the NEFCO Report of 10 October 2018 on the PSI.

Documentation:

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