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Nordic Environment Finance Corporation (NEFCO) Report on the Arctic Council Project Support Instrument (PSI) to Arctic Council Senior Arctic Officials' Meeting 12 – 14 March 2019, Ruka, Finland; 2019-02-20

This PSI Report updates the previous Report¹ to the SAO Meeting in Rovaniemi, Finland, 31 October - 2 November 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 (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

Update Status of Implementation of PSI Projects 2014-2019

5. Since operationalisation of the PSI on 18 July 2014 up to the Eleventh Meeting of the PSI Committee (PCOM) on 19 February 2019, the PCOM has approved funding for 17 Arctic Council (AC) projects. Seven (7) of these PCOM approved projects have been completed. Five (5) of the PCOM approved projects are still pending and on track. Five (5) projects have material delays. PSI

¹ 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; Info Doc 2.

² Reykjavik Declaration on 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.

support has been provided to the work of the Arctic Council Working Groups, especially ACAP⁶, CAFF⁷ and SDWG⁸.

6. The approved projects have a number of sub-projects and interventions in line with the PCOM decisions. Currently, the PSI allocations for the approved projects are up to EUR 3.5 million. Tables 1, 2 and 3 below provide additional details regarding the projects and status of implementation.
7. The 17 Arctic Council Projects approved for PSI financing are in the fields of combating climate change, hazardous waste management, enhancing bio-diversity, communicating of results and lessons learned and for an external evaluation of the performance of the PSI during its pilot-phase. The Projects that address climate change mitigation are expected to reduce 6 to 35 Million tonnes of CO₂-equivalent annually. The large range is due to uncertainty of the GWP value of black carbon. Additional environmental benefits are to result from management of hazardous waste, mitigation of persistent toxic substances, non-methane volatile organic compounds and improved bio-diversity.

Table 1 - Overview of Arctic Council Projects and Work Plan 2014-2019. Status of Implementation w.r.t. Q3 2018

No	PSI Project No.	Project with PSI Approved Financing	PSI Allocation €	Disbursed, €		Status
1	PSI-1/14	Valday [Cluster] – Diesel Black Carbon (BC) - IP	451 868	451 868		Completed 3 sub pr cancellation
	PSI-1/14	Reboly - IP				Cancellation
	PSI-1/14	Justozero - IP				Completed
	PSI-1/14	Kimovaara - IP				Completed
	PSI-1/14	Lindozero - IP				Completed
	PSI-1/14	Polga - IP				Cancellation
	PSI-1/14	Voinitsa - IP				Completed
	PSI-1/14	Vozhmozero - IP				Completed
2	PSI-2/14	Tundra diesel BC Indigenous Peoples-Reindeer farm - IP	97 820	97 820	100 %	Completed
3	PSI-4/14	Dolgoschcheli diesel energy conversion (BC) - TA	78 931	78 931	100 %	Completed
4	PSI-3/14	Mapping substituting solutions for diesel power plants - TA	35 244	35 244	100 %	Completed
5	PSI-1/15	PCB Project - Component 1 - Feasibility Study - TA				Slow progress - scrutiny
6	PSI-1/16	AIA Community-Based BC-Health Assessment - TA	137 500	97 606	71 %	Completed
7	PSI-2/16	Pesticides SCWO - Component 1 Feasibility Study - TA	100 000	101 375	18 %	Completed
	PSI-2/16	Pesticides SCWO - Component 2 Demo Testing - IP	450 000			WIP - Under implementation
8	PSI-3/16	Arctic Migratory Bird Initiative Actions - for two flyways - TA	100 000	55 000	55 %	WIP - Under implementation
9	PSI-2/17	Arctic Oil and Gas APG - Flaring; Phases 1 and 2	850 000	200 000	24 %	WIP - Under implementation
10	PSI-3/17	HFC-ODS in Fisheries and Food Enterprises - TA	180 000	91 000	51 %	WIP - Under implementation
11	PSI-6/17	PSI Evaluation	75 000	75 000	100 %	Completed
12	PSI-1/18	PSI Communications	50 000	5 749	11 %	WIP - Under implementation
13	PSI-2/18	AMBI Circumpolar Flyway - Mitigation of Habitat Degrad	100 000			WIP - Under implementation
14	PSI 1/17	Decreasing Arctic Pollution by BAT-BEP				Slow progress - scrutiny
15	PSI 4/17	Dudinka Municipale Solid Waste - Russian Arctic				Slow progress - scrutiny
16	PSI 5/17	Arctic Rivers Green Shipping				Slow progress - scrutiny
17		Small Allocation Window SAW	100 000			Clarification
		Total	2 806 362	1 341 920		
Administrative costs:						
		REA Consultants	52 328	52 328	100 %	
		Administration cost	596 634	596 634	100 %	
		Negative interest	30 534	30 534		
		Bank cost	15	15		
		Total	3 485 873	2 040 914		

8. The terms of references (ToR) for the approved Projects' implementation and further work have been developed, as relevant, by the PSI Fund Manager (NEFCO) in cooperation with the PSI Committee and SAO, Arctic Council experts, the consultants procured for the Russian Executing Agency (REA-VTB Bank), Project owner(s) and stakeholder(s).

⁶ ACAP = Arctic Contaminants Action Programme.

⁷ CAFF = Conservation Arctic Flora and Fauna.

⁸ SDWG = Sustainable Development Working Group.

Projects with PSI Committee's FID

9. The status of the 17 Projects, as of January 2019 is summarised in Table 1 and Table 2 below.

Table 2: Summary of approved projects January 2019

	PSI Project No	Project name	AMAROK No and Status ^{9, 10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
1	PSI-1/14	Valday Cluster (8 sites) - Diesel Black Carbon (BC) – Investment Project (IP) 8 sub-projects	ACAP 1.4 Delayed	ACAP Climate	USA	451 868	451 868 (100%)	Approved 7 Oct 2014. Completed. 5 out of 8 sub-projects commissioned (Jan 2016). 3 on hold (Riboly, Polga & Valday).	Completed 5 PCOM 11 cancelled 3 sub-projects due to no progress and interested parties EUR 668 132 return
2	PSI-2/14	Tundra Diesel BC Indigenous Peoples Reindeer Farm – Investment Project 1	ACAP 1.1 Completed	ACAP Climate Hg	USA	97 820	97 820* (100%)	Approved 7 Oct 2014. Completed (2015)	Completed
3	PSI-3/14	Mapping substituting solutions for diesel plants – TA Study 1	ACAP 1.1 Completed	ACAP Climate	USA	35 244	35 244* (100%)	Approved 7 Oct 2014. Completed (2015)	Completed

⁹ SAOFI202_2018_LEVI_InfoDoc01-2_Amarok-Maxi-Report; 22-23 March 2018, Levi, Finland

¹⁰ SAOFI203_2018_ROVANIEMI_InfoDoc01_AMAROK; 1-2 Nov. 2018, Rovaniemi, Finland

	PSI Project No	Project name	AMAROK No and Status ^{9, 10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
4	PSI-4/14	Dolgoshcheli diesel energy supply conversion (BC) – TA Feasibility Study 1	ACAP 1.1 Completed	ACAP Climate	USA	78 931	78 931* (100%)	Approved 7 Oct. 2014. Completed (2015)	Completed
5	PSI-1/15	PCB Project - Component 1 - Feasibility Study 1	ACAP 3.1 Delayed	ACAP Waste	FIN, RUS	400 0000	0	Approved 13 October 2015. No concrete progress. Awaiting response from Russian Railways (RR/RzhD) & roles of stakeholders; Site visit 15 Oct. 2018. ToR OK by PSC; MNRE approval TWS, RzhD to acknowledge Our understanding, as expressed in our letter of 12 October 2018, is that RZD shall countersign the Joint Declaration and that MNRE shall come back with a response to our letter of 10 October 2018, regarding endorsement of TWS. When this is in place, we look forward to the continued, constructive dialogue on co-operation and to discuss concrete next steps. MNRE has requested the Min. of Transport to provide advice re transfer from RzhD to TWS.	Completion > than 18 (1.5 y) months 24 months disbursement delay EUR 400 000 return Poor progress, but discussions on going. Proposed to be continued, but careful follow up and subject to critical review in the next PCOM

	PSI Project No	Project name	AMAROK No and Status ^{9,10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
6	PSI-1/16	AIA Community Based BC - Health Assessment – TA 1	ACAP 4.2 On track	ACAP Climate & Health	USA, AIA	137 500	97 606 (71%)	Approved 22 March 2016. Ongoing since Sept 2017. Extended by NEFCO to Dec 2018. Disbursed 18.12.2018. Final Study submitted 17 Jan. 2019 (document AC/PSI/PCOM/1911-Info-6). Completion of the report is expected by ACAP to be included in the list of achievements section of the SAO (2019) Report to Ministers. The project may thus be considered completed.	Completed
7	PSI-2/16	Use of SCWO for Environmentally Sound Destruction of Obsolete Pesticides in Russia Component 1 Feasibility Study	ACAP 3.1 Delay	ACAP Waste	FIN, RUS	550 000	101 375 (18%)	Approved EOI & FID 22 March 2016. FID of €100k for preparatory work (€40k for ToR & €60k for FS/BP) on the FS /BP completed 2017	Completed
		Component 2 - Demo Testing (investment) 2 sub-projects			FIN, RUS			Approved 10 Oct 2017. €450k for Comp. 2 under implementation. Risk for delay - tests Q3-Q4, 2019; Amt. disbursed 13.8.2108	Delay
8	PSI-3/16	Arctic Migratory Bird Actions - for two flyways – Study - TA 2 sub-components	CAFF 07 On track	CAFF Biodiversity	CAN/NOR/ RUS/USA	100 000	55 000 (55%)	Approved 27 Sept 2016. Ongoing since Sept 2017; Contract extended by NEFCO. Disbursed 6.11.2108. Partial targets fulfilled in 2018	Delay

	PSI Project No	Project name	AMAROK No and Status ^{9,10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
9	PSI-2/17	Mitigation of black carbon and methane emissions from APG flaring in the Arctic zone of the Russian Federation	ACAP 1.7 On track	ACAP Climate	RUS	200 000	200 000 (100%)	Approved 28 March 2017. Ongoing since Feb 2018. To be completed Q 4, 2018 Disbursed 5.12.2018 Completed Dec 2018. Arctic Oil and Gas APG – Flaring: Phase 1a Evaluation of AGP Flaring on the Arctic Zone environment. Overall 3 sub components	Completed
		Phase 1b Demonstration of best available technologies and practices (BAT-BEP) to reduce SLCP from AGP flaring			RUS	250 000	0	Approved 28 March 2017. Planned to commence after Phase 1a completed. Contracted	CA signed. Inception report received 15 Jan 2019
		Phase 2 The use of new technologies to reduce AGP flaring at remote fields			RUS	400 000	0	Approved 28 March 2017. Planned to commence after Phase [1a] [1 b] completed	Expected to start when Phases 1a and 1b have defined a path forward.

	PSI Project No	Project name	AMAROK No and Status ^{9, 10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
10	PSI-3/17	HFC-ODS in Fisheries and Food Enterprises – Feasibility Study Phase-out of ozone-depleting substances and fluorinated greenhouse gases (HFC) at fish and seafood processing enterprises (SLCP EG)	ACAP 1.6 On track	ACAP Ozone-Climate	RUS	180 000	91 000 (51%)	Approved 28 March 2017. Under implementation Feb 2018. Disbursed 20.6.2018 Inception and Interim Report have been submitted. Contract extended by NEFCO. Third disbursement request under processing.	Delay Final reporting and proposal for second phase foreseen in 1Q 2019.
11	PSI-6/17	PSI Evaluation 1	n.a.	PSI Evaluation	NEFCO	75 000	75 000 (100%)	Approved 10 Oct 2017 Completed. Final Report 28 Sept. 2018 Disbursed 25.10.2018	Completed
12	PSI-1/18	PSI Communication 1	n.a	PSI Outreach	NEFCO	50 000	5 749 (11%)	Approved 20 March 2018 Disbursed 5.12.2018	Under implementation
13	PSI-2/18	AMBI - Circumpolar Flyway - Mitigation of Habitat degradation (Plastics) 1	CAFF-07 On track	CAFF Bio-diversity	CAN/NOR/ RUS/USA	100 000	0	Approved 9 Oct 2018 Under contracting. ToR received from CAFF on 15. Jan 2019. Expected to start Q1, 2019. No disbursement yet	Under implementation

	PSI Project No	Project name	AMAROK No and Status ^{9, 10}	AC WG / PSI & Sector	LEAD	PSI Allocation, EUR	Amount disbursed EUR (%)	Status Jan. 2019	NOTES & RECOMMENDATION
	PSI-Int.Ses./18	Allocate a small PSI funding provision to enable Arctic Council project preparation, scoping and review. (Small Allocation Window (SAW)) N number	n.a	All WG Cross sectors	NEFCO	100 000	0	Approved 20 March 2018; RF study reservation/clarification Not cleared yet	Awaiting clarification.
14	PSI 1-10	Administration	n.a. Management	PSI Administration	NEFCO	679 511	679 511(100%)	Approved at Spring PCOM Meetings; 2014-2018 REA Consultants Disbursed 1.11.2018	Under implementation. NEFCO on track. REA delay and subject to adjustment EUR 338 724 return
						Total	3 485 873	2 040 914(59%)	

IP = Investment Project, TA = Technical Assistance Project (commonly used for planning and feasibility studies); * discrepancy between allocated and disbursed due to X-change rate variations

Approved Projects with Study Reservations

10. Table 2 below, depicts the approved projects under study reservations or awaiting additional clarification from the Russian Federation.

Table 2: Approved commitments to projects under study reservation (situation: January 2019)

No	PSI Project No	Project name	AMAROK No & Status ^{11, 12}	AC WG / PSI & Sector	Lead	PSI Allocation, €	Amount Disbursed, € (%)	Status Jan 2019	Recommendation
15	PSI-1/17	Promotion of decrease of the Barents region pollution by introduction of BAT Decreasing Arctic Pollution by BAT-BEP 1 + N number	ACAP 2.6 Delayed	ACAP Cross-media	RUS, SWE	425 000		Approved 28 March 2017; Study reservation by RF. On 9 Oct. 2018 RF requested incorporation of elements related to RF programme on ecology (Decree of May 2018) and is to provide the FM with the clearance and adjustments required by 20 January 2019 to enable modifications of the PSI Committee's approval and FID.	Completion > than 18 (1.5 y) months 24 months disbursement delay EUR 425 000 return Slow progress. Continued scrutiny
16	PSI-4/17	Dudinka Municipal Solid Waste Landfill in the Russian Arctic 1 + N	ACAP 3.4 Delayed	ACAP Waste	RUS, FIN	50 000		Approved 28 March 2017; Study reservation by RF. On 9 Oct 2018 RF requested incorporation of elements related to private partnership and recovery of energy / resources regarding the project. RF is 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)	Completion > than 18 (1.5 y) months 24 months disbursement delay EUR 50 000 return Slow progress. Await RF feedback 20 Jan 2019. Continued scrutiny
17	PSI-5/17	Arctic Green Shipping - SLCF Mitigation 1 + N	ACAP 1.2 Delayed	ACAP Climate	RUS	60 000		Approved 10 Oct 2017; Study reservation by RF. Agreed on 9 Oct. 2018 that RF will incorporate elements related to strengthening the Arctic relevance of the intervention and incorporating	Completion > than 18 (1.5 y) months 24 months disbursement delay EUR 60 000 return

¹¹ SAOFI202_2018_LEVI_InfoDoc01-2_Amarok-Maxi-Report; 22-23 March 2018, Levi, Finland

¹² SAOFI203_2018_ROVANIEMI_InfoDoc01_AMAROK; 1-2 Nov. 2018, Rovaniemi, Finland



No	PSI Project No	Project name	AMAROK No & Status ^{11, 12}	AC WG / PSI & Sector	Lead	PSI Allocation, €	Amount Disbursed, € (%)	Status Jan 2019	Recommendation
								possibilities to utilise LNG 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 FID	Await RF feedback 20 Jan 2019.. Continued scrutiny
18	PSI-Int.Ses./18	Allocate a small PSI funding provision to enable Arctic Council project preparation, scoping and review. (Small Allocation Window (SAW)) 1 + N number	n.a.	All WG Cross sectors	NEFCO	100 000	0	Approved 20 March 2018; RF study reservation/clarification Not cleared yet. Agreed on 9 October 2018: That the project for the small window allocation will be approved in written procedure. It will be submitted to PCOM after clarification with the RF has taken place. The FM shall add the language regarding the process and include applicable template. This was provided on 22 Oct 2018. The RF is expected to come to a conclusion by 1 December 2018	Awaiting clarification.
					Total	635 000			

11. Of the EUR 12.8 million deposited into the PSI Account with NEFCO, the PSI Committee had by 10th Meeting, on 9 October 2018, allocated up to EUR 3.5 million (27 percent) for the approved Projects including administrative costs. EUR 9 281 690 are available for further allocations for projects proposals for consideration of the PSI Committee at the 11th Meeting.
12. Table 1, above, provides the breakdown of fund used since the start of PSI operations in 2014 up to January 2019 amounting to a total of EUR 2.04 million (59 percent disbursement) of the EUR 3.5 million allocation (27 percent of the deposited contributions).
13. The tentative allocations for the 2014-2019 work plan and actual allocations as of January 2019 are summarised in Table 4 below. There remains need to address mercury mitigation.

Table 4 - Allocation (tentative) for 2014-2019 work plan and actual (16.09.18). Figures are rounded off.

Description	Percent	Total EUR	Actual EUR	Percent
Hazardous waste management, POPs	40	5 107 000	550 000	4
Mercury mitigation, demonstration	25	3 192 000	0	0
Clean production, energy efficiency ,SLCP etc.	20	2 554 000	2 483 000	15
Other areas	6	766 000	425 000	3
Standard costs (including PSI evaluation)	9	1 149 000	680 000	5
Total	100	12,768,000	3 486 000	27

Glossary: POPs = Persistent Organic Pollutants; PCB = Polychlorinated biphenyls; SLCP = Short Lived Climate Pollutant (Black Carbon, HFC (Hydrofluorocarbons) Methane, Tropospheric Ozone)

PSI External Evaluation

14. 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 was completed and the PCOM at their Tenth Meeting informally and preliminarily considered the Final Report dated 28 September 2018. The SAOs, at their 31 October 2018 Meeting, in Rovaniemi, Finland, discussed the completed review of the PSI and decided to support the proposed prolongation of the PSI until the end of 2021, expecting updates on the realisation of the review's recommendations by the upcoming SAO (March 2019) meeting in Ruka.
15. The PCOM, at the 11th Meeting on 19 February 2019, welcomed with appreciation the SAO decision, taken at Rovaniemi Meeting 31 October 2018 Executive Meeting¹³ to support the prolongation of the PSI pilot phase until the end of 2021. Regarding the updates to SAOs 12-14 March 2019 Meeting, on the realisation of the review's recommendations, the PSI Committee requested the Icelandic Chair of the PSI Committee to inform the Arctic Council, through the Senior Arctic Official at their Meeting on 12-14 March 2019, on the discussions held at the PCOM 11.

PSI Manual Revision

16. In response to the external PSI evaluation, the Fund Manager engaged the external evaluator to assist it in preparing an up-date of the PSI Manual. The revised Manual and follow-up of projects, with implementation delays, is part of the PSI Management's response to the independent

¹³ Report: SAO plenary meeting 2019-01 Arctic Council; SAO Meeting, 1-2 November 2018, Rovaniemi, Finland

evaluation. Review of the revised PSI Manual (Version Final Draft 24.1.2019 with the corrected Section 4 sent as errata on 29 January 2019) by the PSI Committee is underway. Comments from the PCOM are to be provided latest by 15 March 2019 with the aim to approve the revised PSI Manual by 15 April 2019, ahead of the Arctic Council Ministerial. The Manual will also include an attachment regarding the Small Allocation Window once it is approved and operational. The approved revision of the PSI Manual will be a working document, which is to supersede the earlier approved PSI Manuals.

Communication/Outreach/Lessons Learnt

17. The PSI has an allocation, in the 2018 budget of the FM/NEFCO, to fund communication and dissemination of information regarding the PSI and its financing of projects and lessons learnt. NEFCO is envisaging communication work on all ACAP and CAFF projects that have benefitted from PSI funding. The goal is to have a video and/or short fact sheets for all the PSI financed projects as communication products. Work is in progress to define the products in cooperation with the leads, the Arctic Council Secretariat (ACS), ACAP and CAFF secretariats.

FID Cancellation and Return of Funds to the PSI for Project with Material Delays

18. In the PSI independent evaluation, the evaluator has emphasised the importance to removing non-performing projects with FID. As stated above, five PSI Committee (PCOM) approved projects have material delays.
19. The PSI Committee at the 10th Meeting on October 10, 2018 requested the Fund Manager (FM) to provide to the 11th Meeting of the PCOM a consolidated overview on projects with implementation delays on reports from the implementing and monitoring entities. A project is to be classified as having a delay if it is expected to be completed more than 18 months too late or where disbursement has occurred 24 months or more after project approval. Such projects are to be put forward by the FM and monitored at each PCOM meeting for progress; and will be subject to the PCOM decision for project cancellation. According to approved criteria¹⁴, the PSI Committee may consider cancelling a project with implementation delays that has experienced no progress for three consecutive PCOM meetings. At this point, the project owner and FM will be required to agree to deadlines for project milestones.
20. According to criteria, PSI projects with FIDs made by the PCOM are to be subject to cancellation by a separate decision of the PCOM. Such decision enables return of un-spent allocations to the PSI. The projects can be resubmitted for consideration of the PCOM at a future meeting. The following projects (sub-projects) with FIDs fulfil the established criteria for delay, cancellation and return of allocations to the PSI:
 - i) Valday Cluster Upgrade for Black Carbon Reduction in the Republic of Karelia, Russian Federation, sub-projects: (a) Valday; (b) Riboly; and (c) Polga; Protocol document AC/PSI/PCOM/1402-2-2 rev1. **FM Assessment:** The 3 sub-projects of the Valday Cluster are not expected to proceed further due low project owner interest, which, despite a protracted period and various discussions has not materialised even in an official response to FM letter dated July 2017. REA has also made fruitless attempts to facilitate. FM recommends that the three sub-projects be considered by the PCOM for cancellation and return of funds. In case of cancellation, EUR 668 132 will be returned to PSI.

¹⁴ Approved by the PCOM at the 10th PCOM meeting

- ii) PCB Feasibility Study (FS) as described as Component 1 (doc. AC/PSI/PCOM/1504-4-1); Protocol document AC/PSI/PCOM/1504-2-1-add-1. **FM Assessment:** PCB FS - (allocation EUR 400,000) remains challenging. Hitherto limited success of the UNIDO-GEF project caused by the same challenges met by NEFCO in the “PCB Fast Track” Project (w.r.t permitting [not-in-my-back yard]). On this basis and the slow progress, it would be possible to cancel the project, with a possibility to come back if/when-detailed legislation and destruction capacity is in place. If there is, interest to keep the project alive, UNIDO still has the ambition to establish destruction capacity through a mobile unit. The proposal of identifying a component to complement UNIDO-GEF project can be relevant. Activities have recently taken place including site visit with the participation of the ACAP HW EG. Further action is pending Russian Railway’s (RR) acknowledgement of joint declaration with UNIDO and MNRE/AGA endorsement of the company “TWS” the proposed RR subsidiary. **In summary:** Poor progress, but discussions are continuing. FM propose continued, but careful follow up and subject to critical review by the PCOM at its 12th Meeting.
- iii) “Promotion of Best Available Techniques and practices, BAT-BEP, Russian Federation”; Protocol document AC/PSI/PCOM/1707-3-1-Add-1. **FM Assessment:** Completion delay is greater than 18 (1.5 y) months since the FID decision and there is a 24 months disbursement delay. Potential for EUR 425 000 return. PCOM at the 10th Meeting agreed to Russia’s (also AC Project Lead) request to incorporate clarification elements related to projects and provide the FM with the clearance and adjustments by 20 January 2019 to enable modifications of the PSI Committee’s approval and Final Investment Decision. **In summary:** Poor progress, but discussions are continuing. FM propose continued, but careful follow up and subject to critical review by the PCOM at its 12th Meeting.
- iv) Scoping (“Stage 0”) and Stage 1 of the Project “Dudinka Municipal Solid Waste Landfill in the Russian Arctic”; Protocol document AC/PSI/PCOM/1707-3-1-Add-1. **FM Assessment:** Completion delay is greater than 18 (1.5 y) months since the FID decision and there is a 24 months disbursement delay. Potential for EUR 50 000 return. PCOM at the 10th Meeting agreed to Russia’s (also AC Project Lead) request to incorporate clarification elements related to projects and provide the FM with the clearance and adjustments by 20 January 2019 to enable modifications of the PSI Committee’s approval and Final Investment Decision. **In summary:** Poor progress, but discussions are continuing. FM propose continued, but careful follow up and subject to critical review by the PCOM at its 12th Meeting.
- v) Arctic Green Shipping - SLCP Mitigation; Protocol document AC/PSI/PCOM/1708-3-1-Add-1. **FM Assessment:** Completion delay is greater than 18 (1.5 y) months since the FID decision and there is a 24 months disbursement delay. Potential for EUR 60 000 return. PCOM at the 10th Meeting agreed to Russia’s (also AC Project Lead) request to incorporate clarification elements related to projects and provide the FM with the clearance and adjustments by 20 January 2019 to enable modifications of the PSI Committee’s approval and Final Investment Decision. **In summary:** Poor progress, but discussions are continuing. FM propose continued, but careful follow up and subject to critical review by the PCOM at its 12th Meeting

21. For the five projects with material delays, the PCOM at the 11th Meeting on 19 Feb. 2019 decided to:

- i) Request the Fund Manager, subject to lifting of the study reservation from the Russian Federation, latest by 31 March 2019, to start implementation of Phase 1 of the Project “Promotion of Best Available Techniques and Practices, BAT-BEP, Russian Federation”;

- ii) Request the Fund Manager, subject to lifting of the study reservation from the Russian Federation, latest by 31 March 2019, to start implementation of scoping (“Stage 0”) and Stage 1 of the Project “Dudinka Municipal Solid Waste Landfill in the Russian Arctic”;
- iii) Request the Fund Manager, subject to lifting of the study reservation from the Russian Federation, latest by 31 March 2019, to start implementation of Phase 1 work of the Project "Arctic Green Shipping - SLCP Mitigation";
- iv) Approve cancellation of remaining funds related to the Final Investment Decisions and return of funds to the PSI for the following PCOM approved projects with material delay (document AC/PSI/PCOM/1911-5-1-2), due to lack of progress and interest from the project owner. Total amount of available PSI funds (allocated to PCOM approved project) after this adjustment will be EUR [668 132]. Revised proposals for the cancelled projects may be submitted for consideration of the PSI Committee at a future meeting:
 - 1) Valday Cluster Upgrade for Black Carbon Reduction in the Republic of Karelia, Russian Federation, sub-projects: (a) Valday; (b) Riboly; and (c) Polga; Protocol document AC/PSI/PCOM/1402-2-2 rev1.
- ix) Request the FM to continue discussions, and careful follow-up, on the following projects enabling a critical review by the PCOM at its 12th Meeting of the following projects:
 - 1) PCB Feasibility Study, described as Component;
 - 2) “Promotion of Best Available Techniques and Practices, BAT-BEP, Russian Federation”;
 - 3) Scoping (“Stage 0”) and Stage 1 of the Project “Dudinka Municipal Solid Waste Landfill in the Russian Arctic”;
 - 4) Arctic Green Shipping - SLCP Mitigation.
- x) Agree to, in general, consider additional Arctic Council projects inter-sessionally in line with established guidelines of the Arctic Council and the PSI. These are expected to, in the short term, include:
 - The Community-Based Black Carbon and Public Health Assessment Project - Investment Phase;
 - Phase-out of HFC and ODS at Seafood Processing Enterprises, Murmansk Oblast - Investment Phase;
 - The two ACAP approved (February 2019) proposals: the circumpolar mercury project and the POPs and mercury inventory project;
 - The Small Allocations Window (SAW) for project preparations. The Fund Manager will provide to Russia a guidance for approval of projects preparation funding, based on the SAO approved PSI Guidelines (7 April 2005).
- xi) The PCOM at the 11th Meeting also agreed that Russian Federation will provide a status report, on their project approval/process/commitment to the outstanding projects, to inform the SAO Meeting of 12 March 2019.

Environmental and Climate Related Unit Abatement Cost Effectivity

22. The PSI allocation for the approved AC projects is up to EUR 3.5 M. The overall total cost associated with the Projects is of an order of EUR 700 M. The AC Projects address climate change mitigation, hazardous waste management, enhancing bio-diversity, evaluation of the PSI during its trial period, and communications regarding the PSI. The projects addressing climate change mitigation aim to reduce about 6 to 35 M tonnes of CO_{2-eq} annually. The large range is due to uncertainty of the GWP value of black carbon. Additional environmental benefits are to result from management of hazardous waste, mitigation of persistent toxic substances, non-methane volatile organic



compounds and improved bio-diversity. With respect to PSI allocation of EUR 3.5, the simple cost effectivity for the PSI interventions is about 0.1 to 0.8 EUR/tonne CO₂-eq abated.

ACTION FROM SAO/PPS:

23. The SAOs/ PPs are invited to take
 - i) Note of the NEFCO [Report 2019-02-20] on the PSI.

Documentation:

Nordic Environment Finance Corporation (NEFCO) Report on the Arctic Council Project Support Instrument (PSI). 2019-02-20