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Fund Manager's Report to SAO

18 February 2021

Status overview

The last year of the current mandate of the Arctic Council Project Support Instrument, PSI, has started well. Good progress can be noted in several PSI-funded activities since the last report. Challenges in terms of the pandemic and procedural delays remain.

The Fund Manager has made an internal assessment of how PSI has evolved after the external evaluation made of PSI in 2018. The conclusion is that operations have developed well in line with the recommendations of the evaluation.

However challenges still remain regarding the ambitions to smoothen the decision making process ahead of and within the PSI, adding workload to the FM and time from origination of project ideas to completion.

Looking at the recommendations supported by the PSI committee, most the suggestions have been adhered to, at least to those related to the Fund Manager;

The project portfolio was thoroughly assessed in 2019, schedules and budgets updated. Projects not proceeding were cancelled.

New reporting procedures have been established and have been well received by PCOM.

The Small Allocation Window (SAW) procedure has been approved, established and proven to work well in practice resulting so far in one full-fledged project proposal recently approved. SAW is managed fully by the Fund manager and provides limited, but still, financing for project development or project support.

Furthermore after the evaluation new and clearer Guidelines and templates have been developed.

Thanks to active information work understanding of the Instrument's modus operandi among Arctic partners has been substantially improved.

Regarding dissemination of project related information. The project proposals nowadays typically have a separate dissemination phase, which focuses on communication of the learnings from the project.

Given the currently limited funds available for additional project activities, it is clear that additional funding will be needed if an extension in time of the PSI is decided, for PSI to play an active role in the future Arctic cooperation. In relation to this, a discussion among Arctic actors regarding what role PSI should play is highly relevant; should the priorities be physical investments of demonstrations character, capacity building, a balanced combination, or something else?

Contributions so far

Below you find the list of contributions received for PSI activities to date. It can be noted that Nefco so far is the third largest contributor to the fund in addition to operating as the Fund Manager - after Finland and the largest contributor, Russia.

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Table 1 — PSI Pledges and Deposits as of 31.12.2020

No	Contributor	Pledges EUR	Deposited EUR	Comment
1	Finland	1,700,000	1,700,000	Received
2	Iceland	8,000	8,299	Received ICEK 1M
3	Norway	238,000	237,729	Received
4	Russian Federation	10,000,000	10,000,000	Received
5	Sweden	272,000	271,565	Received SEK 3M
6	United States	949,000	683,010	Received \$0.857M.
7	NEFCO	1,350,000	1,350,000	Received
8	Sami Parliament	13,000	12,987	Received NOK 100 000
9	Interest		- 69,562	
10	TOTAL	15 863 000	14,194,028	PSI initial target was EUR 3 million

Main project developments and status

In terms of project completion and start up of old approved or pending projects, we have seen a good development in the last year.

The most recent project completions relate to AMBI Migratory Birds and Plastics, well in-line with the current presidency of the Arctic council, the first phase of the Mercury Risk Evaluation project and the second phase of the Flaring project. 12 PSI projects have been completed in total.

PCOM made a decision in 2017 regarding the Dudinka landfill project. After confirmation from all PCOM members a consultancy agreement was finally signed on October 28, last year. Implementation has since moved swiftly and a completion report is expected soon including an assessment of the current environmental state in and around the landfill as a basis for the development of risk assessment and remediation approaches.

The BAT project proposal presented to PCOM 4 years ago was approved by Russia at PCOM 14 and is hence now high on the Fund Manager's "To do list" in terms of getting contractual arrangements in place.

Regarding "P2 Inventory of uses of POPs and Mercury and their Emission Sources in the Murmansk Region", a contract expected to be in place for the project shortly.

The first phase of the Green Shipping-Russian Arctic Rivers project is after the inception phase now in the final stage in the form of a final report. This has been one of the projects that has not moved for a long time, but activities have been very intense in recent months, even if the time lags between decision and implementation has caused considerable challenges.

The project Murmansk-Ozone Depleting Substances-Fisheries (Phase II) has proceeded well. With most of the dozen approved beneficiaries confirming their interest to participate in the project.

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After the PCOM 14 decision to approve a replacement of one of the major project beneficiaries, LLC “SeaFoodRus”, with LLC “Murmanstroy”, project work has continued at good speed despite the complexity.

The Fund Manager, in line with PCOM 14’s wish, arranged a meeting regarding the project Mercury Risk Evaluation II, which was partially approved by PCOM. After concluded discussions the proposal was considered ready for presentation at PCOM 15 for final and complete approval.

Additional information has been provided to Russia regarding the “Arctic Wildland Fire Ecology Mapping and Monitoring” Project (ArcticFIRE), a CAFF proposal.

The Arctic Traffic Ship Data-system (ATSD), PAME, was tabled at last PCOM, pending evaluation and coordination within and among Russian ministries.

The PCB project to be based on the ongoing UNIDO-GEF project has unfortunately not moved since the last report. Completion of the facility for PCB destruction - a requirement for the PSI project to initiate activities - is not yet in place and the UNIDO-GEF project is now extended till 31 August 2021.

Appointment of Project Steering Committee (PSC) members by WG/EG have been improved compared to 2018. The current situation presented in the table on page 5. The PSCs in the Green Shipping and the Murmansk ODS project are very good examples of active PSCs, in line with wishes expressed by the PCOM members regarding increased activity in the Committees.

Active Projects

Row Labels	Project (Country)	PSI AC working groups	PSI Expert group	Disb/alloc	PSI Allocation	PSI Disbursed
1-On-going					4,576,752	409,733
PSI 01/16	Community-Based BC-Health Assessment (Phase 1) (Circumpolar)	ACAP	IPCAP	96 %	137,500	131,587
PSI 01/18	PSI Communications (Circumpolar)	ACAP		48 %	50,000	23,754
PSI 04/17	Dudinka Municipal Solid Waste - Arctic (Russia)	ACAP	Waste	0 %	50,000	-
PSI 05/17	Green Shipping-Russian Arctic Rivers (Russia)	ACAP	SLCP	77 %	60,000	46,000
PSI REA	REA Consultants (Russia)			38 %	189,252	72,142
PSI xx/xx	Small Allocation Window (SAW) (Circumpolar)			0 %	90,000	-
PSI 02/19	Murmansk - Ozone Depleting Substances - Fisheries (Phase 2) (Russia)	ACAP	SLCP	3 %	4,000,000	136,250
2-Contracting					2,270,900	-
PSI 01/15	Russian Railways - PCB - Component 1 - Feasibility Study (Russia)	ACAP	Waste	0 %	400,000	-
PSI 01/17	BAT in the Arctic (Russia)	ACAP	POPs & Hg	0 %	425,000	-
PSI xx/19	Community-Based BC-Health Assessment (Phase 2) (Circumpolar)	ACAP	IPCAP	0 %	1,100,000	-
	AFFF Phase Out in the Arctic ()	ACAP	Waste	0 %	345,900	-
	P2 Inventory of Uses of POPs and Mercury ()			0 %	-	-
3-Pending					1,554,000	-
	Arctic Migratory Birds Initiative - Central and East Asian Flyways (Circumpolar)	CAFF		0 %	265,000	-
	Mercury Risk Evaluation II ()	ACAP		0 %	789,000	-
	Solid Waste Management in Remote Arctic Communities (Circumpolar)	SDWG		0 %	500,000	-
4-Completed					2,064,728	1,851,128
PSI 01/14	Karelia - Diesel Black Carbon (BC) (Russia)	ACAP	SLCP	100 %	392,093	392,093
PSI 01/19	Mercury Risk Evaluation (Circumpolar)	ACAP	POPs & Hg	100 %	68,000	68,000
PSI 02/14	Diesel BC - Reindeer Farm (Russia)	ACAP	SLCP	100 %	87,973	87,973
PSI 02/16	Obsolete Pesticides - Component 1 - Feasibility Study (Circumpolar)	ACAP	Waste	100 %	96,975	96,975
	Obsolete Pesticides - Component 2 - Demo Testing (Russia)	ACAP	Waste	100 %	31,614	31,614
PSI 02/17	Associated Petroleum Gas Flaring - Phase 1 (Russia)	ACAP	SLCP	100 %	350,000	350,000
	Associated Petroleum Gas Flaring - Phase 2 (Russia)	ACAP	SLCP	57 %	500,000	286,400
PSI 02/18	Arctic Migratory Bird Initiative - Microplastics (Circumpolar)	CAFF		100 %	100,000	100,000
PSI 03/14	Mapping Substituting Solutions for Diesel Power Plants (Russia)	ACAP	SLCP	100 %	31,244	31,244
PSI 03/16	Arctic Migratory Bird Initiative - Two Flyways (Circumpolar)	CAFF		100 %	95,000	95,000
PSI 03/17	Murmansk - Ozone Depleting Substances - Fisheries (Phase 1) (Russia)	ACAP	SLCP	100 %	156,424	156,424
PSI 04/14	Dolgoshchelie Diesel Energy Conversion (BC) (Russia)	ACAP	SLCP	100 %	70,405	70,405
PSI 06/17	PSI Evaluation (Circumpolar)			100 %	75,000	75,000
PSI 01/20 SAW	AFFF Phase Out in the Arctic - SAW (Circumpolar)	ACAP	Waste	100 %	10,000	10,000
Grand Total					10,466,380	2,260,861

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1-On-going

<p>PSI 01/16</p>	<p>Community-Based BC-Health Assessment (Phase 1) (Circumpolar) The Alaskan part of the project (Phase 1) has been completed by the Aleut International Association (AIA) and the Alaska Native Science Commission (ANSC), and approved by ACAP as basis for a Phase 2 to be proposed by AIA; BC methodology developed. VNII Ekologiya's Russian part still pending outreach activities to selected indigenous communities in the Russian Arctic (or may be cancelled).</p> <p>Activity plan: Finalize Russian part of Phase 1 by VNII Ekologiya (if at all) - to be aligned with Phase 2 as approved at PCOM#14 following further elaborations. (HGF 20210204)</p>
<p>PSI 01/18</p>	<p>PSI Communications (Circumpolar) Contacts created with ACAP, CAFF and AC Secretariat. Fact sheets completed for ACAP projects, video completed for ACAP/Tundra project, infographics completed for CAFF/AMBI, Arctic e-newsletter by NEFCO published, information about PSI sent to AC Secretariat for their new website (under development).</p> <p>Ongoing Q1/2020: Production of fact sheet / publication on fulfilled AMBI project, in cooperation with CAFF.</p> <p>Activity plan: Follow-up on AC website and PSI content, options for updated extranet system for PCOM</p>
<p>PSI 02/17</p>	<p>Associated Petroleum Gas Flaring - Phase 2 (Russia) Consultancy Agreement for Phase 2 was signed on 7 Nov. 2019. Inception report was submitted and approved 4.2.2020. A draft Final Report was approved on 20.5.2020 after a detailed commenting round. The Final Report was approved on 13.8.2020.</p> <p>Activity Plan: On-line workshop for key stakeholders (in collaboration with ACAP) 20.2.2020/KAH</p>
<p>PSI 04/17</p>	<p>Dudinka Municipal Solid Waste - Arctic (Russia) This project concerns Stages 0 and 1 of a 3 step project, which aims to develop a risk assessment, remediation techniques and best practices for remote Arctic permafrost areas to facilitate clean-up of old landfills. In first stage of the project, the adverse environmental impacts of the Dudinka city landfill will be assessed.</p> <p>Activity Plan: First version of Scoping Report (Stage 0) has been delivered and is currently under review. Decision to continue to Stage 1 will be given by the end of February. / AVA, SBL 3 February 2021</p>
<p>PSI 05/17</p>	<p>Green Shipping-Russian Arctic Rivers (Russia) The Project FID for EUR 60,000 for Phase 1 was granted at PCOM 8 & lifted at PCOM#12 following IMC approval. FM launched an RFP based on ToR and shortlist reconfirmed by PSC. Contract for Phase 1 signed with winning Aker Arctic Technologies (jointly with PBI Research Institute) in September, 2020 & (draft) final report delivered in late 2020. Ultimate beneficiary LLC Volgotrans is to implement and co-finance the following stages (Phases 2-4).</p> <p>Activity plan: Final Report & ways forward addressed by PSC on 26 January 2021 - to be continued in February. (HGF 20210204)</p>
<p>PSI REA</p>	<p>REA Consultants (Russia) An updated list of consultants and budget for Q2/2020-Q2/2021 to be presented for PCOM approval in March 2020.</p>
<p>PSI xx/xx</p>	<p>Small Allocation Window (SAW) (Circumpolar) This allocation allows Expert Groups to engage resources especially for project initiation and preparation, but also for supervision.</p> <p>Action plan: First allocation proposal was prepared by EG on Waste (Fire fighting chemicals) and has been approved. Accordingly, SAW is now fully operational.</p>
<p>PSI 02/19</p>	<p>Murmansk - Ozone Depleting Substances - Fisheries (Phase 2) (Russia) Project (Phase 2) approved by ACAP and SLCP EG in Sept 2019 for PCOM#12; FID followed later in 2019. Project Implementation Agreement (PIA) signed on 31 January with ICSTI as Implementing Agency (IA). Inception Report approved (incl. final work plan, proc. plan and project implem. schedule. List of Beneficiaries approved by FM (add. Murmanstroy endorsed by PSC#4 & PCOM#14). Project registered at State Commission. Contractual structure and plan are under revision.</p> <p>Activity plan: Revised contracts and Procurement under elaboration; tenders to be subsequently launched by IA. PSC? (HGF 20210204)</p>

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2-Contracting

PSI 01/15	<p>Russian Railways - PCB - Component 1 - Feasibility Study (Russia) The evaluation of the project is expected to commence in the second half of 2021 once the facilities of the UNIDO-GEF project are officially commissioned and operational. The ToR for the evaluation was shared with the EG on Waste and consultations have been held with EG and potential consultants for the evaluation. / SBL, 04/02/2021</p>
PSI 01/17	<p>BAT in the Arctic (Russia) Project proposal reviewed and revised by Russian BAT Bureau aligning it with Sub-project (#11) on Introduction of BAT under the NP "Ecology". Following IMC review, Russia lifted its "study reservation" at PCOM#14 on 22 Dec 2020. Ministry of Industry and Trade (MinProm) jointly responsible with MNRE for BAT. It will primarily consist of targeted training for BAT objects in the Russian Arctic (& Barents).</p> <p>Activity plan: The Project to be adjusted for due revisions compared to 2017; PSC to be established; contracting to proceed in early 2021. (HGF 20210204)</p>
PSI xx/19	<p>Community-Based BC-Health Assessment (Phase 2) (Circumpolar) Project approved by PCOM on 24.11.2020 Based on its Phase 1, the Phase 2 (implementation stage) was approved and endorsed by ACAP and IPCAP, and subsequently proposed for PSI funding in 2019. The initial proposal for FID at PCOM#12 and the revised proposals at PCOM#13 were not approved; FM and the project proponents were requested to provide a revised proposal with a reduced budget. ACAP approved AIA's second amended proposal on 24.9.2020, and was presented by the FM for FID at PCOM#14 and approved (with minutes still pending), with a revised budget at EUR 1,100,000.</p> <p>KAH 20210202</p> <p>AFFF Phase Out in the Arctic () The PSI Committee has approved the project and procurement is ongoing. / AVA, SBL 3 February 2021</p> <p>P2 Inventory of Uses of POPs and Mercury () The project has been accepted by PCOM, details of contracting are under negotiations for Stage 1 of the project. / SBL 3 February 2021</p>

3-Pending

	<p>Arctic Migratory Birds Initiative - Central and East Asian Flyways (Circumpolar) Updated proposal expected to be submitted for PCOM15. / SBL, 6 February 2021</p> <p>Mercury Risk Evaluation II () The PSI Committee approved Work Package #2 of the Final Investment Decision. Work Packages 3, 4, 5 to be updated for submission for PCOM15. / SBL 11 February 2021</p> <p>Solid Waste Management in Remote Arctic Communities (Circumpolar) The PSI Committee approved the Final Investment Decision with Russia to provide its confirmation in writing by 12 February 2021. / AVA, SBL 3 February 2021</p>
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PSC Member Information

Row Labels	Project (Country)
1-On-going	
PSI 01/16	<p>Community-Based BC-Health Assessment (Phase 1) (Circumpolar) There has been no functional PSC for this project in its Phase 1.</p> <p>Note: AIA consultant John Bennett has acted as the project co-ordinator, de facto carrying out several of the PSC functions.</p>
PSI 01/18	<p>PSI Communications (Circumpolar) NA</p>
PSI 02/17	<p>Associated Petroleum Gas Flaring - Phase 2 (Russia) Contact Member of EG SLCP to be nominated. Ekaterina Veselova, MNRE Kari Hämekoski, Alexander Boldyrev, FM</p>
PSI 04/17	<p>Dudinka Municipal Solid Waste - Arctic (Russia) Timo Seppälä, EG Chair Representative from EIPC will be nominated soon Marina Subdina, REA Annukka Valkeapää, FM representative Other members to be nominated later</p>

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PSI 05/17	Green Shipping-Russian Arctic Rivers (Russia) Established 10 June 2020 with ACAP (EG SLCP), MNRE and Volgotrans, incl. REA; PAME may be added too. Henrik G Forsström, FM Frank Melum, EG SLCP Ekaterina Veselovaya, MNRE Tatiana Popova, Volgotrans (with Alexey Palgov) Marina Sudbina, REA ABO, FM
PSI REA	REA Consultants (Russia) NA
PSI xx/xx	Small Allocation Window (SAW) (Circumpolar) NA
PSI 02/19	Murmansk - Ozone Depleting Substances - Fisheries (Phase 2) (Russia) PSC is operational: Helgi Jensson (Iceland) ACAP EG SLCP Sergey Vasiliev, MNRE Nikolay Illarionov, ICSTI (with Olga Volgina) Marina Sudbina, REA Andrey Alekseev, Murmansk Oblast (MinFish) Henrik G Forsström, FM ABO, FM
2-Contracting	
PSI 01/15	Russian Railways - PCB - Component 1 - Feasibility Study (Russia) Timo Seppälä, Niklas Johansson, Waste EG, Ulf Bojö, Alexander Boldurev, FM
PSI 01/17	BAT in the Arctic (Russia) To be appointed (> in progress)
PSI xx/19	Confirmed: Mr Åke Mikaelsson (ACAP EG POPs & Mercury) Community-Based BC-Health Assessment (Phase 2) (Circumpolar) Being finalized Patrick Huber, USA Antti Hyvärinen, Finland Kari Hämekoski, Henrik G Forsström, Alexander Boldyrev, FM. AFFF Phase Out in the Arctic () P2 Inventory of Uses of POPs and Mercury ()
3-Pending	
	Arctic Migratory Birds Initiative - Central and East Asian Flyways (Circumpolar) Mercury Risk Evaluation II () Solid Waste Management in Remote Arctic Communities (Circumpolar)