

Instructions for submitting Observer reports

Introduction

This document provides the reporting template and instructions for Observers required to report during the **Icelandic Chairmanship (2019-2021)**.

The deadline for submission is **1 December 2020**.

According to the "[Arctic Council Rules of Procedure](#)" (Annex 2), every **two years** Observers are requested to submit to the Chairmanship up-to-date information about relevant activities and their contributions to the work of the Arctic Council. The following **19 Observers** are requested to submit their report by **1 December 2020**:¹

- France;
- Italian Republic;
- Japan;
- People's Republic of China;
- Republic of India;
- Republic of Korea;
- Republic of Singapore;
- Spain;
- International Federation of the Red Cross and Red Crescent Societies (IFRC);
- Nordic Environment Finance Corporation (NEFCO);
- North Atlantic Marine Mammal Commission (NAMMCO);
- United Nations Development Programme (UNDP);
- Arctic Institute of North American (AINA);
- Association of World Reindeer Herders (AWRH);
- Circumpolar Conservation Union (CCU);
- International Arctic Social Sciences Association (IASSA);
- International Work Group for Indigenous Affairs (IWGIA);
- University of the Arctic (UArctic), and;
- International Maritime Organization (IMO).

¹ These include Observers admitted at the 2019 Rovaniemi Ministerial meeting, who will be reviewed for the first time during the Russian Federation's Chairmanship (2021-2023).

Role of Observers

The role and responsibilities of Observers, as well as criteria for admission to the Arctic Council, can be found in the “Arctic Council Rules of Procedure” (Annex 2) and the “[Observer Manual for Subsidiary Bodies](#).”

The primary role of Observers is to observe the work of the Arctic Council. Observers contribute to the Arctic Council primarily through engagement at the level of Working Groups, Task Forces, and/or Expert Groups. Observers are invited to the meetings and other activities of the Arctic Council unless the Senior Arctic Officials decide otherwise. Observers may also propose projects through an Arctic State or a Permanent Participant.

Report submission

Observer reports should include the relevant information described below and in the template.

- (a) A description of the Observer’s contributions to the work of the Arctic Council since the time of the Observer’s most recent submission, or in the previous two years, with special focus on contributions to the subsidiary bodies through project participation and support, as well as collaboration with Permanent Participants;
- (b) If applicable, a description of the Observer’s future plans to contribute to the work of the Arctic Council, with special focus on contributions to the subsidiary bodies through project participation and support, as well as collaboration with Permanent Participants; and,
- (c) If applicable, a description of the Observer’s contributions to other aspects of the Arctic Council and its goals not covered in the previous sections since the time of the Observer’s most recent submission, or in the previous two years.

Observer reports should be submitted electronically to the **Arctic Council Secretariat** via email: acs@arctic-council.org not later than **1 December 2020**. Please bear in mind while preparing your report that all Observer reports will be published online in the *Observer* section of the [Arctic Council online Library](#).

If an Observer fails to submit a report, the Arctic Council will consider this to mean that the Observer **is no longer interested in maintaining its status** as an accredited Observer to the Arctic Council.

Cover sheet

Full name of state or organization:

Nordic Environment Finance Corporation (NEFCO)

Date of submission:

4 February 2021

Observer's website, if appropriate:

www.nefco.org

Information for appropriate contact person

Full name:

Ulf Bojö

Email:

Ulf.bojö@nefco.fi

Telephone:

+358 40 527 3699

Organization or department:

Nordic Environment Finance Corporation (NEFCO)

Job Title:

Vice President, Eastern Europe

Full
mailing
address:

Nordic Environment Finance Corporation (NEFCO)
Fabianinkatu 34
00100 Helsinki, Finland

Observer Report

Please describe in no more than two pages your state's or organization's contributions to the work of the Arctic Council's Working Groups, Task Forces, and/or Expert Groups since the time of your most recent report, or in the previous two years. Please highlight contributions to specific projects, such as through proposals, concept development, in-kind and financial support, and hosting of meetings. Please detail any collaboration with Permanent Participants, such as project proposal endorsement and support.

OBSERVER REPORT - NEFCO

The Nordic Environment Finance Corporation (NEFCO) is an international finance institution (IFI) established in 1990 by the five Nordic countries Denmark, Finland, Iceland, Norway and Sweden. NEFCO provides financing to generate positive environmental effects of interest to the Nordic region. NEFCO does this by facilitating investments related to green growth and climate mitigation and adaptation globally, with particular focus on Eastern Europe, the Baltic Sea, and the Arctic and Barents regions.

NEFCO's particular relevance to the Arctic Council (AC) continues partly in its unique capacity as the Fund Manager of the Arctic Council Project Support Instrument and partly as an IFI funding environmental projects in the region.

The Third AC Ministerial Meeting in Inari (2002) recognised the need to reinforce efforts to finance circumpolar cooperation and the Fourth Ministerial (2004) requested the Senior Arctic Officials (SAOs) to establish a pilot phase of an Arctic Council Project Support Instrument to focus on actions against pollution in the Arctic. The SAOs established the PSI and approved its PSI Guidelines in 2005 and appointed NEFCO as the Fund Manager (FM) for the PSI in May 2005. The PSI is a voluntary, non-exclusive mechanism for financing specific priority projects that have already been approved by the AC and can use a broad range of funding arrangements.

The PSI is to give priority to projects related to pollution prevention and abatement and finance project preparation activities, such as project identification and concept development, pre-feasibility studies, feasibility studies, environmental impact assessments, business plans, financing plans, preliminary design, preparation of tender documents tendering and evaluation; and specific measures in the implementation phase of pilot and demonstration projects, including supplies of equipment and services. With the deposit of the contribution of the Russian Federation and in accordance with respective Cooperation Agreements of NEFCO with the PSI Contributors, NEFCO operationalised the trust fund on the 18th of July 2014.

The PSI's trial period was initially up to 18 July 2019 (five years after it became operational) and the PSI funding is available to all AC Working Groups (WG) for projects approved by the Arctic Council and that meet the PSI funding criteria. This trial period was extended in 2018 to the end of 2021.

The PSI Contributions, deposits, pledges, and available resources are summarised in Table 1 below. Approximately EUR 15.8 million have been pledged and nearly the whole amount (some EUR 12.3 million has been allocated to PSI projects). The Contributors to the PSI are Finland, Iceland, Norway, Russian Federation, Sweden, the United States, Permanent Participant Saami Council (through the Sami Parliament) and NEFCO.

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

Table 2 below depicts the allocations from the PSI with NEFCO at the time of PCOM14 (23 December 2020) and disbursements. Additional allocations pending final confirmation are EUR 1.5 million. Most of the AC projects that have received PSI financing, have been proposed by Arctic Contaminants Action Programme (ACAP) WG.

Table 2 - Overview of PSI Projects, Allocations and Disbursements.

Row Labels	Project (Country)	PSI AC working groups	PSI Expert group	Disb/alloc	PSI Allocation	PSI Disbursed
1-On-going					5,076,752	696,133
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 02/17	Associated Petroleum Gas Flaring - Phase 2 (Russia)	ACAP	SLCP	57 %	500,000	286,400
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 II ()	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					1,564,728	1,564,728
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
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	Dolgoshcheli Diesel Energy Conversion (BC) (Russia)	ACAP	SLCP	100 %	70,405	70,405

If applicable, please describe in no more than one page your state's or organization's future plans for contributing to the work of the Arctic Council's Working Groups, Task Forces, and/or Expert Groups. Please highlight intentions to contribute to specific projects and to collaborate with Permanent Participants.

NEFCO's engagement with the Arctic Council, through its funding and PSI administration work for the period 2014 - 2021, is summarised in Table 2 above. The engagement addresses 24 projects, of which 11 have been completed. NEFCO will continue its outreach to the Arctic Council, its Working Groups (ACAP, AMAP, CAFF, EPPR, PAME, and SDWG) and subsidiary bodies on the activities being funded through PSI and the possible additional investment financing from NEFCO as deemed relevant.

The associated terms of references (ToR) for the projects benefitting from PSI financing, implementation of the projects and further work have been developed (and continue to progress) by NEFCO in cooperation with the stakeholders (PSI Committee, the Senior Arctic Officials, AC experts, consultants procured for the Russian Execution Agency (REA-VTB Bank), and the project owners.

If applicable, please describe in no more than one page your state's or organization's contributions to other aspects of the Arctic Council and its goals not covered by the previous sections since the time of your most recent report, or in the previous two years.