

SAO Meeting Whitehorse, Yukon, Canada March 4-5, 2015

Agenda X.x Update on the Arctic Council Project Support Instrument (PSI)

(Presented by the PSI Fund Manager, Nordic Environment Finance Corporation (NEFCO))

This Report updates the previous PSI Report¹ to the SAO Meeting in Yellowknife 22-23 October 2014.

Background

1. **PSI Mandate**²: The Arctic Council 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 Instrument 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 (SLCP) 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**: PSI is a financing instrument for prioritised Arctic Council (AC) projects. For the period 2014–2019, the PSI has tentatively allocated⁴ about 40 per cent 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 AC projects dealing with clean production, energy efficiency, short-lived climate pollutants (SLCP) including black carbon.
4. **Reporting**: The Arctic Council PSI Guidelines (§5.1)⁵ requires the Fund Manager (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

Resources of the PSI

5. The PSI Contributions, deposits, pledges, and available resources as of 31.08.2014, are about EUR 15.9 million. A total of EUR 7.5 million is available for allocations. With PSI Decisions approved up to the 2nd Meeting of the PSI Committee, a total of EUR 1,617 500 of available PSI resources of EUR 7.5 has been committed up to the 2nd Meeting of the PSI Committee (Table 1).

Table 1- Allocation (tentative) for 2014-2019 work plans and allocated 2014.

	Percentage	Tot EUR	Allocated EUR
Projects/Areas			
Hazardous waste management including POPs and pollution prevention.	40	6 345 200	
Mercury mitigation demonstration	25	3 965 750	
Clean Production, Energy Efficiency, SLCP, BC	20	3 172 600	1 335 000
Other areas	6	951 780	
Standard Costs	9	1 427 670	282 500
Total	100	15 863 000	1 617 500

¹ SAO Meeting Yellowknife, NT, Canada, 22-23 October 2014, Update on the Arctic Council Project Support Instrument (PSI) version 2014.09.16; Update 2014.10.10

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.

Implementation of PSI Projects

6. Four AC PSI projects are under implementation in line with the decisions of the PSI Committee⁶ and the PSI Guidelines⁷. They are expected to be completed during March-April and October 2015, as follows:
 - i) Investment Project “Valday Cluster Upgrade for Black Carbon Reduction in the Republic of Karelia, Russian Federation”. The Project address eight sub-projects and the off-grid energy needs of eight small communities. The Project reduces emissions of black carbon. The PSI has approved the project of up to EUR 4.2 million with a PSI commitment of up to EUR 1.120.000. Expected completion October 2015.
 - ii) Investment Project “Wind-diesel project at Tundra Collective, Murmansk Region, Russian Federation”. The Project will provide off-grid clean energy and reduce emission of BC at a Sámi reindeer herders’ collective outside the village of Lovozero, Northwest Russia. The PSI has approved up to EUR 100 000 with a PSI commitment up to EUR 95.500. The project is expected to be completed by April 2015.
 - iii) Feasibility Study Project “Mapping substituting solutions for diesel power plants in Arctic and North-West Russia”. The PSI has approved up to EUR 30 000 for study. The project is expected to be completed by March-April 2015.
 - iv) Feasibility Study Project “Energy supply conversion from diesel in Dolgoshcheli, Mezenskiy District”. The PSI has approved up to EUR 70 000 from the Project. The Study is expected to be completed by March- April 2015.

Near Term Preparatory work for consideration of the PSI

7. The Fund Manager is working with the following priority initiatives
 - i) Mercury: Non-ferrous metal smelter mitigation project. An information exchange seminar on mitigating mercury from the metallurgical industry is expected to be held in Chelyabinsk (Russia) tentatively in April 2015.
 - ii) Hazardous Waste Management: The FM is engaged with the PCB Expert Group to define an investment project.
 - iii) Three SLCP initiatives with a number of respective sub-projects: Project 1-M: Reduction of Methane Emissions, including from flaring; Project 2-BC: Reduction of Black Carbon Emissions; Project 3-HFC: Mitigation of HFC (including ODS) Emissions (End-of-Life Equipment). However, not all the projects are expected to proceed, subject to feasibility studies. Some of the sub-projects are also on the NEFCO-AMAP Barents Hotspot list, (e.g. Project Kr 14 & Kr16).

PSI Primer (“PSI Operational Manual”)

8. A working draft of the PSI Primer Version 2014.12.12⁸ (~~attached~~ document for the SAO March 2015 Meeting) ([click here to access the Primer](#)) was dispatched by the Fund Manager to the AC Chair, the AC Secretariat and the Chairs of the AC Working Groups on the 19th of December 2014. The PSI Primer is intended to provide members of the PSI Committee (PCOM) and Arctic Council (AC) members, its permanent participants, the AC bodies, observers and other possibly interested stakeholders and potential project proponents with a guide on the workings of the PSI, including guidance on how to apply for funding and the criteria used for approving financing from the PSI. The Primer is freely available at the Fund Manager NEFCO’s website:http://www.nefco.org/financing/financing_instruments

⁶ AC/PSI/PCOM/1402-2-2 rev 1, 7 October 2015 (http://www.nefco.org/sites/nefco.viestinta.org/files/1402-2-2_PCOM-2_SUMMARY%20PROTOCOL_FID-EoI_Decision_2014-10-07.pdf)

⁷ Senior Arctic Officials 7 April, 2005. Noted by PCOM 6 May 2014

⁸ [Arctic Council Project Support Instrument \(PSI\) Primer, Version 2014.12.12](#), Document AC/PSI/PCOM/1402-2-4

9. It is to be noted that the PSI Primer Version 2014.12.12 is considered to be under review of the PCOM and is to undergo regular updating. In the meanwhile the PSI Primer (and its future revisions), including the criteria used for evaluation, as contained in attached document AC/PSI/PCOM/1402-2-4 (PSI Primer Version 12.12.12) can be used as a working document and relied upon by interested parties for the interim period up to the 24 March 2015 PSI Committee meeting.
10. Additional documentation and examples of templates that can be useful to harness a PSI project proposal for consideration are available at the PSI website:
http://www.nefco.org/financing/arctic_council_project_support_instrument

Summary

11. Deliverables, from the 2013-2015 PSI work, to the 2015 Ministerial Meeting are expected to include:
 - i) The Arctic Council Project Support Instrument (PSI) is operational;
 - ii) A PSI Primer version that provides information on the PSI to the Arctic Council, its subsidiary bodies, project owners and other relevant stakeholders;
 - iii) Approval of several Expression of Interest (EOI) and / or Final Investment Decision (FID) for PSI Projects. The approved PSI Projects (EOI/FID), including implementation of one or several of the projects, will address the following Arctic Council priority areas:
 - a) Mitigation of black carbon release from diesel sources;
 - b) Mitigation of mercury releases;
 - c) Management of hazardous waste including persistent organic pollutants.

Action from SAO:

12. SAOs may wish to note with appreciation the Fund Manager's Update on the PSI to the SAO Meeting of March 4-5 2015.

Documentation:

- 1) Fund Manager's Update to SAO Meeting Whitehorse, Yukon, Canada March 4-5, 2015.
- 2) [Arctic Council Project Support Instrument \(PSI\) Primer, Version 2014.12.12, Document AC/PSI/PCOM/1402-2-4](#)