



Draft 2010-09-16

SAO Meeting 2 Tórshavn 19-20 October 2010

Update on PSI – Arctic Council's Project Support Instrument

Since the April Update to SAO (See Annex 1), the Russian Federation Ministry of Natural Resources and Environment (MNRE) has informed that its contingent contribution had been approved with respect to the concerned RF Ministries and the domestic legislation and included in the 2010 Federal Budget. The Ministry of Foreign Affairs, during summer 2010, has submitted the PSI documents to the Prime Minister for a decree to enable Russia's participation in the PSI. In parallel, the MNRE has informed that it has shortlisted three potential organizations that could act as the Russian Executing Agency (REA) once the Prime Minister's Decree is in place. The three organizations currently shortlisted are:

- NPAF (National Pollution Abatement Facility)
- Polar Fund
- Ecobezopasnost (Ecosafety)

Summary

Upon signing of the Contributor's Agreement with Russia and deposit of the RF contribution, NEFCO will proceed with making PSI operational, including its contribution of EURO 450 000, and call for convening the first PSI Committee meeting, tentatively during the 4th Quarter of 2010.

End NEFCO SAO PSI Update 2010.09.16

Annex 1

Draft 2010-03-15

SAO Meeting 28-29 April 2010 Ilulissat

Update on PSI – Arctic Council's Project Support Instrument

Background

Project Support Instrument (PSI) is an Arctic Council (AC) circumpolar funding mechanism for projects and actions related to prevention, abatement and elimination of pollutants harming the Arctic. The PSI was established at the Sixth Ministerial Meeting of the AC, 29 April 2009, and will be addressing projects and programmes approved by the AC.

The PSI Guidelines, decided by the Senior Arctic Officials (SAO) on 7 April 2005, requires that the Funds Manager (NEFCO) semi-annually present a report to the SAOs about the activities of the PSI.

This Report (Draft 2010-03-15) provides the current status of PSI including the contributions to the PSI Funds and updates the previous 12 October 2009 NEFCO Report to the SAOs.

Update 15 March 2009

Most of the PSI projects, in the near term, are expected to be executed in the Russian Federation (RF) and the PSI is to be made operational once a minimum of 5 contributors, including the RF, have deposited their contributions in the special PSI Account established for the purpose by NEFCO. The minimum start capitalisation of the PSI is expected to be about EURO 3.18 million with respect to the AC agreed to 3 year pilot phase from the start of operations. The PSI pledges, for a 5 year period, are about EURO 12 million including the RF pledge of EURO 10 million and NEFCO's pledge of EURO 1.35 million. Table 1 below summarises the available funds as of 31 December 2009. Table 2 provides a summary of contributions received from Finland, Iceland, Norway, and Sweden and the contemporary pledges from Russia, the Saami Council and NEFCO. Russia has expressed a desire that additional contributions would be welcome from other contributors and be comparable to the overall Russian pledge.

Deposits have been made by Finland, Iceland, Norway, and Sweden into the PSI Trust Account standing, as follows (status 31.12.2009)

Table 1— Status of PSI Trust Account as of 31 December 2009

<u>Contributor</u>	<u>EURO</u>
i) Finland	200 000.00
ii) Iceland	8 298.76
iii) Norway	237 729.27
iv) Sweden	271 565.31
v) Accumulated interest	22 215.30
Available amount	739 808.64
Bank costs	8.25
<u>TOTAL available</u>	<u>739 800.39</u>

Table 2— Current Contributions and Pledges to the PSI, Total EUR 3.18 million. Figures have been rounded off.

Contributor	EURO (€)	Comment
i) Finland:	200 000	(received)
ii) Iceland	8 000	(received ICEK 1 million)
iii) Norway	237 700	(received)
iv) Russian Federation (RF)	2 000 000	(total pledge EURO 10 million)
v) Sweden	272 000	(received SEK 3 million)
vi) NEFCO	450 000	(total pledge EURO 1.35 million)
vii) Saami Council	12 000	(total pledge NOK 100 000)

Russia informed the 12-13 November 2009 SAO Fall meeting that the process for releasing its contribution had been started and that the deposit would be transferred to the PSI Account in the near future. At the ACAP Meeting in Narjan-Mar (Russia), 11 March 2010, representative of the Russian Federation's Ministry of Finance (MinFin) informed that the RF contribution had been approved with respect to the domestic legislation and included in the 2010 Federal Budget. The remaining internal procedures are being expedited. The MinFin expressed a strong hope that a positive result would be announced by the time of the 28-29 April 2010 SAO Meeting in Ilulissat.

Upon signing of the Contributor's Agreement with Russia and deposit of the RF contribution, NEFCO will proceed with making PSI operational, including its contribution of EURO 450 000, and call for convening the first PSI Committee meeting.

Summary

The PSI Trust Fund with contributions from Finland, Iceland, Norway and Sweden; interest and bank cost, as of 31 December 2009, stands at a total of EURO 739 800.39. The Russian Federation has informed that its contingent contribution had been approved with respect to the domestic legislation and included in its 2010 Federal Budget. The remaining internal procedures for depositing the RF contribution into the PSI Trust Fund Account are being expedited. It is anticipated that an announcement on the RF deposit, enabling an operationalisation of the PSI in 2010, will be made at the 28-29 April 2010 SAO Meeting in Ilulissat.

End NEFCO SAO PSI Update 2010.03.15