



Arctic Council SAO Plenary meeting
25-26 October 2017, Oulu, Finland
Meeting code: SAOFI201

Document Title

Update and Progress Report from PSI

Agenda item number

Info Doc 2

Submitted by

NEFCO

Document filename

SAOFI201_2017_OULU_Info-Doc-2_Update-and-Progress-Report-from-PSI

Number of pages, not including this cover sheet

4

Nordic Environment Finance Corporation (NEFCO) Report on the Arctic Council Project Support Instrument (PSI). Version 27 September 2017¹.

This PSI Report updates the previous Report² to the SAO Meeting in Juneau, Alaska, 8-9 March 2017

PREAMBLE

1. The Arctic Council Project Support Instrument (PSI) 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. The PSI contributors comprise of Finland, Iceland, Norway, the Russian Federation, Sweden, the United States of America, NEFCO and the Sami Parliament. The Arctic Council PSI Guidelines³ requires the Fund Manager (NEFCO) to semi-annually present to the SAOs a report on the activities pertaining to the PSI.

STATUS REPORT

Status of PSI Resources

2. PSI Contributions, deposits, pledges, and available resources as of 4.9.2017, are summarised in Table 1 below. Of the deposited EUR 12.8 million, about EUR 1.2 (9 percent) have been used and about EUR 4.7 (37 percent) million have been allocated taking into consideration PCOM decisions up to 28 March 2017. For the upcoming Meeting of the PSI Committee (PCOM 8) a total of EUR 8.1million is available for allocations under the assumption that all decisions taken at PCOM 7 are approved. Projects submitted to PCOM 8 are seeking an approval of EUR 0.51 million, whereby about 41 percent of the PSI funds would be committed.

Table 1 — PSI Pledges and Deposits as of 4.09.2017. The pledged amounts are rounded-off.

No	Contributor	Pledges EUR	Deposited EUR	Comment
1	Finland	200 000	200 000	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	3 782 000	658 471	Received \$0.87M. Award \$5M; 1 \$1M*
7	NEFCO	1 350 000	1 350 000	Received
8	Sami Parliament	13 000	12 987	Received NOK 100 000
9	Interest		24 239	
10	TOTAL	15 863 000	12 763 290	PSI initial target was EUR 3 million
11	Amount committed**		4 655 500	PCOM decisions
12	Used Funds**		1 181 879	Projects etc.
	Total available		8 107 790	Basis Line 10 (deposited) minus Line 11

*Exchange rate used 4.9.2014: EUR 1 = USD 1.3015; ** Up to 4.09.2017 incl. decision taken at PCOM 7, 28 March 2017

3. The tentative allocations for the 2014-2019 strategic work planning and the current status of allocations from the PSI are summarised in Table 2 below. In comparison to the amounts deposited

¹ [NB This Report is subject to revision taking into account review by the PSI Committee at the 8th Meeting on 10 October 2017]

² Arctic Council SAO plenary meeting, meeting code: ACSAOUS204; PSI NEFCO Report to SAOs, February 2017; <http://hdl.handle.net/11374/1969>; 8-9 March 2017, Juneau, Alaska, U.S.A.

³ SAO 2005 Meeting, Yakutsk, Russia, April 6-7, 2005, pp 13. [<http://hdl.handle.net/11374/350>]

into the PSI account, the percentages of allocations for the key sectors, including decision taken at the seventh Meeting of the PSI Committee in March 2017, are as follows:

- Energy Efficiency and short-lived climate pollutants (SLCP, e.g. black carbon, methane, HFC, ozone-VOC) mitigation: 23 percent vs the 20 percent tentative allocation;
- Hazardous waste management: 4 percent vs the 40 percent tentative allocation;
- Mercury mitigation demonstration: 0 percent vs the 20 percent tentative allocation;
- Other sectors/area: 1 percent (vs the 6 percent) allocation.

Table 2- Allocation (tentative) for 2014-2019 work plans and allocated as of 4 September 2017. Figures are rounded off.

Description	Percent	Total EUR	Actual Allocation EUR
Hazardous waste management, POPs	40	6,345,000	550,000
Mercury mitigation, demonstration	25	3,966,000	
Clean production, energy efficiency ,SLCP etc.	20	3,173,000	2,908,000
Other areas	6	952,000	100,000
Standard costs	9	1,428,000	1,097,500
Total	100	12,763,000	4,655,500

Glossary: POPs, PCB = Persistent Organic Pollutants, Polychlorinated biphenyls; SLCP, BC = Short Lived Climate Pollutant, Black Carbon

Summary of Status of Implementation of PSI Projects - Update of Work Plan 2017-2018

- 4 The PSI work since 2014, completed projects and the work in progress (WIP) for 2017-2018 are summarised in Table A1 (Annex 1). The Table A1 reflects the overall project and related sub-activity pipeline since the operationalisation of the PSI on 18 July 2014. The Table includes the project proposals to be submitted to the 8th Meeting of the PSI Committee on 10 October 2017 and depicts a pipeline of approximately 25 projects including sub-projects and activities approved by the PSI Committee with a total cost of about EUR 733 million. The PSI, upon approval of a project by the PCOM, normally provides only part of the overall costs. In the event the PSI Committee is to approve all the submissions for funding, at the 7th and 8th Meeting, the total allocation of the PSI would be up to approximately EUR 5.2 million of the EUR 12.8 million deposited, resulting in a potential indicative leveraging of the order of 1:140.

External Evaluation of the Arctic Council Project Support Instrument

- 5 In the context of the discussions regarding the PSI pilot phase of five years NEFCO, as the PSI Fund Manager, prepared a draft Terms of Reference (ToR) for an external evaluation of the PSI to be carried out during 2018. The draft ToR was preliminarily discussed at the Seventh Meeting of the PSI Committee on 28 March 2017. The PSI Committee thereby approved an extra provision of up to EUR 75,000 in the Fund Manager's 2017 PSI budget to fund the external evaluation and requested the Fund Manager (NEFCO) to prepare a revised version of the ToR for consideration of the PSI Committee at upcoming Eight Meeting on 10 October 2017. Members of the PSI Committee were also invited to provide written comments to the initial draft ToR. Since the March 2018 meeting, the written comments were received from Norway (6.04.17) and Finland (29.08.2017). The PSI Committee is expected to provide guidance regarding the revised ToR at its 8th Meeting on 10 October 2017.
- 6 In line with the deliberations of the PSI Committee the aim is for the Fund Manager to make a final version of the PSI Evaluation report and recommendations available to the SAOs for consideration at the 2019 Ministerial Meeting of the AC under the Finnish Chairmanship.



ACTION FROM SAO/PPS:

- 7 The SAOs/ PPs are invited to take note of the NEFCO Report on the PSI.

Documentation:

Nordic Environment Finance Corporation (NEFCO) Report on the Arctic Council Project Support Instrument (PSI). Version 11 September 2017

Table A1 —Summary of PSI Work (2014 onwards) including Completed Projects and current Work in Progress (WIP). The red allocation figures are indicative and the allocated total of EUR 5.2 million is upon the assumption that the PCOM approves all the submissions at the 7th and 8th Meeting. The Table is subject to revisions.

No	Projects/ Sub-projects	Investment Projects	Sector	Body	DEC	PCOM	Status	TOTAL EUR*	PSI Allocation
1	8	Valday Cluster – Diesel Black Carbon (BC)	Climate	ACAP	FID	PCOM 2	5/8 semi complete	4 200 000	1 120 000
2		Mercury (Hg) Non-ferrous Metal Smelter	Mercury	ACAP	EOI	PCOM 1	WIP	3 500 000	
3		Management of POP-PCB Hazardous Waste (RR)	Waste	ACAP	EOI	PCOM 4	WIP	31 600 000	
4	1	Tundra diesel BC Indigenous Peoples-Reindeer farm	Climate	ACAP	FID	PCOM 2	Completed	100 000	95 500
5		Dioxins and Dust Reductions Cement Plant	POPs-Climate	ACAP	EOI	PCOM 3	WIP	5 000 000	
6		Syktvykar Dyrnos Landfill Project	Waste	ACAP	EOI	PCOM 4	WIP	9 500 000	
7		Dolgoschcheli diesel energy conversion (BC)	Climate	ACAP	EOI	PCOM 5	WIP	1 500 000	
8		Super Critical Water Oxidation Destruction - POPS	Waste	ACAP	EOI	PCOM 5	WIP	1 400 000	
9	1	Arctic Oil and Gas Flaring - RF Arctic Revised Q1-2017	Climate	ACAP	EOI	PCOM 7	WIP	607 450 000	100 000
10		HFC-ODS in Fisheries and Food, Murmansk	Climate	ACAP	EOI	PCOM 7	WIP	11 180 000	
11	1	Stage 2 SCWO- Pesticides Demonstration	POP	ACAP	FID	PCOM 8	Proposal	450 000	450 000
		Arctic Green Shipping - Hybrid - infra	Climate	ACAP		PCOM 8	Proposal	47 440 000	
12		Sub-total Investment Projects						723 320 000	1 765 500
		Feasibility Studies, Technical Assistance							
13	1	Dolgoschcheli diesel energy conversion (BC)	Climate	ACAP	FID	PCOM 2	Completed	90 000	70 000
14	1	Mapping substituting solutions for diesel power plants	Climate	ACAP	FID	PCOM 2	Completed	30 000	30 000
15	3	Arctic Oil and Gas Flaring - RF Arctic Revised Q1-2017	Climate	ACAP	FID	PCOM 7	WIP	750 000	750 000
16		Arctic Water Supply, Sewer, Waste, Renewables	Waste-Climate	SDWG	Note	PCOM 4	WIP-IPCAP	400 000	
17	1	AIA Community-Based BC-Health Assessment	Climate-Health	ACAP	FID	PCOM 5	WIP	137 500	137 500
18		AIA Community-Based BC-Health Assessment	Climate-Health	ACAP	EOI	PCOM 3	WIP	511 500	
19		Mercury Workshop in Russia	Mercury	ACAP	EOI	Inter-sec	Tabled	195 000	
20		Dioxin Inventory, Tech. Support RF Compliance	POPs	ACAP	EOI	PCOM 3	WIP	1 600 000	
21	1	Component 1 PCB Project Feasibility Study*	Waste	ACAP	FID	PCOM 4	WIP	400 000	400 000
22	1	Stage 1 SCWO- Pesticides Feasibility Study	Waste	ACAP	FID	PCOM 5	Completed	100 000	100 000
23		Small size financing - Project initiation - Scoping	Cross Cutting	ALL WG	FID	PCOM 6	Tabled	300 000	
24	1	Arctic Migratory Bird Initiative Actions - for two flyways	Biodiversity	CAFF	FID	PCOM 6	WIP	100 000	100 000
25	1	Decrease in Arctic Pollution by BAT	Hg-POPs-Clim	ACAP	FID	PCOM 7	Proposal	3 680 000	425 000
26	1	Dudinka Municipal Solid Waste Landfill, Russian Arctic	Waste	ACAP	FID	PCOM 7	Proposal	50 000	50 000
27	1	HFC-ODS in Fisheries and Food, Murmansk	Climate	ACAP	FID	PCOM 7	WIP	180 000	180 000
28	1	PSI Evaluation	PSI Evaluation	PCOM	FID	PCOM 7	WIP	75 000	75 000
29	1	Arctic Green Shipping - Phase 1 Scope-Prefeasibility	Climate	ACAP	FID	PCOM 8	Proposal	60 000	60 000
28		Sub-total Technical Assistance (TA)	Tech. Assist.					8 659 000	2 377 500
29		Sub-total Administration	Administration			PCOM 7		1 022 500	1 022 500
30	25	TOTAL						733 001 500	5 165 500