

NDEP News

January 2007, Issue 11

In this issue:

- NDEP Steering Group meets in Kaliningrad
- Site visit to NDEP projects in Kaliningrad
- Nuclear Window update
- New pledges to the NDEP Support Fund
- St Petersburg Northern Incinerator project is approaching completion
- New Northern Dimension policy
- New NDEP Manager on board

Plus:

- NDEP projects in brief
- Also note...

NDEP Steering Group meets in Kaliningrad

The Russian Federation, European Commission, EBRD, EIB and NIB held a Steering Group meeting in Kaliningrad on 9 November 2006. The meeting was chaired by the Vice President of the EIB, Mr Sauli Niinistö and kindly hosted by the Kaliningrad City Administration. Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden also attended the meeting as observers.



NDEP Steering Group meeting 9 November 2006 (from left) Ludmila Kozhanova (Russian Ministry of Finance), Yuri Shalimov (Vice Governor of the Kaliningrad Region)

In his welcoming speech, Yuri Shalimov, the Vice Governor of the Kaliningrad Region, confirmed his regional government support for the NDEP projects in Kaliningrad and assured of his government's willingness to co-finance them. He also informed that on 8 November the Kaliningrad City Council approved the structure of the PIU for the NDEP projects and earmarked funds for its support.

The EBRD as the Fund Manager was very happy to announce a new €10 million pledge from Germany in response to the 2006 replenishment initiative by the Steering Group. With the new funds, the total amount of pledges and contributions to the NDEP Support Fund at the end of October 2006 reached €235.8 million. The European Commission confirmed their plans to replenish the Fund provided that other donors, notably the Russian Federation, also contribute to the Fund.



(from left) Constantin Synadino (EIB), Sauli Niinistö (SG Chair), Alistair Clark (EBRD) and Henry Russell (EBRD)

The Steering Group then discussed the progress in the non nuclear window with special attention to projects in Kaliningrad. The EBRD reported on the developments in the nuclear window with regards to the monitoring of urgent projects in Murmansk and Gremikha Bay, Strategic Mater Plan – Phase 2 and new projects currently being developed.

The long awaited project: St Petersburg Neva Closure of Untreated Wastewater Programme was finally presented to the Steering Group. Although the financing plan is not yet completed – pending the final confirmation of the



local financing – the Steering Group decided to earmark €30 million of NDEP grant funding as a tentative planning figure to continue project preparation. The Neva project will be discussed at the next Steering Group meeting as a proposal for the Assembly's approval. Also the Vologda Municipal Water Services project will be re-visited at the next Steering Group meeting in view of potential new contributions to the Fund.

The next Steering Group meeting will be held in Luxembourg on 19 March 2007.

Site Visit to NDEP projects in Kaliningrad

The Steering Group participants made a site visit to all NDEP projects in Kaliningrad. The visit which was kindly organised and guided by the Kaliningrad City Administration and the Kaliningrad Vodokanal helped the participants to realise the extent of environmental investment needed and assess the progress achieved so far.

- **Kaliningrad District Heating project**



(Above: outside a coal fired boiler house in Kaliningrad)

The project aims to revamp the city's district heating network through the introduction of commercially viable energy efficient infrastructure. It will include closing down inefficient coal fired boilers and installing gas fired boilers or merging them with the centralised district heating networks instead.



(Above: inside a boiler house in Kaliningrad)

It is predicted that as a result of this investment programme emission of carbon dioxide will be reduced by minimum of 40,000 tonnes per year, sulphur dioxide by 400 tonnes per year, nitrogen by 140 tonnes per year and the ambient air quality in Kaliningrad will be improved by 5-10%.

- **Kaliningrad Water and Environmental Services Rehabilitation project**



(Above: Overview of the existing facilities with an empty sedimentation tank in the background)

The construction of the wastewater treatment plant in Kaliningrad ceased in 1990s due to lack of financing. Consequently most of the city's wastewater is still discharged directly into the Baltic Sea where the Pregolya estuary remains one of the most polluted areas and an environmental hotspot. Also the drinking water quality in Kaliningrad is poor and below recommended standards. Current wastewater treatment facilities provide mechanical treatment only.



(Above: Present status of the machinery building)

So far financing agreements have been signed with EBRD, NIB, Sida, DEPA, NEFCO, City of Kaliningrad and Kaliningrad Oblast. However additional funds are required to close a financing gap of about USD 70 million. When implemented the new wastewater treatment plant will decrease discharges of BOD into the Baltic Sea by 7,800 tonnes per year, nitrogen by 300 tonnes per year and phosphorus by 120 tonnes per year.

- **Kaliningrad Solid Waste**



(Above: Kosmodemiansky landfill in the vicinity of Kaliningrad)

The whole Kaliningrad Region would greatly benefit from an efficient, cost effective and environmentally safe municipal waste management system to eliminate negative impacts on the environment of the uncontrolled dumping of waste.



(Above: Service road at the Kosmodemiansky landfill)

The proposed investment will first establish an institutional and legal framework necessary for the management of municipal solid waste on a regional level and on a financially sustainable basis. It will create two new sanitary landfills and gradually close the existing dumpsites. This will considerably reduce the harmful environmental cross-border effects which at the moment result in widespread contamination of groundwater, rivers, the Vistula Lagoon and the Baltic Sea.

Nuclear Window update

Since July 2006 the work in the NDEP nuclear window concentrated on: (1) monitoring of urgent projects now under implementation (2) Strategic Master Plan (SMP) – Phase 2 and (3) development of new projects. The Nuclear Operating Committee (NOC) met on 8 December 2006 in London to assess progress in those three main work areas.

The **urgent projects**: No 1 – Creation of safe conditions for storage and unloading of SNF “Alpha” class nuclear submarine in Gremikha and No 5 – Enhancement of

Radiation Monitoring and Emergency Response System in Murmansk Region are both on schedule. Other urgent projects are progressing well with some minor delays. Urgent project No 2 – Feasibility Studies for Removal of SNF and SRW from the Open Storage Area in Gremikha and No 3 – Provisions for Safe Storage of WWR SNR in Existing Storage Facilities in Gremikha are undergoing a one month delay. Urgent project No 4 – Improvement of Physical Protection in Gremikha is almost completed. Tests and training of personnel will be extended for three to four months.



(Above: Urgent project no 4 – Improvement of physical protection in Gremikha)

The work on the **SMP-2** continues and will provide the framework for new projects to be funded by the NDEP nuclear window. The NOC proposed to hold a CEG seminar on SMP-2 in spring 2007 in London.

The NOC reported on the progress of two **new projects** endorsed at the previous meeting in June 2006. On the Decommissioning of FTB “Lepse” project, the TACIS funded feasibility study is on-going as the question of storage of non-reprocessable fuel to be retrieved from the Lepse is still pending. On the decommissioning of Building 5 in Andreeva Bay, a comprehensive engineering and radiation survey was completed and discussions on project strategy continue with Rosatom and FSUE SevRAO.

A new project, Zvezdochka Waste Storage Facility will be further investigated in the light of the radwaste management solutions with the help of SMP-2.

New Pledges to the NDEP Support Fund

As a result of the replenishment initiative started by the EBRD in June 2006 and continued by the EIB in its new role as the NDEP Steering Group Chair, three donors made new pledges to the NDEP Support Fund. **Germany** pledged **€10 million** over 2006-2009, **Finland** pledged **€6 million** over 2006-2009 and **Norway** made a donation of **2 million Norwegian kroner** in 2006.

With this additional funding, the NDEP Support Fund reached €242 million by the end of 2006, out of which €149.7 million is earmarked for the nuclear window. The European Commission, Russia and Sweden are expected to formulate their response to the replenishment initiative shortly.

St Petersburg Northern Incinerator project is approaching completion

In January 2007 almost 82% of the €6 million NDEP investment grant has been disbursed while the remaining funds have been already contracted out. Out of the €350,000 NDEP grant available for Technical Cooperation, €250,000 will be allocated for the provision of a Service Agreement. According to the latest reports from the Lender's Supervisor, the project is progressing towards completion in autumn 2007.

Once implemented, the present annual amount of wastewater sludge - 250 thousand cubic metres - will be reduced to 12 thousand cubic metres of ash, which may be recycled as construction material instead of storing it at a nearby landfill which is fast approaching its maximum capacity. The new incinerator will lessen the environmental risks of transporting the wastewater sludge through a residential area.



(Above: St Petersburg Northern Incinerator project - concrete works at pumping station in November 2006 funded by NDEP grant) Photo courtesy of Rambøll Danmark A/S



(Above: New grit removal station at the Northern Incinerator project in St Petersburg) Photo courtesy of Rambøll Danmark A/S

New Northern Dimension policy

The new Northern Dimension Policy Framework Document and Political Declaration were adopted on 24th November 2006 during the Northern Dimension Summit which was held back-to-back with the EU-Russia Summit in Helsinki.

These decisions announce a reform of the Northern Dimension as from 1 January 2007. The new Northern Dimension Policy Framework Document transforms the Northern Dimension into a common permanent policy to be pursued by four equal partners of the Northern Dimension: the European Union, Russia, Norway and Iceland. It will focus on equal co-financing of a realistic number of agreed and concrete projects together with the active International Financial Institutions and bilateral donors in the ND region.

The Northern Dimension policy covers a wide geographical area of the north-west of Russia, including the Baltic and Barents Seas regions. It supports the implementation of the four common spaces of EU-Russia cooperation in this area. Moreover, the Northern Dimension policy pays attention to specific issues of the northern areas, such as their vulnerable environment, indigenous peoples and health.

The new Northern Dimension Policy Framework document favours the model of Partnerships such as the Northern Dimension Environmental Partnerships (NDEP) as an effective way to organise practical implementation of projects in agreed priority sectors (section 6.25 of the new ND Policy). Recognising the success of NDEP, the ND partners would like to examine possibilities to apply the partnership model to other fields such as transport and logistics, energy efficiency and renewable energy (section 6 of the new Political Declaration).

To read the new Northern Dimension Policy Framework Document effective from 1 January 2007 – click on:

http://ec.europa.eu/comm/external_relations/north_dim/doc/frame_pol_1106.pdf

To read the new Political Declaration on the Northern Dimension Policy – click on:

http://ec.europa.eu/comm/external_relations/north_dim/doc/pol_dec_1106.pdf

New NDEP Manager on Board

Jaakko Henttonen, a Finnish national, is the new NDEP Manager. He brings to NDEP a great wealth of experience in working formerly as a Principal Banker and PPC Officer for the EBRD Municipal and Environmental Infrastructure Team for projects in the north-west of Russia and most recently as



Environmental Consul at the Finnish Consulate General in St Petersburg. He can be contacted by phone on + 44 207 3387186 or on email henttonj@ebrd.com.

NDEP Projects in brief

Project	Lead IFI	Total cost	NDEP grant	Progress
1. St. Petersburg Southwest Wastewater Treatment Plant	NIB	€193.6 million	€5.8 million	Project completed; plant in operation
2. St. Petersburg Flood Protection Barrier	EBRD	€1000 million	€1 million	Under Construction
3. St. Petersburg Northern Wastewater Treatment Plant Incinerator	EBRD	€90.4 million	€6.35 million	Under Construction
4. Municipal Environment Investment Programme in the Leningrad Oblast, Phase 1	NIB	€23.2 million	€4 million	Implementation started
5. Komi Municipal Services Improvement Project	EBRD	€31.8 million	€5.9 million	Implementation started
6. Kaliningrad District Heating Rehabilitation	EBRD	€21.8 million	€7.3 million	Approved by Assembly
7. Archangelsk Municipal Water Services Project	EBRD	€25.3 million	€8.2 million	Implementation started
8. Murmansk District Heating Project	NIB	€29.6 million	€5 million	Approved by Assembly
9. Novgorod Cross Municipal Rehabilitation	NIB	€20 million	€2 million	In preparation
10. Kaliningrad Solid Waste Management Project	NIB	€49.2 million	€10.1 million	In preparation
11. St. Petersburg Neva Closure of Direct Discharges of Untreated Wastewater	NIB	€700 million	To be determined	In preparation
12. Ladoga Environmental Programme	NIB	€500 million	n/a	Implementation started
13. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Approved by Assembly
14. Vologda Municipal Water Services	EBRD	€16 million	€3.5 million	In preparation
15. Kaliningrad Project Implementation Unit	EBRD	€3.7 million	€3 million	Approved by Assembly

Also note...

- 19 February - Nordic Environment Ministers meeting in Brussels on regional cooperation in the Northern regions
- 19 March - Next NDEP Steering Group meeting in Luxembourg
- 19 April – 3rd CBSS Ministers of Environment meeting held jointly with CBSS Ministers of Agriculture in Stockholm
- 22 March - 7th Baltic Sea Days in St Petersburg
- Spring 2007 - Next NDEP Assembly of Contributors in London
- Spring 2007 - EU-Russia summit under the German Presidency
- The NDEP brochure is available on request. Write to info@ndep.org with your name, organisation and postal address to receive a copy.

The **Northern Dimension Environmental Partnership** was developed in response to calls from the Russian Federation and the international community for a concerted effort to address environmental problems in Northwest Russia. The most pressing relate to water, waste-water, solid waste, energy efficiency and nuclear waste.

The NDEP evolved from this initial idea into a fully established partnership whose Support Fund, managed by the EBRD, provides grant co-financing to key investments in environmental and nuclear safety projects in this area. NDEP projects are implemented by the EBRD, the NIB, the EIB and the World Bank.

The European Union, the Russian Federation, Belgium, Canada, Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden and the United Kingdom are the sponsors of the NDEP Support Fund, which currently stands at close to €242 million.

For more information, visit www.ndep.org, or contact Jaakko Henttonen at Henttoni@ebrd.com or NDEP Secretariat at Manike@ebrd.com