

NDEP News

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NDEP Steering Group meets in Helsinki on 4 June 2008



The timing for this first post-Assembly Steering Group meeting was subject to completing the financing plan for the St Petersburg Neva project. Consequently, the Group was in a position to meet on 4 June in Helsinki in

the offices of the Nordic Investment Bank. This last meeting under the NIB chairmanship was attended by the following Group members: the EBRD, NIB, EIB, NEFCO, European Commission and the Russian Federation, while representatives of Canada, Denmark, Finland, Germany, Poland and Sweden were present as observers.



(from left) Johnny Åkerholm, Steering Group Chair, NIB President and CEO and Harro Pitkänen, NIB Senior Director

The NIB, as the lead implementing agency, presented a revised financing structure for the St Petersburg Neva Closure of Direct Discharges of Untreated Wastewater Programme which now totals almost €890 million. The final proposal includes a significant - almost 90% - Russian funding. The Steering Group approved up to a €30 million NDEP grant to co-finance the construction of the Okhta Tunnel Collector to go along with €60 million loan funding from the International Financing Institutions: the NIB, EBRD and EIB.

NEFCO, as the new member of the Group, proposed two new projects: Water and Wastewater Services Rehabilitation in Sosnovyi Bor and Manure Treatment at Poultry Factories in Leningrad Oblast. These new proposals will be developed further and examined at the next meeting.

The Steering Group welcomed the news from the Russian Federation that their €20 million contribution was approved the Russian Government on 28 May 2008. In view of the new funds received the Group urged the IFIs to focus on preparing an attractive pipeline of new projects.

The Steering Group reviewed progress on all the projects under implementation and preparation both in the nuclear and non nuclear windows. The next



meeting, this time under the EBRD chairmanship, is planned for September 2008.

New Contributions for the NDEP non nuclear window

As announced at the Steering Group meeting, the Russian Federation made a €20 million contribution to the non nuclear window of the NDEP Support Fund on 16 July 2008. This will activate the €10 million contribution received from the European Commission. Including the recently received €0.5 million from Norway, the resources of the NDEP Support Fund are now as follows:

Contributor	Non Earmarked	Nuclear window	Total
European Union	€20m +€10m	€40m	€70m
Russia	€20m+€20m	-	€40m
France	-	€40m	€40m
Germany	€10m	€10m	€20m
Canada	-	€20m	€20m
Finland	€16m	€2m	€18m
Sweden	€17.3m	-	€17.3m
United Kingdom	-	€16.2m	€16.2m
Denmark	€10m	€1m	€11m
Norway	€0.4m + €0.5m	€10m	€10.9m
Netherlands	-	€10m	€10m
Belgium	-	€0.5m	€0.5m
Total	€124.2m	€149.7m	€273.9m

New contributions received so far in 2008 are shown in yellow

Regarding the current approved commitments, €95 million has been signed as grant agreements in the nuclear window and €92.2 million has been allocated to non nuclear projects including the €30 million grant for St Petersburg Neva project.

St Petersburg Neva Closure of Direct Discharges gets a go-ahead

St Petersburg Neva has been on the agenda of the Steering Group for a number of years but only recently the project has finally taken shape. This was due to the sheer magnitude of the overall investment and technical challenges which had to be resolved. The Steering Group approved the recently revised financing plan and recommended up to €30 million grant allocation for the Assembly's approval.

Similarly to the Southwest Wastewater Treatment Plant (SWTP), the construction of the underground sewage collector began in the Soviet times but came to a halt in 1990s. Only in 2003 St Petersburg Vodokanal restarted tunnelling works and resumed efforts towards re-launching this financially and technically challenging project.

The completion of the Southwest Wastewater Treatment Plant (SWTP) in September 2005 enabled the City to close two major direct discharge points: one located in front of the Central WWTP and the other one at the bypasses of Krasnoselskaya WWTP. Nevertheless even after the completion of SWTP, still approximately 15% of all wastewater generated in the City is

discharged directly into the River Neva without treatment. The construction of the Northern Tunnel Collector is designed to capture these remaining direct discharges.

Through the success of SWTP, St Petersburg Vodokanal gained good experience in how to secure lending from international financial institutions and how to cooperate with the international community, notably with Finland and Sweden. In this respect, the framework of NDEP was crucial in obtaining foreign funding. The same structure of combining NDEP grant funding with IFI loans was used for the construction of the St Petersburg Northern Sludge Incinerator inaugurated in November 2007. Now it is St Petersburg Neva's turn to become a new flagship project for NDEP.

The feasibility study, financed by the Finnish Ministry of the Environment and the Swedish Development Cooperation Agency (SIDA), was completed in November 2006. It provided the basis for a prioritised investment programme aiming to reduce the nutrient loads into the Gulf of Finland in the most cost-effective way.

The St Petersburg Neva Closure of Direct Discharges will cost close to €890 million and include the following priority investments:

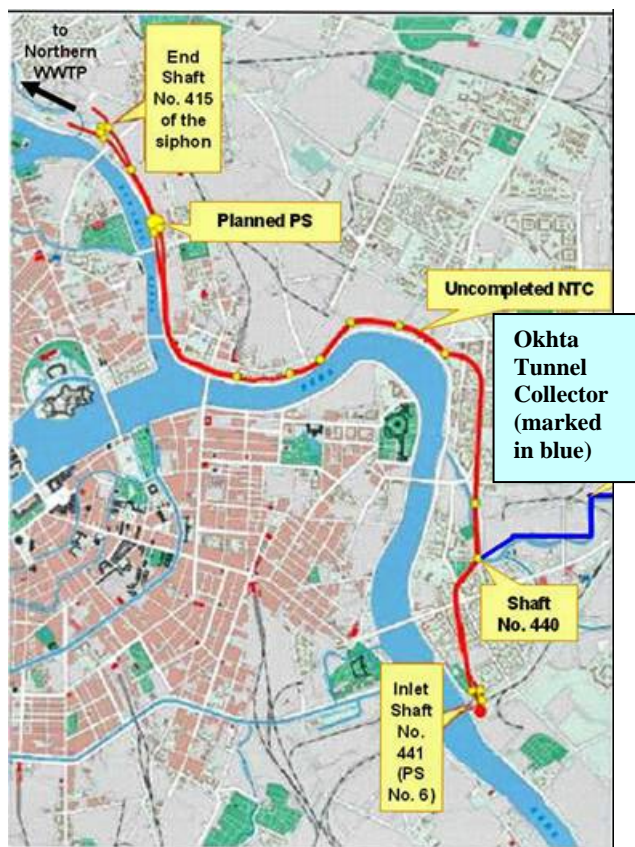
- Completion of the Northern Tunnel Collector (NTC) and closing off the direct discharges along the tunnel – to be financed by the Russian Federation, City of St Petersburg and Vodokanal.
TOTAL COST: €537 MILLION
- Extension of the NTC with the Okhta Tunnel Collector (OTC) and similarly closing off direct discharges along the sewer – to be financed by IFI loans, NDEP grant, and Vodokanal.
TOTAL COST: €250 MILLION
- Modernization of the Central, Northern and Zelenogorsk wastewater treatment plants – to be financed by Vodokanal and grants from Finland and Sweden.
TOTAL COST: €102.8 MILLION

According to the NIB, which is the lead implementing agency for this project, the Neva project will have a profound environmental impact with cross border effects. At the moment approximately 303,200 cubic metres per day of municipal and industrial wastewater is still discharged without any treatment directly into the River Neva and ultimately into the Gulf of Finland of the Baltic Sea from about 370 points. The NDEP programme is designed to close in total approximately 278,000 cubic metres (about 83%) out of the remaining municipal direct discharges.

As a result of the proposed investment the nitrogen and phosphorous loads are expected to be significantly reduced. The environmental impact is estimated at 1.4 million persons equivalent in terms of total phosphorous reduction. When completed, the city of St Petersburg will comply with the HELCOM and EU recommendations of 95% of efficiency of wastewater treatment.

The Northern Tunnel Collector is the main tunnel collector positioned on the right bank of the River Neva, consisting of two main parts. The first one, about 12 km long, stretching from the River Chernaya to the Northern WWTP became operational in 1986. The construction of the second part, also measuring about 12 km and **marked in red on the diagram below**, is to be completed in three phases within the NDEP programme.

The Okhta Tunnel Collector (OTC) to be financed by the NDEP grant is **marked in blue on the diagram below**. It is a 15 km lateral to the NTC designed to collect wastewater from the city's new housing areas. The total amount of wastewater to be transported, when connected to the shaft no 440 of the NTC is 200,000 cubic metres per day.



(above) The layout of the St Petersburg Northern Tunnel Collector along the River Neva

A new milestone achieved in the NDEP Nuclear Window

Four grant agreements worth more than €70 million were signed on 5 June between the EBRD, as the NDEP Fund Manager, and the newly established Russian State Corporation Rosatom.

“These signings are a milestone towards the implementation of the Strategic Master Plan”, said Vince Novak, EBRD Director of Nuclear Safety. “While it is true that we are at the beginning of a very ambitious and challenging task, the progress we have made lately gives us the confidence that we will continue to progress and eventually reach our goal. I specifically want to thank our Russian partners, who are showing great commitment to this task.”

The largest agreement signed totalling €43 million is for the decommissioning of “Lepse” currently moored in Atomflot in Murmansk. The project will involve moving the Lepse to a shipyard at Nerpa before the spent fuel is removed from the ship, which will then be dismantled.

The other three grant agreements relate to new projects presented at the last Assembly in November 2007 and include:

- (1) €20 million grant for Andreeva Bay where some 22,000 spent nuclear fuel assemblies need to be removed from deteriorating dry storage tanks, repacked and exported from the site for reprocessing.
- (2) €5.6 million for de-fuelling of the Papa-class nuclear submarine
- (3) €5.1 million to help improve radiation monitoring and the emergency response system in the Archangelsk region

The first three projects will be managed by the Federal State Unitary Enterprise recently created by the State Corporation Rosatom. The final project in Archangelsk region will be managed by the Administration of the Archangelsk Region.



(from left to right) (1) **Youri Medved**, Deputy Director of the Nuclear Safety Institute of the Russian Academy of Sciences, (2) **Sergy Kazakov**, Director of FCNRS, (3) **Leonid Bolshov**, Director of the Nuclear Safety Institute of Russian Academy of Science, (4) **Evgeny Evstratov**, Deputy Director General of Rosatom, (5) **Vince Novak**, Director, EBRD, Nuclear Safety Department (6) Interpreter (7) **Serge Gas**, EBRD Senior Programme Manager, EBRD, Nuclear Safety Department

Signing of €3.5 million grant for Vologda

The NDEP grant of €3.5 million was signed in Vologda on 17 July between the EBRD and “VologdaGorVodokanal”, Municipal Unitary Enterprise for Housing and Communal Services. The grant will finance the wastewater treatment plant rehabilitation and provide a technical cooperation support for the project. The planned investment will reduce the amount of direct discharges of untreated wastewater into the water basin of the Northern Dvina River.

Interview with the new Steering Group Chair



In July 2008, the European Bank for Reconstruction and Development took over the Chairmanship of the NDEP Steering Group.

The EBRD Vice President, Horst Reichenbach (pictured left) has succeeded Johnny Åkerholm, the NIB President and CEO, as the Group's new Chair.

A short interview with him follows:

• ***The EBRD is chairing the NDEP Steering Group for the third time now. How would you define this particular time for NDEP?***

At this particular point in time, the NDEP is in a very good position. The third replenishment round started by the EBRD in 2006 for the NDEP non-nuclear window was successfully completed under the leadership of NIB. The third Russian contribution of €20 million, announced at the last Steering Group meeting, will not only activate the €10 million pledge from the European Commission but will attract other donors, notably Norway who has just contributed €0.5 million in recent days. With the new funds available, the NDEP is in better position than ever to continue its work in bringing environmental investments to the Northern Dimension Area: it has new funds and good experience gained over the years in implementing projects in this region. Also our new NDEP partner NEFCO will bring its experience and knowledge for good use to develop small-scale energy and municipal projects in the region and will enlarge the potential for NDEP partnership further. In brief, we may look forward with an optimistic outlook for project development in the NDA for environmental improvements.

• ***The Steering Group was pleased to learn of the possibility of using the EBRD Shareholders Special Fund for NDEP. Could you explain how this will work in practice?***

The establishment of the EBRD Shareholders Special Fund was approved by the Bank's Annual Meeting in Kiev last May. The EBRD has allocated an envelope of €10 million in parallel support to NDEP non-nuclear projects approved by the NDEP Assembly. What it means on a practical level is that, subject to Board approval, the EBRD will provide parallel grant co-financing of projects approved by the NDEP Assembly and loan co-financed by the EBRD.

• ***How would you define your main priorities for the year ahead as the NDEP Steering Group Chair?***

My predecessor, Johnny Akerholm, has delivered on the key challenge of the NIB Chairmanship i.e. replenishment. The Steering Group has now the task to provide guidance on the objectives and priorities for the future use of available funds; for the EBRD, transition impact will be at the forefront.

Based on this, it will be important to establish rapidly an attractive pipeline of NDEP projects and here we shall cooperate closely with the other ND implementing agencies, NIB and EIB, as well as with NEFCO. In addition, I hope it will be possible to achieve a breakthrough for projects, in particular in Kaliningrad, awaiting for a long time the positive go ahead. Particular attention by the Steering Group must also be given to the monitoring of NDEP projects and the assessment of their effects.

Recent ND Events

HELCOM organised two events in relation to their new Baltic Sea recovery programme. The first Stakeholders Workshop on Implementation of the **HELCOM Baltic Sea Action Plan (BSAP)** for the Kaliningrad Region of the Russian Federation took place in Kaliningrad on 22 May. Subsequently, the BSAP Implementation Group met for the second time in Helsinki on 4 June. The Group is currently developing lists of prioritised projects to facilitate the implementation of the BSAP focusing on different types of pollution sources. Two areas were singled out: municipal wastewater treatment plants and agricultural hotspots defined as places with intensive rearing of pigs, cattle and poultry not fulfilling the HELCOM's requirements. The NDEP Manager attended both events and contributed to the discussions by sharing experience of NDEP in project development.

The Russian Ministry of Foreign Affairs hosted the fifth meeting of the **Northern Dimension Steering Group** which convened on 26 May in Moscow. The NDEP Manager presented an update on the NDEP activities. Possibilities of developing energy efficiency projects within the framework of NDEP were discussed.

The **Russian-Swedish Forum** took place in St Petersburg on 10-11 June. The Swedish International Development Agency (Sida) was the main organiser of the event devoted to the discussion of the fifteen year cooperation between Sweden and Russia and future prospects. High level representatives of the Russian and Swedish Governments, EU representatives, international institutions and hundreds of Russian and Swedish business partners attended the forum. The NDEP Manager took part in discussions on environmental challenges and cooperation in the Baltic Sea Region. At the forum, Sida signed a €5 million grant agreement in support of the Neva collector project. The grant was signed in an official ceremony attended by the Swedish Minister Ms Gunilla Carlsson, the Governor of St Petersburg, Ms Valentina Matvienko, the Director General of Sida, Mr Anders Nordström, and Director General of St Petersburg Vodokanal, Mr Felix Karmazinov.

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	€2000 million	€1 million	Under construction
3. St. Petersburg Northern Wastewater Treatment Plant Incinerator	EBRD	€90.4 million	€6.35 million	Project completed - plant in operation
4. Municipal Environment Investment Programme in the Leningrad Oblast, Phase 1	NIB	€23.2 million	€4 million	Under construction
5. Komi Municipal Services Improvement Project	EBRD	€31.8 million	€6.035 million	Under construction
6. Kaliningrad District Heating Rehabilitation	EBRD	€21.8 million	€7.3 million	Approved by Assembly Grant yet to be signed
7. Archangelsk Municipal Water Services Project	EBRD	€25.5 million	€8.2 million	Under construction
8. Murmansk District Heating Project	NIB	€29.6 million	€5 million	Approved by Assembly Grant yet to be signed
9. Novgorod Cross Municipal Rehabilitation	NIB	€14 million	€2 million	Approved by Assembly Grant yet to be signed
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	€890 million	€30 million	In preparation
12. Ladoga Environmental Programme	NIB	€100 million	n/a	Under construction
13. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Under construction
14. Vologda Municipal Water Services	EBRD	€18.4 million	€3.5 million	Grant signed Implementation started
15. Kaliningrad Project Implementation Unit	EBRD	€3.8 million	€3 million	Grant signed Implementation started

Also note...

- The next NDEP Steering Group will be held in September 2008 in London
- 28 August 2008 – Project Committee Steering Group meeting in Kaliningrad
- September 2008 – Northern Dimension First Ministerial meeting
- 10 October 2008 – 150th Anniversary of St Petersburg Vodokanal
- 14-15 October 2008 – third meeting of the HELCOM BSAP Implementation Group
- 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 €243 million.

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