

NDEP News

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NDEP Steering Group gathers in St Petersburg (8 October 2009)

The NDEP Steering Group - consisting of representatives of the European Commission, Russia, EBRD, EIB, NIB and NEFCO - met for the second time this year in St Petersburg on 8 October 2009. The purpose of the meeting was to examine the status of the NDEP projects under implementation and to consider new proposals for approval by the Assembly of Contributors due to take place on 30 November 2009. In addition to the Group members, Belarus, Denmark, Finland, Germany and Sweden attended the meeting as observers. This was the first meeting under the new EIB Chairmanship which took over from the EBRD in July 2009.

The Steering Group Chair, EIB Vice President Eva Srejber, thanked SUE Vodokanal St Petersburg for kindly hosting the meeting and welcomed Yuri Molchanov, the St Petersburg Vice Governor. The Vice Governor expressed great appreciation to NDEP donors and their role in co-financing the Southwest Wastewater Treatment Plant (SWTP), Northern Sludge Incinerator and now the Neva Programme. "You can see with your own eyes the improvement in the water quality in the River Neva after SWTP was put into operation", said the Vice Governor. He assured that despite difficult

economic situation, the City will try to increase its financial support to cover the costs of the Neva tunnel collector and the full rehabilitation of the northern wastewater treatment plant.



(from left) NDEP Steering Group Chair, EIB Vice President Eva Srejber and St Petersburg Vice Governor, Yuri Molchanov

The NDEP Manager was pleased to inform of a new €1 million donation from Belarus to the NDEP Support Fund. This is a very positive development considering that the first official contact regarding NDEP with the Government of Belarus was made only in February 2009. The Belarusian delegation confirmed their country's commitment to municipal environmental investment, for wastewater treatment in particular. Belarus is very keen to develop projects within the NDEP framework for a number of towns to modernize their wastewater treatment facilities to comply with HELCOM recommendations.

Including the donation from Belarus, the NDEP non nuclear window now stands at €126.3 million and currently there is €48 million available in grant funding for new projects.

In general, all the projects under implementation are progressing well with the exception of two projects in Kaliningrad.

Starting with the main project under implementation, the Neva Programme the NIB was pleased to inform that all the agreements in relation to IFI loans, grants from NDEP and Sida, and for bilateral support from Finland and Sweden are in place and the selection of consultants (i.e. project engineer and project monitoring consultant) is underway. Other NIB projects are also moving forward. Novgorod Water and Wastewater



Services Rehabilitation has received a boost in the form of NDEP grant increase from €2 million to €3million approved by the Assembly members through written procedure. Novgorod authorities are very keen to start the implementation and the NIB loan and NDEP grant will be signed soon. The NIB project in Leningrad oblast for four cities: Gatchina, Tikhvin, Pikalevo and Kirovsk is approaching completion. Half of NDEP grant and 77% of the NIB loan have been disbursed. There is also great commitment from the Murmansk authorities to keep the investment plan, consisting of the NDEP grant and NIB loan, for the District Heating project once the local heating company has been re-established.



NDEP Steering Group meeting in St Petersburg – 8 October 2009

The EBRD reported on good progress on the Northern Sludge Incinerator and Flood Protection Barrier projects in St Petersburg. Municipal Water Services projects in Komi Syktyvkar and Archangelsk were affected by high Mosprime rates at the start of the year but the situation has now stabilized and with strong commitment from regional authorities the implementation has gained speed. Syktyvkar Vodokanal is now about to the final NDEP launch a new tender for modernization of wastewater pumping stations. The preparatory work for Vologda project has been completed and the construction is to start soon. There are plans to increase the scope of works on the rehabilitation of the wastewater treatment plant.

Following May-July signing of the EBRD loan and NDEP grant, the Kaliningrad District Heating project is approaching implementation stage. An update of the feasibility study financed by Sida will be completed in November 2009 and Sida also agreed to finance the Corporate Development Projects Support Unit.

Unfortunately, difficulties have been encountered with the Kaliningrad Water and Environmental Services Rehabilitation Services and associated Project Implementation Unit (NDF). The IFIs loans for the water component until now have not been extended and there are unresolved procurement issues with the Kaliningrad authorities. The Steering Group urged the Russian regional and federal authorities to work out a solution with the IFIs. The City is in dire need of proper wastewater treatment facilities and still remains the only major city in the Baltic Sea region to discharge untreated wastewater into the Sea. A great deal of international support also on a bilateral basis has been mobilised for Kaliningrad over the last decade and it would be a great loss to all involved if there are any further delays and cancellations.

Concluding the IFI reporting, NEFCO was pleased to inform that they are ready to sign the loan and NDEP grant agreement for their first NDEP project for Water and Wastewater Rehabilitation in Sosnovyi Bor. The first tender package has been launched with bilateral support of Finland.

Regarding new project pipeline, the EBRD reported that they are surveying possibilities for water and wastewater projects in Murmansk and Pskov in cooperation with other IFIs. Building on the success in Leningrad Oblast, the NIB is working on Phase 2 to include four new towns: Vyborg, Mga, Tosno and Volosovo. NEFCO's PIU project proposal for Poultry Farms in Leningrad Oblast is ready, however the regional authorities need to identify the implementing agency which would sign the NDEP grant agreement. NEFCO's two other project proposals for Petrozavodsk water and wastewater and solid waste are under discussion with the regional authorities, the main issue being obtaining the city's guarantee for the loan component. If successful, NEFCO's proposals for Petrozavodsk will be presented to the Assembly for approval.

The Steering Group made a recommendation to the Assembly to extend the NDEP Support Fund beyond 2012 to allow for project development and implementation in both windows. The next Steering Group meeting will take place in spring 2010.

SUE Vodokanal St Petersburg makes plans for future investments



(from right) Feliks Karmazinov, Director General of SUE Vodokanal St Petersburg and Eva Srejber, EIB Vice President and NDEP Steering Group Chair

Feliks Karmazinov, the Director General of SUE Vodokanal St Petersburg, joined the Steering Group meeting to give a first hand report on the Neva Programme and also to outline future investment plans already approved by the federal and City governments.

The work on the Northern Tunnel Collector is progressing at full speed and fast approaching a crucial milestone when at the end of 2009 it will be possible to say that the City of St Petersburg is treating 91.7% of its wastewater. "At this rate" - said Feliks Karmazinov – "the obligation the City took upon itself that by 2011, 98% of its wastewater will be treated - seems very realistic".

Regarding new investments, full modernization of the central wastewater treatment plant was outlined. The main objective is to make the plant energy efficient or even energy self-sufficient. There are plans to construct a fifth incinerator at the central wastewater treatment plant and to convert the energy and methane produced in the burning process to generate electricity. Additional turbines and heat pumps are to be installed to produce extra energy for heating and air conditioning. Finally there are plans to introduce UV units to improve the effluent disinfection. Documents are now being finalized and tenders will be announced in early 2010.

Another project in preparation is the creation of Water Supply and Wastewater Control System for the whole City of St Petersburg. At the moment there are systems for water supply and wastewater disposal but what is missing is a control and management system that would supply the right amount water of the right quality to the right point with the right energy consumption. St Petersburg Vodokanal has completed a pilot project for a district with a population of 100,000. After a year of operation, the results achieved were 38% reduction in energy consumption and almost 40% reduction in water losses. The plan is to extend this pilot scheme to the other parts of the City. Tenders for this project will be also announced at the start of 2010.

Site visit to NDEP projects in St Petersburg (9 October 2009)

The Steering Group meeting in St Petersburg provided an excellent opportunity for the NDEP delegation to actually see the projects discussed at meetings in real life. It was very encouraging to visit the new facilities, realize the scale of investments and meet the people involved in the construction work.



Inside the Northern Wastewater Treatment Plant

When visiting the Northern Wastewater Treatment Plant where NDEP co-financed the construction of the Northern Sludge Incinerator, the Steering Group participants learnt with interest how SUE Vodokanal St Petersburg has successfully resolved the problem with sewage sludge produced from wastewater treatment.

SUE Vodokanal St Petersburg decided that for a city of their size - fourth largest in Europe with 4.5 million residents - the most efficient method of sludge utilization is thermal processing. There are now three Sludge Incinerator Plants. The first one at the Central Wastewater Treatment plant was constructed in 1997.

The second one co-funded by €6.35 million NDEP grant at the Northern Wastewater Treatment plant was put into operation in October 2007, while the third one at the Southwest Wastewater Treatment plant was inaugurated in November 2007. Their combined capacity of handling 440 tones of dewatered sludge per day enabled the City to stop using landfills for storing sludge, which was the usual practice for the past 30 years. There are still over 80 hectares of such landfills polluting the air, soil and ground water; however work is now underway to re-cultivate the land.

The modern incineration technology used in St Petersburg reduces the sludge volume by 10 times. SUE Vodokanal St Petersburg obtained five patents for their inventions made in the process of resolving the sludge problem in the City. They have achieved substantial energy savings and energy production through incineration. There are also plans to use the ash left after incineration for road construction.



The Northern Wastewater Treatment Plant with the Incinerator plant at the back.

With the kind assistance of Vladimir Shchekachikhin, Director General of the St Petersburg Barrier Authority, the NDEP group was able to cross the Barrier up to the navigation opening S1 past Kotlin Island. Substantial flood protection is already in place and in fact the sluice gates had been closed two days before the meeting when the water level was forecast to approach the critical point of 1.6 m above mean sea level. "Each of the six sets of water sluices is the size of the Thames Barrier" said Peter Hunter, Technical Director of HR Wallingford and added that there are 6 sets of water sluices each with 10 or 12 gates. Each gate is 24 m wide and 4 m or 6.5 m high. The gates are weighted with concrete to crush through ice in winter times. The total combined sluice gate width is 1536 m.



One of the 6 sets of water sluices along the Barrier

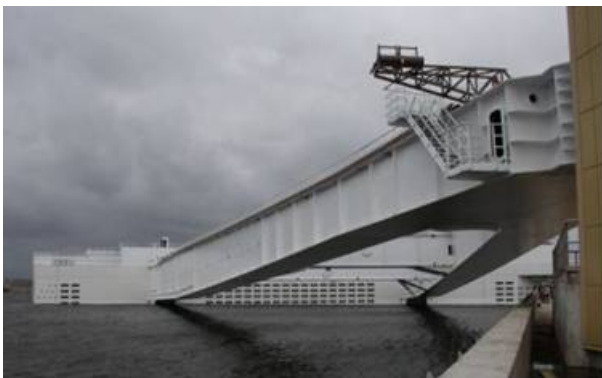


One of the gates inside a water sluice in a raised position (photo courtesy of Jacobs and HR Wallingford)

The most complex part of the Barrier - still being tested - is the navigation opening S1. The model and the photograph below illustrate how the gates are floated into a closed position and sunk into place in the event of a flood warning. To open and close the gates, locomotives are provided to pull (or push) the floating gates.



Model of the gates at the Navigation Opening S1



One of the gates closing the 200m wide S1 Navigation Opening (photo courtesy of Jacobs and HR Wallingford)

The S1 navigation opening is 200 m wide and 16 m deep, and its gates are the second largest in the world. A road tunnel has been built beneath it as part of the City ring road to be completed during 2011.

While in the premises of the SUE Vodokanal St Petersburg at Shpalernaya Street, the Steering Group participants had a chance to visit the Youth Environmental Centre and the interactive museum "World Water of St Petersburg" both financed from Vodokanal's resources and opened in 2002 and 2003. The Youth Centre based on interactive education helps to promote the appreciation of water and show various process involved in water purification through

experiments and play. It has proved very popular and around 50,000 school children a year visit the Centre.

The Water Museum located in an old tower of the Main Waterworks from 1862 shows the 150 year history of water utilities in St Petersburg. Traditional exhibits combined with the latest, state of the art interactive technology, "Water Universe" exhibition in particular, make it a fascinating place to visit. In 2006 the museum was listed as one of the top Five of the European Museums.



Youth Environmental Centre at SUE Vodokanal St Petersburg

Update on NDEP nuclear window projects

As a final task of the Grant Implementing Agreement for the development of the Strategic Master Plan for the nuclear clean-up in NW Russia, IBRAE developed a Project Management Information System (PMIS), which is a comprehensive tool for monitoring, co-ordination and decision-making during implementation of complex integrated programmes. The PMIS covers all activities in the area of nuclear submarine dismantlement and nuclear remediation of contaminated sites and provides for maintaining the SMP as a 'live' document. The pilot operation of the PMIS proved successful and its further operation will be supported by Rosatom.

The first contract was signed for the Decommissioning of Building No.5 in Andreeva Bay (a former pool-type storage facility for spent nuclear fuel (SNF) discharged from nuclear submarines). The building is severely contaminated by the radionuclides and its current condition poses significant risk to the environment. The Russian engineering company STK will perform urgent repairs on the roof and walls of the building, improve the general insulation of the building in order to prevent its further degradation and provide safe conditions for the future decommissioning. Work at the moment is at the preparation stage, and the physical work will be carried out during the summer season next year.

Open tender for selection of an International Consultant for two projects - the decommissioning of the ship "Lepse" (floating SNF storage located in Murmansk) and removal of spent fuel from the Papa-class nuclear submarine is nearly completed and the contract with the successful bidder should be signed in November 2009. The International Consultant will assist Project Management Unit (established by the Russian Federal Centre for Nuclear and Radiation Safety) in procurement, contract monitoring and work acceptance issues.

Work on improvement of the radiation monitoring and emergency response system in the Arkhangelsk Region is progressing smoothly within the schedule and the budget. All design activities have been completed, some of the equipment has been procured and refurbishment of local crisis centres started.

Interview with the new Steering Group Chair



The Chairmanship of the NDEP Steering Group rotates among the IFIs on an annual basis. In July 2009, the EIB took over the role from the EBRD.

The EIB Vice President, Eva Srejber (pictured left) succeeded the EBRD Vice President Horst Reichenbach.

A short interview with her follows:

• What is the EIB's involvement in the Baltic Sea region?

The EIB operates in all countries of the Baltic Sea basin, including Russia and Norway as important participants in the Northern Dimension and in response to the financial crisis our total lending has increased rapidly in the region from some EUR 4 billion in 2007 to an expected EUR 11 billion in 2009.

The soon to be accepted EU Strategy for the Baltic Sea Region is an important framework for the EIB and the EIB is already financing a significant number of the so-called Baltic Sea Strategy (BSS) Flagship Projects which highlight the priority areas of the EU Baltic Sea strategy among which environment is a key area. To date, EIB has approved loans of some EUR 900 million for total investments and is currently appraising additional BSS flagship projects for some EUR 400 million of investment cost.

Examples of projects co-financed within NDEP in Russia in the Baltic region are four investments in St Petersburg: (1) Southwest Wastewater Treatment Plant (EIB loan EUR 25m), (2) Northern Incinerator (EIB loan of EUR 20m), (3) Flood Barrier (EIB loan of EUR 40m), (4) Neva Closure of Direct Discharges of Untreated Wastewaters (EIB loan of EUR 17.5m).

As a recent example from the Baltic States, this year we allocated EUR 122 million for water and wastewater projects within river basins investment programmes in Lithuania under EU Funds co-financing 2007-2013.

• Based on your recent site visit to the NDEP projects in St Petersburg, how in your opinion can the success of NDEP be replicated in other regions?

The Northern Incinerator project and the Flood Barrier project were indeed interesting – it is very encouraging to see what has been achieved so far. Unfortunately,

time did not allow us to visit the other NDEP projects in the area, but it is evident that NDEP has already made a substantial contribution towards improving the environment in the whole region.

I really believe that the NDEP model has several advantages.

Firstly, the investing country is at the same table as the international financial institutions (IFIs) and the donors when decisions on strategy and projects are made and the host countries must also participate with own contributions. This is important as it facilitates the crucial project implementation process. Secondly, through an NDEP approach the efforts of the IFIs and the donors are coordinated in a better way than they would be if each institution would plan its project work independently of what other international institutions and donor countries would be doing. The NDEP governance structure is also very pragmatic, which allows for a relatively short decision-making process. Thirdly, the NDEP structure has a proven capacity to mobilise additional resources for important developmental and environmental objectives. An NDEP grant acts as a catalyst for new projects. Lastly, the structure of NDEP has been tested and proven effective over many years.

Building on these advantages, I am convinced that the success of the NDEP model can also be replicated in other regions. The Initiative on Energy efficiency and Environment in Eastern Europe and Ukraine is an example where the NDEP model has been replicated.

• What are the EIB's goals for investments in Russia and Belarus?

The EIB operates in Russia under its Eastern Mandate which allows the EIB to co-finance projects with the EBRD and possibly additional partners in four sectors, namely Transport, Energy, Telecommunications and Environmental Infrastructure. The cooperation between EBRD and EIB has successively developed since 2001 when the EIB started activities in Russia. Both institutions have different – although complimentary – mandates in Russia and have focussed on their comparative advantages in working together.

In the Environmental sector, the EIB gives particular priority to NDEP projects. The Eastern Mandate, which is also for Ukraine, Moldova, Belarus and Southern Caucasus, is capped at EUR 3.7 bn for the period 2007 – 2013 and within this amount specifies no particular allocation by country. As regards Belarus, the EIB has to await political go-ahead from the European Parliament and Council before it can initiate operations there.

For the coming years, the cooperation between the EBRD and the EIB is going to continue to benefit from the EIB's technical, financial and project financing expertise for infrastructure projects. Given that EIB is one of the largest infrastructure and PPP investors in the world (with a PPP portfolio of over EUR 20 bn), and that the EBRD has in depth local knowledge and presence, both banks can contribute to sustainable financing of infrastructure investments necessary for improving potential growth in Russia.

In addition, and following on from the template established by EBRD and EIB to jointly lend to the mobile telephone operator MTS, EIB would expect to

leverage its extensive private sector financing experience and contribute its expertise to further fund the telecom sector.

An increased focus shall be placed on energy and energy efficiency projects in order to achieve better environmental standards. EBRD and EIB are currently reviewing a number of early phase projects (refurbishment of power plants, flared gas reduction and district heating projects) which are expected to contribute to this goal.

• **In your opinion will NDEP benefit from the Swedish presidency of the EU?**

The Swedish Presidency is highly supportive of the EU Strategy for the Baltic Sea Region where environment and the health of the Baltic Sea is in focus. NDEP is hence an important way of continuing to develop and finance projects that improve the environment, especially the water quality, which is very much supported by the Swedish Presidency. This will hopefully lead to a higher political exposure of the environmental issues in the region, requiring more investments in environment enhancing projects. The EIB is contributing to the EU Strategy for the Baltic Sea Region by financing of eligible projects.

Announcement

From 1 October 2009, NDEP Manager Jaakko Henttonen will be based in the EBRD Regional Office in St Petersburg at 25 Nevsky Prospect. He can be contacted by telephone on + 7 812 703 5525, or by same email HenttonJ@ebrd.com. The NDEP Secretariat (Ewa Manik, tel: +44 207 338 7196, email: ManikE@ebrd.com) will remain in the EBRD headquarters in London.

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	Grant signed Implementation started
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	€3 million	Approved by Assembly Grant yet to be signed
10. St. Petersburg Neva Closure of Direct Discharges of Untreated Wastewater	NIB	€46.4 million	€24 million	Grant signed Implementation started
11. Kaliningrad Water and Environmental Services	EBRD	€110 million	€10 million	Grant signed
12. Vologda Municipal Water Services	EBRD	€18.4 million	€3.5 million	Grant signed Implementation started
13. Kaliningrad Project Implementation Unit	EBRD	€3.8 million	€3 million	Grant signed - under implementation
14. Sosnovyi Bor Municipal Water Services	NEFCO	€3.3 million	€0.5 million	Approved by Assembly Grant yet to be signed

Also note...

- 12 November 2009 – Northern Dimension Senior Officials meeting in Stockholm organised by the Swedish Presidency of the European Union
- 24 November 2009 – International Forum “Pure Water” in Moscow organised by the Russian Federation
- 27 November 2009 – Seminar on EBRD-Sida Business Opportunities for Swedish companies including NDEP cooperation. The event is organised jointly by EBRD and Sida to take place in Stockholm
- 30 November 2009 – NDEP Assembly of Contributors in London
- 2-3 December 2009 - HELCOM meeting of the Heads of Delegation in St Petersburg
- 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 (NDEP)** was developed in response to calls from the Russian Federation and the international community for a concerted effort to address environmental problems in Northern Dimension Area (NDA). The most pressing actions relate to water, waste-water, solid waste, energy efficiency and nuclear waste.

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 the NDA. NDEP projects are implemented by the EBRD, the NIB, NEFCO, the EIB and the World Bank.

The European Union, the Russian Federation, Belarus, 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 €276 million.

For more information, visit www.ndep.org, or contact:

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