

NDEP News

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10th NDEP Assembly of Contributors convenes in London (2 December 2011)



(from left) Mr Jan Fischer, EBRD Vice President, Mr Richard Tibbels, Head of Division of EEAS at the European Union, Mr Vince Novak, Director, Nuclear Safety Department, EBRD

The annual Assembly of Contributors which took place in London on 2 December 2011 showed that after ten years of operation, the commitment of all the NDEP partners is stronger than ever to carry on with the work to improve the environment in the Northern Dimension Area. The 10th Anniversary of NDEP, celebrated at a high political level in June 2011, confirmed that the Partnership has developed a successful model for effective project implementation and has managed to create a genuine spirit of good cooperation between the dedicated contributors, committed clients, and pro-active

international financing institutions leading the project development.

The European Union, as the largest contributor to NDEP, chaired the Assembly which gathered high level representatives from Canada, Denmark, Finland, Germany, Norway, Russia, Sweden and the United Kingdom. Observers to the meeting included Belarus as well as the EIB, EBRD, NEFCO and NIB – as the NDEP Implementing Agencies.

The EBRD as the Fund Manager of NDEP welcomed the delegations. “The year 2011 has been very successful for the NDEP. I should like to thank Russia, the European Union, Sweden, Finland and Norway for their generous contributions to the Environmental Window in the recent replenishment round, which resulted in over €45 million of additional funds. The extra funds allow the IFIs to develop new projects in the priority sectors for wastewater treatment in small municipalities and for energy efficiency,” stated **Mr Jan Fischer, the EBRD Vice President** at the start of the Assembly.



The Russian delegation (from left): Mr Alexander Pimenov, Director of FCNRS, (at the back) Mr Sergey Verkashanskiy, EBRD Alternate Director for Russia, Mr Oleg Kryukov, Director, Rosatom, Ms Maria Smirnova, Senior Adviser, Ministry of Finance, Mr Andrey Bokarev, Director, Ministry of Finance.

Representing the Russian delegation, **Mr Andrey Bokarev, the Director of International Financial Relations Department at the Russian Ministry of Finance**, advised that the Russian Federation made in 2011 an outstanding decision to increase their contribution to NDEP. This was made in recognition of the results achieved by the Partnership and in order to further develop the portfolio of new projects. Whilst appreciating the wastewater treatment investments, Russia highlighted the need for new projects to increase energy efficiency and to improve management of



municipal and agricultural solid waste. Kaliningrad remains the focus of the Russian and international attention where despite recent delays, the progress appears now to be satisfactory. *“The priorities of the Russian Government shift step by step towards the establishment of an integrated green economy and in this context we expect closer coordination of the Partnership’s activities and the Russian Environmental and Infrastructure Policy”*, stated Mr Bokarev regarding future pipeline.

Mr Oleg Kruykov, the Director of the Nuclear and Radiation Safety Directorate of Rosatom thanked the contributors for their significant financial support and the EBRD for managing the projects. *“We have completed the initial stages of a number of major projects and are ready to undertake the implementation phases of the work under the Partnership,”* said Mr Kruykov in his assessment of the year-end results. This includes the important work on the floating maintenance base Lepsa and its transfer it to Nerpa shipyard. The construction of the spent nuclear fuel (SNF) management complex is also under way at Andreeva Bay. *“The Russian Federation is helping to fund these projects and shall be contributing about RUB 1.5 billion by 2015 for the Andreeva Bay projects. As a whole, across the north-western region, the Russian Federation contribution will be about RUB 6 billion in total by 2015,”* stated Mr Kruykov.



The UK and Swedish Delegations to the Assembly (from left): Mr Richard Hardiman, Deputy Head of Programme, GTRP, DECC, UK, Mr Lars Elfin, Senior Administrative Officer, Swedish Ministry of Foreign Affairs, Ms Eva Srejber, EBRD Director for Sweden, Mr Birger Karlsson, Deputy Director, Swedish Ministry of Foreign Affairs, Mr Lars Eklund, Head of Division, SIDA

Mr Richard Tibbels, the Head of Unit, representing the European Union, thanked for the successful organisation of the NDEP’s 10th Anniversary event which demonstrated the success of the initiative and helped to secure significant new contributions to the Fund. NDEP is a success story because of its good collaboration between contributors, recipients and international financial institutions and part of the positive agenda of cooperation between the European Union and Russia. *“Let me recall that the senior officials’ meeting of the Northern Dimension that took place in Reykjavik on 8 November duly acknowledged the valuable work done by the Northern Dimension Environmental Partnership and provided a clear confirmation of the continued relevance of the Partnership in addressing the major environmental challenges in the region,”* said Mr Tibbels.

The Assembly examined the progress of the nuclear safety projects, in particular the contracts signed in 2011 crucial for the physical implementation of projects.

Regarding the environmental window, the Assembly approved three new projects to improve wastewater treatment in three towns in Leningrad Oblast: Gatchina, Tikhvin and Vyborg which would require EUR 2.49 million of NDEP grants. Also two new proposals to upgrade energy efficiency in the municipal district heating network in Novgorod and Gatchina were positively considered by the Assembly with a EUR 1.5 million grant allocation in total.

The Assembly welcomed the possibility to cooperation with KfW and looks forward their new projects for potential co-financing with NDEP. The next Assembly of Contributors is scheduled for 30 November 2012 in London.

Contributions to NDEP in 2011

The efforts to replenish the environmental window of NDEP to mark the 10th Anniversary of the Partnership produced encouraging results with substantial new contributions received in 2011. Russia pledged EUR 20 million in August 2011 which will be payable in four equal instalments over 2012-2016. Finland paid in EUR 3 million in June 2011, while Norway contributed EUR 0.63 million in June 2011 and EUR 0.4 million in December 2011. In addition Norway announced its new contribution to the NDEP nuclear window at the Assembly meeting of about EUR 2 million which was paid in December 2011.

NDEP Support Fund In January 2012		
Environmental		Nuclear
€30m + €14m	European Union	€40m
€40m + €20m	Russia	€40m
	France	€20m
	Canada	€10m
€10m	Germany	€2m
€19m + 7.2m	Sweden	€25.2m
€16m + €3m	Finland	€1m
€10m	UK	€10m + €2.6m
€1.5m + €1.2m	Denmark	€10m
	Norway	€0.5m
	Netherlands	
	Belgium	
€1m	Belarus	
€172.9m		€161.3m
€334.2m		

Status of Pledges and Contributions at the start of 2012 - results of the 2000-11 replenishment round shown in yellow

At the start of 2012, the NDEP Support Fund stands at EUR 334.1 million with EUR 172.9 million available for environmental projects and EUR 161.2 million earmarked for the nuclear safety projects. The total grant agreements signed in the nuclear window come to EUR 152 million. In the environmental window, the grant allocations total EUR 121 million – leaving a balance of about EUR 52 million for new projects. The EBRD as the Fund Manager of NDEP will continue efforts to seek further replenishment of the Fund.

Status of NDEP Nuclear Window projects

During the Assembly, Mr Vince Novak, the Director of the EBRD Nuclear Safety Department, summed the work carried out in 2011 as setting the stage for implementation of the main projects.

These are very large and complex projects and an effective collaboration of skills will be required to make good progress and to achieve the objective of dealing with the spent nuclear fuel situation in the region by 2015. Below is the status of main projects at the start of 2012.

Decommissioning of Building No 5 in Andreeva Bay

The Grant Implementing Agreement (GIA) has been extended to include Phase 2 of the project to cover the retrieval of the six spent fuel assemblies discovered in one of the storage pools during Phase 1. This additional scope of work will ensure that all nuclear materials are removed from the building. Further decommissioning of the building and handling of radioactive waste is expected to be performed after all spent nuclear fuel (SNF) has been removed from the Andreeva Bay.

Dismantlement of the Lepse floating maintenance base (FMB)

The development of the detailed design documentation for Lepse dismantlement and SNF handling is progressing well and will be completed by the end of 2012. Preparatory works are ongoing to transfer Lepse to Nerpa Shipyard in late 2012 and to lift her onto the slipway in 2013. Contracts for these activities have been signed with Atomflot, as the Lepse Operator, and with Nerpa Shipyard.

Defuelling of the Papa-class nuclear powered submarine reactors

The Grant Implementing Agreement has been amended to increase the budget available for this work. A feasibility study has been completed that identified at least two potential sites for the reactors defuelling and defined the project budget. An inventory of the condition of the existing defuelling equipment has been completed. Tendering for the defuelling work will be initiated shortly and the contract for the work is expected to be placed in mid 2012.



SNF transport infrastructure at the new pier at Andreeva Bay (Photo courtesy of SevRAO)

SNF management system in Andreeva Bay

The construction of the SNF cask accumulation pad is progressing well and on time. Procurement of the SNF handling equipment (cranes, rail trolleys and vehicle for SNF cask transport, SFA retrieval equipment, etc.) is under way. The contract for the construction of the enclosure above the dry storage units (DSU), where the SNF is located, is currently being tendered and it is planned for construction to start in the summer 2012.

Archangelsk: Regional Radiation Monitoring and Emergency Response System

The work has been completed according to schedule and within budget. A substantial training programme has been undertaken for the operators of the new systems and equipment. An IAEA expert mission took place in July 2011 to monitor the emergency response system in action including an emergency exercise (conducted in July). As a result of this, further work was proposed for additional training and equipment. A contract amendment has been signed for this additional scope of work for the project which will be completed in the summer 2012.



Construction site of the Cask Accumulation Pad at Andreeva Bay (Photo courtesy of SevRAO)

NIIAR: the construction of an accumulation pad for casks with Alfa-class spent reactor cores and the reconstruction of the NIIAR transport infrastructure

The project is part of the overall Russian Federation strategy for the management of the Spent Reactor Cores (SRC), most of which are located in Gremikha. The accumulation pad design concept and the details of the required railway refurbishment will be developed when the SRC transport strategy is fully defined (for example, the number of rail wagons (containing the SRC Casks) per shipment, storage of these rail wagons prior to unloading at NIIAR and the requirements for long-term storage of these Casks at the site).

Regulatory support for Lepse Decommissioning

This project is intended to expedite the work of the Russian Federation regulators in reviewing the unique aspects of the Lepse decommissioning project. It is therefore very closely linked with the decommissioning project and good relationships have been established between the two project teams.

“Energy Efficiency creates opportunities for NDEP environmental window” – Interview with Mr Peter Hobson, Senior Banker, EBRD Energy Efficiency Team



With an extensive portfolio of projects in the water and wastewater sector, the NDEP contributors wish to extend the Partnership's operations also in the field of energy efficiency. A short interview with Mr Peter Hobson, the EBRD Senior Banker, follows to highlight the key issues.

- **As you may know the new contributions to NDEP from the European Union, Russia and Norway were made with a specific request to support more energy efficiency projects in the north-west of Russia. In your opinion what should be the priority area and why?**

The figures undoubtedly point to the built environment, including the residential district heating sector. According to the calculations of the Russian Energy Agency in 2009, approximately a third of all energy consumed in Russia is in relation to the residential sector. In the EBRD's conservative estimation around 40% of this amount could be saved through energy efficiency investments, with needs ranging from \$25 billion to \$50 billion, and representing potential annual energy savings of \$14 billion. Further analysis indicates that two-thirds of all of that potential in the residential sector is linked to the district heating infrastructure. NDEP has a good framework of delivering concrete investment projects which could be successfully applied to municipal district heating in north-west of Russia with a specific focus on the demand side measures. This will deliver positive results for the district heating companies and residents in terms of reducing energy bills and environmental improvements overall.

- **What are the specific challenges of investing in the municipal district heating sector that NDEP needs to take into account?**

On the supply side of energy production, similarly to any water/wastewater project, there is only one client i.e. a district heating company, which owns the assets and can take a loan/grant. However on the demand side, there is no single counterpart able to take a loan. Following privatisation of 1990s, the residential apartments were privatised but no provision was made at the time for the overall management of residential buildings, capital repairs and legal framework. The lack of legal framework does not allow for collective decisions of residents and there is no funding mechanism to address repairs and investments of buildings.

- **What are the possible solutions to reform the institutional structure?**

All the stakeholders, in particular the Russian federal and municipal authorities, realize the need for

institutional reform to allow the owners to make decisions in a structured way through e.g. housing associations or other commercial services required to manage and maintain buildings. This needs to be a joint cooperation of the federal and local governments, residents and commercial institutions in a structured way to allow planning and with a consideration of not only energy efficiency but also of social and safety issues.

The Russian federal government, principally the Ministry of Regional Development and the Ministry of Economic Development are developing the legal reforms supported by technical assistance from the EBRD and IFC. The IFIs provide consultants and expertise to look at the international experience in housing reform, particularly with regards to housing associations and commercial solutions practised in other countries.

- **How does the NDEP fit into the overall reform scene of the residential sector?**

The reform is under development with an objective to pass much needed legislation in 2012. The NDEP energy efficiency projects in Vologda and Novgorod are excellent examples of how to engage all the stakeholders including: municipal authorities, residents, IFIs. The NDEP offers a good commercial approach of combining local funding with loans and grants for concrete investments. The focus on demand side measures by installing individual heating substations will help to raise awareness and provide an incentive to residents to save energy as they will be actually in charge of their own energy consumption. These types of ground breaking projects are very important for the overall reform of the sector.

- **What, in your opinion, should be the NDEP approach to structuring the energy efficiency projects in north-west Russia?**

The NDEP needs to bear in mind that there are many challenges but the approach needs to be flexible and pragmatic. Sometimes the investment needs to be structured in a step-by-step manner due to commercial or legal reasons. The success of NDEP has been its ability to deliver concrete projects as opposed to many initiatives in the region which remain purely academic. The support of NDEP cannot guarantee full success but is necessary for the success to be possible. It is only through actual experience that we learn to do better projects.

News on the St Petersburg Flood Protection Barrier

According to the news from the St Petersburg Barrier Authority (<http://dambaspb.ru/news>), it was the first time in the modern history of St Petersburg that a powerful storm caused by gale force winds continued for three days on 26-28 December 2011. Gusts of wind up to 28m/sec knocked down power lines, blowing off roofs, breaking trees and destroying drainpipes. If it was not for the Barrier in full operation, the water could have risen above the three meters mark which would have inevitably led to a disaster i.e. flooding the historic centre including the Palace Square and the Hermitage.

NDEP Projects in brief (in million EUR)

Project	Lead IFI	Total cost	NDEP grant	Progress
1. St. Petersburg Southwest Wastewater Treatment Plant	NIB	193.6	5.8	Completed - in operation
2. St. Petersburg Flood Protection Barrier	EBRD	2000	1	Completed - in operation
3. St. Petersburg Northern Incinerator	EBRD	90.4	6.35	Completed - in operation
4. Leningrad Oblast Municipal Programme	NIB	23.2	4	Approaching completion
5. Komi Syktyvkar Municipal Services	EBRD	31.8	6	Approaching completion
6. Kaliningrad District Heating Rehabilitation	EBRD	21.8	7.3	Under construction
7. Archangelsk Municipal Water Services Project	EBRD	25.5	8.2	Under construction
8. Novgorod Water and Wastewater Rehabilitation	NIB	23	3	Under construction
9. St. Petersburg Neva Programme	NIB	563	24	Under construction
10. Kaliningrad Water and Environmental Services	EBRD	110	10	Under construction
11. Vologda Municipal Water Services	EBRD	20	5.18	Under construction
12. Kaliningrad Project Implementation Unit	EBRD	3.8	3	Under implementation
13. Sosnovyi Bor Municipal Water Services	NEFCO	3.3	0.5	Grant signed
14. PIU for Poultry Farms in Leningrad Oblast	NEFCO	3.5	2	Under implementation
15. Petrozavodsk Water and Wastewater Rehabilitation	NEFCO	32	5	Approved by Assembly
16. Ten Suburban WWTP in St Petersburg	NEFCO	16	3.75	Grant signed
17. Petrozavodsk Solid Waste Management	NEFCO	8.5	1.5	Approved by Assembly
18. Pskov Water/Wastewater Infrastructure Rehabilitation	EBRD	27.4	6.5	Grant signed
19. Murmansk City Water/Wastewater Rehabilitation	EBRD	30.1	6	Approved by Assembly
20. Vitebsk Wastewater Treatment Rehabilitation	EBRD	21.1	2	Approved by Assembly
21. Grodno Water/Wastewater Treatment Rehabilitation	NIB	21.1	2	Approved by Assembly
22. Brest Water and Wastewater Treatment Rehabilitation	NIB	18.4	2	Approved by Assembly
23. Vologda District Heating	EBRD	17.8	2	Under implementation
24. Gatchina Wastewater Treatment Plant	NEFCO	2.5	0.39	Approved by Assembly
25. Tikhvin Wastewater Treatment Plant	NEFCO	1.3	0.25	Approved by Assembly
26. Vyborg Wastewater Treatment Plant	NEFCO	6.5	1.25	Approved by Assembly
27. Novgorod District Heating	EBRD	23.3	1	Approved by Assembly
28. Gatchina District Heating	NEFCO	4	0.5	Approved by Assembly
TOTAL		€3.3 billion	€120 million	

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 the 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 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 €334 million.

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

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