

Proposal for a Council Decision granting a Community guarantee to the European Investment Bank against losses under a special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension

(2001/C 240 E/35)

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(Submitted by the Commission on 6 June 2001)

THE COUNCIL OF THE EUROPEAN UNION,

dumpsites of toxic waste are threatening the ground water.

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas:

(4) The Union already supports some environmental projects in North-West Russia with grants from TACIS. Given the need to urgently strengthen the environmental protection in the area to prevent major further transboundary damage, it is justified for the Community to strengthen its support through limited EIB loans. The involvement of the EIB would reinforce the impact of Community actions, not only by multiplying the funds available, but also through the professional involvement of the Bank's project teams. Community support would be extended in a form that takes account of the cash generation capacity of projects and which is recoverable.

(1) The Northern Dimension was launched by the Helsinki Council of 10-11 December 1999, which invited the Commission to put forward an Action Plan for the Northern Dimension. The Feira European Council in June 2000 adopted the Action Plan in the external and cross-border policies of the EU during 2000-2003. The Northern Dimension covers the geographical area from Iceland to the west across to North-West Russia, from the Norwegian, Barents and Kara Seas in the North to the Southern coast of the Baltic Sea.

(2) The Northern Dimension aims at addressing the special regional development challenges in northern Europe. These include harsh climatic conditions, long distances, particularly wide living standard disparities, environmental challenges including problems with nuclear waste and waste water management, as well as insufficient transport and cross border facilities. It aims to intensify cross border co-operation between the EU and its neighbouring countries and regions in northern Europe.

(3) The environmental situation in North-West Russia remains very difficult. There is a large heritage of environmental degradation, which is difficult to handle financially by the present government of Russia, or by the users of utilities through tariffs in view of the still relatively poor level of purchasing power of the population. Thus dangerous transboundary environmental black spots originating in North-West Russia have not yet been addressed. Sewage from 3.5 million people in the St. Petersburg area is still discharged only partially treated into the Baltic Sea, with a similar situation around Kaliningrad. Some huge

(5) At the initiative of the presidency, the Ecofin Council of 12 March 2001 considered a set of criteria for a limited EIB special action for environmental projects in North-West Russia, notably in the St Petersburg and Kaliningrad areas. It was underlined that (a) projects shall be assessed by the EIB and the loans authorised on a case-by-case basis by its Board of Governors. It is thus not a question of a general lending mandate for Russia; (b) projects shall have a strong environmental objective and be of significant interest for the EU; (c) EIB shall co-operate and co-finance with other IFIs in order to ensure reasonable risk-sharing and appropriate project conditionality; (d) the aggregate volume of loans shall be subject to an indicative ceiling of EUR 100 million; (e) Russia must honour its international financial obligations, including those to the Paris Club.

(6) The Stockholm European Council of 23-24 March 2001 concluded 'that the Union should open up EIB lending for selected environmental projects [in Russia], according to the specific criteria decided by the Council'.

(7) It is therefore appropriate to provide a guarantee to the EIB to allow it to sign loan operations under this special lending action for selected environmental projects in the Baltic Sea rim of Russia, notably in the St. Petersburg and Kaliningrad areas. The guarantee under this special action is of exceptional nature and is not to be considered a precedent for any future actions. The EIB has indicated its ability and willingness to extend loans from its own resources in North-West Russia, in accordance with its Statute.

- (8) The Community guarantee under the present action should have a ceiling of EUR 100 million. In order to strengthen the impact of this comparatively small action, it should be focused on projects located in the Baltic rim area of Russia.
- (9) The Northern Dimension Environmental Partnership (NDEP) will provide a framework for priority setting involving the Commission, bilateral and multilateral donors, the IFIs and the transition countries concerned.
- (10) Council Decision 2000/24/EC⁽¹⁾ grants the EIB a global 65 % Community guarantee against losses under loans for projects outside the Community (central and eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa).
- (11) On 2 December 1996, the Council approved conclusions on new guarantee arrangements for EIB lending to third countries, according to which the approach of a global guarantee, without distinguishing between regions and projects, is approved and a risk-sharing scheme accepted. Under the risk-sharing scheme the EIB should secure adequate non-sovereign third-party guarantees for commercial risks, with the budgetary guarantee covering only political risks.
- (12) The global guarantee covering the general EIB external lending mandate laid down in Decision 2000/24/EC should also apply to the special EIB lending action in Russia under the Northern Dimension. Credits opened under this Decision should benefit from the global guarantee as governed by Decision 2000/24/EC. In view of the special nature of this action, Article 1(3) of Decision 2000/24/EC should not apply to it.
- (13) Time is of the essence in the implementation of this Decision. There is urgent need for environmental investment in the Baltic Sea rim of Russia.
- (14) For the purpose of adopting this Decision, the only powers provided for by the Treaty are those set out in Article 308,

HAS DECIDED AS FOLLOWS:

Article 1

Objective

The Community shall grant the European Investment Bank (hereinafter referred to as 'the EIB') a global guarantee in

respect of all payments not received by it but due in respect of credits opened, in accordance with its usual criteria, for investment projects carried out under this special lending action in the Baltic Sea basin of Russia under Northern Dimension. Eligible projects shall have a strong environmental objective and be of significant interest to the EU.

Article 2

Ceiling and conditions

1. The overall ceiling of the credits opened shall be EUR 100 million or the equivalent thereof.
2. The Community guarantee with respect to credits opened by the EIB under this Decision shall take the form of an extension of the 65 % global Community guarantee granted to the EIB under the general external lending mandate, as laid down in Decision 2000/24/EC.
3. Projects financed by loans to be covered by the guarantee shall satisfy the following criteria:
 - The eligibility in accordance with Article 1;
 - Co-operation and co-financing by EIB with other International Financial Institutions in order to ensure reasonable risk-sharing and appropriate project conditionality.
4. The EIB shall only present projects for approval if Russia is deemed to honour its international financial obligations, including obligations for its Paris Club debt.
5. The Board of Governors of the EIB, under Article 18 of the Statute of the Bank, shall approve on a case-by-case basis each loan to be covered by the Community guarantee.
6. For the purposes of this Decision, Article 1(3) of Decision 2000/24/EC does not apply.

Article 3

Reporting

The Commission, in the framework of reporting under Council Decision 2000/24/EC, shall inform the European Parliament and the Council each year of the loan operations carried out under this Decision and shall, at the same time, submit an assessment of the implementation of this Decision and of co-ordination between the International Financial Institutions involved in the projects. The Commission information submitted to the European Parliament and to the Council shall include an assessment of the contribution of the lending under this Decision to the fulfilment of the Community's objectives under Northern Dimension.

For the purposes referred to in the first subparagraph, the EIB shall transmit to the Commission the appropriate information.

⁽¹⁾ OJ L 9, 13.1.2000, p. 24.

*Article 4***Duration**

The guarantee shall cover loans signed during a period of three years from the date of adoption of this Decision. If, on expiry of those three years, the loans signed by the EIB have not attained the overall ceiling referred to in Article 2, this period shall be automatically extended by six months.

*Article 5***Final provisions**

1. This Decision shall take effect on the day of its publication in the *Official Journal of the European Communities*.
 2. The EIB and the Commission shall fix the terms on which the guarantee is to be given.
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