1. B ASIC I NFORMATION

1.1 CRIS Number: 2003/004-582.03.03

1.2 Title: Testing and notification of shale oil chemicals produced from oil shale.

1.3 Sector: Economic and Social Cohesion

1.4 Location: Estonia

2. OBJECTIVES

2.1 Overall Objective:
Balanced regional development of Estonia by enhanced competitiveness of oil shale industry.

2.2 Project Purpose:
Compliance of 14 chemical substances with the requirements for “new” substances according to Annex VII A of Directive 67/548/EEC as amended by Directive 92/32/EEC by autumn 2003. This would allow to have testing programmes according to Annex VIII of the Directive well underway by the date of accession in 2004 and would provide compliance with the acquis.

2.3 Accession Partnership and NPAA priority

The NPAA of 2002-2003:


The general goal of the Estonian Single Programming Document is the rapid and sustainable socially and regionally balanced economic development. The current project by contributing to improvement of the employment and entrepreneurship situation in Estonia will support achieving of this objective.

The project specifically contributes to achieving the objectives stipulated in the following parts of the SPD: Chapter 3.1. Priority 1: Human Resource Development. The general objective of the priority is raising Estonian labour force potential and making better use of it. This project is in line with Measure 2: Human resources development for increasing competitiveness of economy in SME and Research and Development sectors (ESF) and Chapter 3.2. Priority 2: Competitiveness of Enterprises, where the general objective of the priority is enhancing competitiveness of enterprises and increasing employment. This project is also relevant for Measure 6: Business development (ERDF)

1 Draft version of the document as of 15.11.2002.; www.fin.ee
2.5 Cross Border Impact
N/A

3. DESCRIPTION

3.1 Background and justification:
Estonia must test, notify and assess 14 oilshale chemical substances in compliance with Directive 67/548/EEC as amended by Directive 92/32/EEC. The tests for the “base set” notification of the 14 oilshale substances corresponding to the requirements as stipulated in Annex VII A of the Directive need to be completed by autumn 2003. Only this would allow to have testing programmes according to Annex VIII of the Directive well underway by the date of accession in 2004 and would provide compliance with the acquis. The production of these oilshale chemicals products is concentrated in Ida-Virumaa in a region characterised by a highly vulnerable socio-economic setting.

Background
Estonia is unique in the world in that it uses indigenous oilshale as its main energy source. Additional significant sources are peat and other biofuels (especially wood). The two largest oilshale power plants produce more than 90% of electricity used in Estonia. In 1999, the share of oilshale in the Estonian primary energy balance was 58%. The government and the Parliament have made a strategic decision to continue the oilshale based energy production until 2015. This decision was caused by the need to use the existing resources of the mines and power plants as well as the unacceptably high costs of the alternative solutions.
The production of oilshale has experienced various changes in Estonia, the maximum level of production of oilshale was reached in 1980 at 288 PJ, but in 1991- 1993, the volume decreased from 242 PJ to 142 PJ. The total consumption of oilshale in 1999 was 111,6 PJ, of which 94,81 PJ (10,69M tons) was produced in Estonia and 11,1 PJ (1,36M tons) was imported from Russia.

Most of the oilshale (84,2 PJ) is used for production of electricity and the rest for production of heat, oil shale oil, and coke. The oilshale has unique characteristics as a technological raw material: the thermal processing thereof enables products that are impossible to obtain from oil and coal or oilshale of other regions. A significant part of the oilshale resources (21-31 PJ per year) is used for oil shale oil production via liquefaction of solid oilshale. There are two UTT-3000 types of crude oil shale oil production technologies. The technology installed in Narva Power Plants Oil Factory uses the same oilshale (crushed) as raw material. The technology of the oil industry in Kohtla- Järve and Kiviõli uses higher quality enriched oilshale. Approximately 50% of the total oil shale oil production is exported and the rest is consumed domestically. In addition to oil shale oil the oil industry in Kohtla-Järve and Kiviõli uses some oilshale to produce coke for export. The rest of the oilshale is used in the chemical industry and as a raw material in cement production.2

Oilshale chemicals
Referring to Estonia's long-term experience in the use of shale oil as a fuel oil it should be noted that despite the fact that shale oil as a raw material is not a product-equivalent of crude oil, its qualities are equal to oil products. However, due notice should be given to the range and nature of different products as well as different markets in which they have

been established. While giving full regard to the energetic value of shale oil, it must be noted that the highest value-added activities of Estonian shale chemicals industry are based on the extraction of phenolic components from shale oil and their subsequent processing.

Shale oil is also a source for chemicals, which are the raw material for different industrial products - resins, adhesives, wood preservatives and fine chemicals. The nature of these chemicals - valuable properties for numerous different applications, low toxicity, existence in plants and biodegradability identify them as raw materials replacing currently synthetically produced toxic and carcinogenic chemicals.

The estimated maximum total volume of phenolic fractions possibly available from Estonian shale chemicals industry with current technology is approximately 8 000 tons/year resulting in ca 12 000 tons/year volume of final products, e.g up to 10 different modifications of phenol-ketone-formaldehyde resins, mixtures of phenol-formaldehyde and epoxy raisins, novolacs, etc. However, to reach these levels of production substantial investments are needed which the industry is not able to provide in the coming years.

Another product, oil shale retorting gas is a fuel gas with nitrogen content up to 64-70%. As such, its placing on the market is not economical. However, according to Estonian estimations notification is needed in the meaning of directive 92/32/EEC as the gas is utilised as a fuel in a neighbouring combined heat and power plant.

Distillation of raw shale oil yields both light and heavy fractions. Light fractions are placed on the market as a boiler fuel (used currently in several central heating boilerhouses in Estonia) while the heavy fractions are used for producing shale oil coke and pitches as well as shale oil bitumens (it is not possible with current technology to avoid the generation of coke as a by-product of producing shale oil fuel oil).

The total number of potential shale chemicals producing companies are tackling, exceeds 30. The short-list of 14 chemicals enables the survival of the producing companies of Estonia. The position of the Government of Estonia is that the growth potential of shale chemistry is significant and supporting of the notification of shale chemicals is not only the question of survival of producing companies and securing workplaces in high unemployment region of Ida-Virumaa, but these 14 chemicals represent a group of new chemicals - they are considered safer and greener than synthetic analogues, and potential raw materials for life science products, electronics industries, rubber industries and wood industries.

According to Estonia, the aforementioned 14 chemicals are not included into the European Inventory of Existing Commercial Chemical Substances (EINECS), as there was no oil shale based chemical industry or consumption of respective products in the Community at the time the register was put together. Therefore, the 14 chemicals require notification before they can be placed on the EU market. For Estonia, these chemicals are known for almost 70 years, and most of them were also produced in Estonia within the period from 01.12.1971 to 18.09.1981 - the period of time when the EINECS register was compiled and closed.

ELINCS (European List of Notified Chemical Substances) includes “new” chemicals, which have gained market access after the closure of EINECS register. Notifying of chemicals in ELINCS register includes the provision of information, which can be obtained by laboratory testing of the toxicity and eco-toxicity of the chemicals, which has to be conducted in laboratories, which have the GLP certificate.

3 For the list of chemicals, see Annex 4
Directive 92/32/EEC requires the results of laboratory tests to be included in the Notification Dossier. Depending on the tonnage of the substance, which will be placed on the European market per year and per manufacturer, an appropriate dossier is required. As can be noted some of the 14 above-mentioned oil shale chemicals will be produced in 2003 in annual volumes between 500 and 1,000 tons. This corresponds to relevant testing requirements of Annex VIII Level 1. The remainder of the 14 shale chemicals are produced in amounts exceeding 1,000 tons annually, which corresponds to relevant testing requirements of Annex VIII Level 2. The testing for notification altogether entails a considerable financial burden on the Estonian shale chemicals industry.

**Justification of the project**

Changes and transformation to market economy have caused unbalanced regional development in Estonia. The long-term goal of the regional policy of Estonia is to secure a stable high quality of life (safe and good living conditions, incomes, and opportunities for self-realisation) for inhabitants of all regions. The oil shale based electricity production of Estonia is tightly intertwined with economic, social and environmental problems in Ida-Virumaa, which has the second largest population in Estonia and is the most urbanised county. The number of persons employed is 12% of all employed persons and the number of unemployed 22% of all unemployed persons in Estonia. In the whole country Estonians make up 65% of the population, but in Ida-Virumaa the relevant percentage is 19% and in urban areas only 13%. The oil shale sector is the biggest and most important provider of employment in the region, but over the last couple of years the number of the employees in oil-shale mines has decreased considerably, due to industrial reorganisation in 1999-2000. The level of unemployment in the region has been the largest in Estonia throughout the whole transition period. The employment rate in Ida-Virumaa has decreased approximately by 15% (by 13 600 employees) during the last five years, mostly in the secondary sector, where the number of employees has decreased by 10 200 during the last five years. Meanwhile the employment in primary and tertiary sectors has not increased, which in turn has increased the unemployment. The lay-offs related to restructuring in Ida-Virumaa are not yet concluded. The short time period after the privatisation of the oilshale chemicals industry in Estonia and the slowdown of European economy have hindered the involved companies to start the notification of oilshale chemicals. Today, all involved companies are investing considerably to upgrade the chemicals production and implementation of technologically and environmentally best available techniques. Industry has difficulties with starting the notification of their products, as this requires several costly tests depending on substances. The need to upgrade the technological aspect of production is coupled by the necessity to fulfil relevant environmental criteria, e.g demands for the IPPC permit and the closure of existing landfills for semi-coke pursuant to directive 1999/31/EC. To meet these ends the shale chemicals industry needs to invest additionally approximately 3-5 million euros annually in the coming years after accession. Unless the 14 aforementioned oil shale chemicals (as included in the preliminary list provided by Estonia) are notified to the Estonian Competent Authority prior to the date of

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5 Restructuring plan of the Estonian oil-shale sector 2001-2006, Ministry of Economic Affairs, 2001
6 National Development Plan-Single Programming Document 2003-2006, Draft as of 15.11.02
7 Restructuring plan of the Estonian oil-shale sector 2001-2006, Ministry of Economic Affairs, 2001
accession in 2004, these highest value-added chemicals products must not be placed on the market and retaining of employment and creation of new jobs in the sector becomes impossible.

The aim of the Government is to take all measures to avoid the continuous deterioration of the socio-economic situation of the oil-shale production region in Ida-Virumaa and promote the socio-economic development of the region⁹.

**The Phare 2003 project**

In relation to the preparations for accession to the European Union, Estonia must provide the information needed for the “base set” notification of 14 oil-shale chemical substances corresponding to the requirements as stipulated in Annex VII A of Directive 67/548/EEC as amended by Directive 92/32/EEC by the date of accession to the EU.

All efforts will be made to ensure that, following notification according to Annex VII A in autumn 2003, the Estonian Competent Authority will prepare the risk assessments for the 14 chemicals and develop testing programmes according to Annex VIII (Level 1 or 2) of directive 67/548/EEC as amended by directive 92/32/EEC. These testing programmes shall be well underway by the date of accession in 2004. Since information on the toxicity and biodegradability of the 14 oil shale chemicals appears to be available (see section 3.1, under heading “Oil-shale chemicals”), Annex VII A information could already be completely available before autumn 2003.

The requirements of the acquis concerning the classification of dangerous substances, as well as the possible implications for the development of the oil-shale industry and for the economic and social cohesion of the Ida-Virumaa region are taken into account while implementing the project.

The direct beneficiaries of the project are enterprises, which produce oil-shale products. These enterprises will contribute at least 25 per cent of co-financing to the project¹⁰. As many chemicals are produced by more than one enterprise, costs of testing are shared among beneficiaries.

“Base set” testing and notification to the Estonian Competent Authority in autumn 2003 with subsequent start of testing programmes according to Annex VIII, Level 1 or 2, of directive 67/548 as amended by directive 92/32/EEC, ensure market compliance, retaining of production and turnover for the industry. This supports industrial reconversion, retaining and creation of jobs in Ida-Virumaa, one of the most socio-economically vulnerable regions in unemployment of Estonia.

### 3.2 Linked activities:

<table>
<thead>
<tr>
<th>No.</th>
<th>Project year</th>
<th>Name</th>
<th>Amount (EUR)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1993</td>
<td>Restructuring and Privatisation of the Chemical Industry of the Republic of Estonia, by Arthur D Little</td>
<td>N/A</td>
<td>Finished</td>
</tr>
<tr>
<td>2.</td>
<td>1995</td>
<td>Oil shale industry</td>
<td>N/A</td>
<td>Finished</td>
</tr>
</tbody>
</table>

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⁹ In compliance with the Ida-Virumaa National Employment Programme, 2001

¹⁰ See also Chapter 5, Detailed Budget and Letters of Commitment, Annex 6
<table>
<thead>
<tr>
<th></th>
<th>Support to Estonia Concerning Chemicals Risk Management</th>
<th>316 300</th>
<th>Finished</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Support to Estonia Concerning Chemicals Risk Management</td>
<td>316 300</td>
<td>Finished</td>
</tr>
<tr>
<td>4.</td>
<td>Phare 2000 ESC Economic and human resources development project of Ida Viru ES0009-2</td>
<td>3 120 000</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>The region is supported through different measures – business support strategy, innovation and incubation support network, tourism infrastructure development, human resources etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Swedish Support to Estonia on Chemicals</td>
<td>99 130</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

### 3.3 Results

Completing the “base set” tests and the notification dossiers for 14 chemical substances by December 2003 at the latest. Provision of already available information (see section 3.1, under heading “Oil shale chemicals”) from the Estonian industry should reduce the necessary testing and allow completion before December 2003 (see Annex 4 for detailed list of chemicals).

### 3.4 Activities

Service contract:
Conducting of “base set” tests for 14 chemicals to be included in the notification dossiers and notification to the Competent Authority (April 2003- December 2003 at the latest; Total cost 1 680 000 EUR).

For the procedure of notification, please see Annex 4.

### 3.5 Lessons learned

Experience with Phare 2000 ESC projects has indicated that preparation of Tender dossiers by beneficiary is time-consuming and requires high level expertise and assistance to be a feasible precondition for successful contracting. For that purpose beneficiaries begin to prepare Tender Dossiers as early as possible and will be consulted in the process. Enterprise Estonia checks the compatibility of tender documentation to the PRAG requirements.

Good project preparation and management is the key factor for successful project implementation.

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11 For indicators, see Annex 1
Strong involvement of project beneficiary in the project preparation and implementation as well as financial contribution ensures the sustainability of the investment and could be considered as strength of the current project. Concrete measures have been taken in order to improve the co-ordination of the EU funds. Foreign Funding Division has been established in the Economic Development department in the Ministry of Economic Affairs and Communications. Phare Unit has been created in Enterprise Estonia (EE) accordingly.

4. INSTITUTIONAL FRAMEWORK

4.1 Implementation

CFCU as an Implementing Agency (IA) is responsible for contracting and payments of the project.

Ministry of Economic Affairs and Communications (MoEAC) is responsible for achievement of the project objectives and is therefore monitoring the project. The MoEAC delegates the task of management of the project to the Enterprise Estonia (EE) Phare Unit, who implements the project technically and ensures its management.

The Ministry of Economic Affairs and Communications ensures the capacity of the EE to carry out these functions. Close co-operation will be ensured throughout the project implementation with beneficiaries and the Estonian Chemicals Notification Centre.

4.2 Beneficiaries

The direct beneficiaries of the project are oilshale enterprises:

1. **Carboshale AS** (www.carboshale.ee), a private enterprise established in 1999. Carboshale is active in fine and specialty chemicals R&D and production, shale chemicals covering most of the sales. Main products are pure alkylresorcinols, their derivatives, epoxy resin, rubber resin, carboxylic acids. The company is owned by 50% Renek Kemia AS; 50% Deas AS, it employs 20 people and the share capital amounts to 76694 EUR. The person responsible for the project is **Mr Eke Roo**.

2. **Kiviõili Keemiatööstuse OÜ** (www.keemiaoostus.ee), a private enterprise established in 1999, it employs 540 people. Kiviõili Keemiatööstuse OÜ invests to the development of modification of the tyres and to the improvement of the quality of the naphtha. The members of the Board are Raivo Tamm, Toomas Tamm, Aleksander Saar, Tiit Vanamölder, Rommi Rodrik. The annual budget is 31 23 000 EUR. The person responsible for the project is **Mr Victor Tomson**.

3. **Narva Elektrijaamad AS** (www.powerplant.ee) The Members of the Council are: Mr Gunnar Okk, Mr Sandor Liive, Mr Mati Jostov and Mr Andres Lipstok.

AS Narva Elektrijaamad Management Board consists of 12 members: Lembit Vali - Board Member, Ants Pauls - General Director, Rein Talumaa - Production Director, Vladimir Olisov - Technical Director, Mati Uus - Development Director, Igor

12 For Letters of Commitment, see Annex 6
The Oil Factory became operational in June 1980 and it is a structural unit of AS Narva Elektrijaamad. Oil Factory is one of the largest Narva’s employers hiring 102 workers. Oil Factory has a high level professional staff having valuable technical skills. The main product per year – is 105 000 t. different fractions of shale oil, 30 mln.m3 retorting gas (caloric gas, Q = 35,5 MJ/kg) and 6 000 t. shale oil bitumens (mixture of high-molecular hydrocarbons produced by heating oxidant shale oil with molecular mass 200-250) raw material is low calorific value oil shale. The process takes place in two UTT-3000 installations with no analogues in the world. Applied solid heat-transfer method allows to process liquid and solid organic wastes and rubber crumb to oil. From different shale oil fractions Oil Factory produces low sulphur – liquid fuel according to Estonian standard ??10579981 NJ ST 6:2001. The major part of this product is used in boiler houses all around Estonia, Latvia and Lithuania. Oil Factory has a accredited (EVS-EN ISO/EC 17025:2000) chemical laboratory, able to control the quality during the production and during the loading to consumers. Railway and tracks are used for shipment. Stocktaking for shipped production is carried out with commercial electronic truck and railway scales. The person responsible for the project is Mr. Nikolai Golubev.

4. AS Viru Keemia Grupp (VKG – www.vkg.ee) is the largest chemical industry enterprise in Estonia. VKG is private owned holding type corporation where VKG holds 100% of shares of ten subsidiary companies. The Management Board of the concern consists of 6 members: Chairman of the Board - Janek Parkman, Priit Rohumaa - Finance Director, Rein Rahe - Technical Director, Margus Kottise - Administration Director, Jaanus Purga - R&D Manager, Nikolai Petrovitsh – manager of largest subsidiary - Viru Õlitööstus AS. Total revenue 2001 was 48 000 000 EUR. VKG and its subsidiaries are employing total of 1100 qualified workers, who have a wealth of experience in oil shale related industrial chemistry areas. VKG has 3 divisions – production, services and infrastructure.

The primary activity of the production division is processing of the Middle Ordovician oil shale from Baltic oil shale Basin - started already in 1924 with the operation of the first retort in same location where company operates today. Nowadays VKG is the leading producer of shale oil and other related chemicals worldwide with processing up to 1.4 million tons of oil shale annually. Main products form shale oil industry are fuel oil, bunkering oil, shale gas, shale coke, road bitumen, shale phenols, fine chemicals. Another production subsidiary - Viru Liimid AS - operates facilities of industrial resins and adhesives production.

Services department includes transportation services (VKG operates Estonian second largest rail tank car division), process control and automation, equipment maintenance etc. Infrastructure division offers water supply and wastewater treatment services for community and industry. The person responsible for the project is Mr. Jaanus Purga.

4.3 The beneficiaries of the project results

The owners of the results of the project will be oilshale chemicals producing enterprises: 1. Carboshale AS.
2. Kiviõli Keemiatööstuse AS  
3. Narva Elektrijaamad AS  
4. Viru Keemia Grupp AS  

5. DETAILED BUDGET (EUR)

<table>
<thead>
<tr>
<th>Phare Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical assistance: Conducting of “base set” tests (service contract)</td>
<td>1 000 000</td>
<td>680 000</td>
<td></td>
<td>1 680 000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 000 000</td>
<td>680 000</td>
<td></td>
<td>1 680 000</td>
<td></td>
</tr>
</tbody>
</table>

Implementation of the project entails joint co-financing for service contract, whereby at least 25% of project financing is covered from national resources. Co-financing is shared between the Ministry of Economic Affairs and Communications in the amount of 260 000 EUR and private commitments at least 25% of the total project costs in the amount of 420 000 EUR respectively. The amount of private co-financing respects the level of contribution required for compliance with the state aid regulations (see also 11.6). The letters of commitment of the direct beneficiaries have been added (Annex 6) to the fiche.

The cost of the compilation of the dossiers for notification will be wholly covered by the enterprises. Any additional costs related to testing and preparing of the dossiers will also be covered by the enterprises.

Additional funding from the state budget in 2003 is provided in addition to the foreseen budget to cover costs related to project management. The total cost of “base set” tests is indicative and may vary between 10-20% per chemical. The testing of the 14 critical shale chemicals according to the requirements of Annex VII A are estimated to cost between 75 000 and 170 000 EUR each. These calculations are based on CEFIC\textsuperscript{13} recommendations and take into consideration the IPTC/CEBETOX report\textsuperscript{14}.

a) The estimated costs are based on the CEFIC recommendations and information on New Chemical Notification and on Price lists of specialised companies in EU offering full notification services.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tests for Physico-Chemical properties</td>
<td>Approx 12 000</td>
</tr>
<tr>
<td>2. Toxicity and mutagenicity tests</td>
<td>Approx 109 000</td>
</tr>
<tr>
<td>3. Ecotoxicity</td>
<td>Approx 29 000</td>
</tr>
</tbody>
</table>

\textsuperscript{13} The European Chemical Industry Council  
\textsuperscript{14} Comparison of Regulatory Requirements for the Notification of New Chemical Substances in the European Union, the USA and Japan. Edited by L. Bontoux IPTS, by B. Neven and R. Schubert CEBETOX. Report carried out under the IPTS-DGIII framework project “Impact of EU Regulation on Innovation of European Industry.” Brussels, EUR 18119 EN, Seville, August 1998
4. Analytical work  
5. Compilation of Notification Dossier 6 500
6. Risk Assessment 2 500

| **Total** | Max 170 000 EUR per chemical |

b) On the basis of information included in the IPTC/CEBETOX report, the testing of one substance according to the requirements of Annex VII A is between 75 000-85 000 EUR.

c) The calculations of the project budget are based on the cost of 120 000 EUR per chemical, if all tests of Annex VIIA have to be carried out.
The Phare contribution of 1 MEUR included in the budget table is to be considered as a maximum.
The final budget of the project will be determined before the start of the project on the basis of results of the expertise financed by the Phare project 2002-000-266.01.01 (PPMTF), taking in particular into consideration:
- the number of substances to be considered as “new” in the meaning of Directive 67/548/EEC as amended by Directive 92/32/EEC.
- the necessary data after evaluation of the technical information already available in Estonia.
The current ratio between the Phare and the national amount will be applied to the final contract price.

The amounts for co-financing indicated in the table correspond to cash co-financing. The co-financing expenses will be monitored by the beneficiaries and the NAO. For the earmarked co-finance, a clear and verifiable set of costs will be provided. The beneficiary will define which budget lines are the source for co-finance. Flow and stock data on co-finance will be submitted quarterly for steering committees, twice a year to the Sector Monitoring Working Group. The beneficiaries together with the NAO commit to sound financial management and financial control.

Any additional costs necessary for the realisation of the project will be covered from national resources.

6. Implementation Arrangements
The Implementing Agency is the CFCU; it will be responsible for implementing the project according to PRAG provisions, under international restricted tender procedure with “suspension clause”, contracting and payments. According to implementation contract between Ministry of Finance, Ministry of Economic Affairs and Communications and Enterprise Estonia, the preparatory, advisory and supervisory services are ensured by Ministry of Economic Affairs and Communications together with Enterprise Estonia.

6.1.1 PAO/Central Financing and Contracting Unit
The PAO shall be responsible for the operations of the Implementing Agency (CFCU) and in particular for the sound, administrative, financial and technical management of the project to be implemented by IA, including respect of contracting procedures and monitoring of project implementation.
Responsibilities of PAO/CFCU:

Approval of the Tender Dossier and submission to the ECD for final approval
Approval of the evaluation committee and submission of the list of Evaluation committee members to the ECD for final approval;
Participation on the evaluation procedures as an observer;
Approval of the evaluation report and submission to the ECD for final approval;
Preparation of the contract with the service provider
Control and approval of requests for payments
Payments to the service provider

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6.1.2 The Ministry of Economic Affairs and Communications / Programme Officer (PO)
The Ministry of Economic Affairs is responsible for technical implementation, monitoring and steering of the project, maintaining regular contacts with PAO/CFCU and providing technical support for Steering Committee. The Ministry is directly responsible for achieving the project purpose and contributing to the achievement of overall objectives.
The MoEA has set up the Steering Committee (SC) with PO as a chairman. The Committee is an inter-institutional body that is composed of the representatives of ECD, Ministry of Finance, Ministry of Economic Affairs and Communications, Ministry of Environment, Ministry of Social Affairs, Enterprise Estonia and representatives of beneficiaries. The Steering Committee reviews, comments on and approves the reports and work plans of the project, discuss and authorise changes in project implementation plan and resource allocation.
The link between the MoEAC and the EE is ensured through the Economic Development Department of the MoEAC, which works directly under the guidance of PO. The PO is responsible for monitoring the progress and planning of projects by EE and is accountable to the PAO and ECD.
In February 2002 the ESC Sectoral Monitoring Working Group was founded according to the decision of the Phare Joint Monitoring Committee. Each ministry responsible for implementation of ESC projects has a Secretary for monitoring of ESC Program in the Ministry concerned.
Twice a year the Secretary of ESC Sectoral Monitoring Working Group in the Ministry of Economic Affairs compiles a Monitoring Report. The Ministry of Economic Affairs (MoEA) submits the Report of ESC Programme under the MoEAC to the Ministry of Finance. Monitoring Reports on Economic and Social Cohesion will be discussed in ESC
sectoral monitoring working group chaired by the Ministry of Finance and will be presented to the Economic and Social Cohesion Monitoring Sub-Committee chaired by the EC Delegation. On yearly basis the Economic and Social Cohesion Monitoring Sub-Committee conducts the overall monitoring report and presents it to the Joint Monitoring Committee.

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**Economic Development Department:** Mr Eero Pärgmäe  
**Title:** Head of Foreign Funding Division  
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**E-mail:** eero.pargmae@mkm.ee

### 6.1.3 Technical Implementation Unit (Enterprise Estonia)

According to the contract between MoEAC, MoF and Enterprise Estonia, the Technical Implementation Unit of the project is Enterprise Estonia (EE).

In March 2002 a specialised Phare Unit was established in EE with the objective to provide technical support to CFCU in implementing the Economic and Social Cohesion (ESC) projects. By the beginning October 2002 there were 5+1 employees working in the Unit: Ms Kerstin Liiva – head of the unit, Ms Kadi Reintam – procurement specialist, Mr Alo Kaur – project manager (ES0009.02 and ES0009.03), MsKrista Kampus – project manager (ES01.07.01 TGS under sub-project 2), Ms Ghita Pook – project manager (ESC01.07.01 except TGS under sub-project 2) and Ms Monika Orek – assistant.

**Responsibilities of Enterprise Estonia/ PO:**  
Submitting the composition of the tender Evaluation Committee to the PAO for approval;  
Organising the tender Evaluation Committee meetings;  
Examination of the Evaluation Reports and submitting to the PAO for approval;  
Conducting the general control of the implementation of the project, approval of project reports;  
Submitting request of payments of the contractor to PAO for approval;  
Regular reporting to PO and Steering Committee in co-operation with the contractor.  
Providing technical assistance to project beneficiaries by providing project management and co-ordination facilities  
Hiring of a project manager by February 2003 with the task of:  
Ensuring the implementation of the current project.  
Regular quarterly reporting to EE/PO (progress and financial report);Submitting invoices to EE/PO for approval

Working in a close co-operation with:  
**Estonian Chemicals Notification Centre**  
Mrs Enda Veskimäe, Senior Specialist
Technical assistance on behalf of the MEAC and overall responsibility for project management: Ms. Kerstin Liiva
Title: Head of Phare Unit
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
E-mail: kerstin.liiva@eas.ee

Procurement Specialist: Ms Kadi Reintam
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
E-mail: kadi.reintam@eas.ee

6.1.4 Beneficiaries:

Responsibilities of the Beneficiary in the project include:
Implementation of the project according to the project with substantial know-how;
Assisting experts and project manager in gathering of relevant information for preparation of the TD (especially the terms of reference)
Assuring co-financing and covering of all additional costs necessary for successful implementation of the project;
Following the guidelines for publicity.

1. The representative of the beneficiary is: Mr. Eke Roo
Title: Managing Director, Chairman of the Board
Institution: Carboshale AS
Address: 23A Akadeemia st, 12618 Tallinn, Estonia
Tel: +372 6703645
Fax: +372 6560159
Email: eke@rnk.ee

2. The representative of the beneficiary is: Mr. Victor Tomson
Title: Environmental Specialist
Institution: Kiviõli Keemiatööstuse AS
Address: Turu 3, 43125 Kiviõli, Estonia
Tel: +372 55533402
Fax: +372 3374022
E-mail: tiit@keemiatoostus.ee

3. The representative of the beneficiary is: Mr. Nikolai Golubev
Title: Oil Factory manager, Member of AS Narva Elektrijaamad Management
Institution: Narva Elektrijaamad AS
Address: Pk. 28, 21001 Narva, Estonia
Tel: +372 7167288
4. The representative of the beneficiary is: Mr. Jaanus Purga  
Title: Research and Development Manager  
Institution: Viru Keemia Grupp AS  
Address: Järveküla tee 14, 30328 Kohtla-Järve, Estonia  
Tel: +372 33 24200  
Fax: +372 33 75044  
E-mail: jaanus@vkg.ee

Extended Decentralised Implementation System (EDIS)  
Under EDIS the functions and tasks of all relevant bodies involved remain similar to the DIS procedures described above. The primary difference will be in that the ex-ante control will not be carried out by the ECD but by the Foreign Financing Department of the Ministry of Finance, the CFCU. The division of tasks between CFCU and ECD may thereby by revised accordingly after CFCU has received the accreditation. All specific provisions for the implementation and control mechanisms will be ensured by the Ministry of Finance and elaborated by the summer of 2003.

6.4 Twinning  
N/A

6.5 Non-standard aspects  
The project will be implemented in accordance with PRAG rules. In order to ensure the timely completion of the project (“base set” testing, completion of the notification dossier and notification to the Competent Authority by December 2003) and start of level 1-2 notification prior to accession. Procurement will be carried out with the international restricted tender procedure with “suspension clause”. The Implementing Agency is the CFCU, it will be responsible for tendering procedure, contracting and payments.

6.6 Contracts  
Service contract - 1 680 000 EUR (1 000 000 EUR Phare and 680 000 EUR co-financing).

7. IMPLEMENTATION SCHEDULE  
7.1 Start of contracting: April 2003  
7.2 Start of project activity: May 2003  
7.3 Project Completion: December 2003 at the latest

8. EQUAL OPPORTUNITY  
Equal opportunities for women, men and minorities will be ensured by the PAO during the implementation of the project.  
The Estonian laws and regulations concerning the equal opportunities for women, men and minorities will strictly be followed.
During the implementation the project there will be no discrimination on the grounds of race, sex, sexual orientation, mother tongue, religion, political opinion, national or social origin and birth. Equal opportunities for women, men and minorities will be ensured by the Steering Committee during the implementation of the project. Equal opportunity for men and women to participate in the project will be measured by recording the experts and consultants employed.

9. Environment
N/A

10. Rates of return

Notification on these chemicals allows enterprises to market their products in the EU after accession. Better market compliance and enhanced safety ensures increase in turnover for the industry. This supports industrial reconversion and retaining of jobs in Ida-Virumaa, one of the most vulnerable regions in terms of unemployment of Estonia. The rate of return of project investment after gaining market access to the EU from the production marketed, exceeds 5% on yearly basis.

11. Investment Criteria

11.1 Catalytic effect:

Technical assistance for conducting of “base set” testing allows to complete testing on 14 oil shale chemicals products by December 2003 at the latest. This will allow to prepare the notification dossiers and to notify the chemicals to the Estonian Competent Authority who will have to evaluate the dossiers, prepare risk assessments and subsequently develop testing programmes according to Annex VIII (Level 1 or 2) of directive 67/548/EEC as amended by directive 92/32/EEC. These testing programmes will then be well underway by the date of accession in 2004. This approach would provide compliance with the acquis. Notifying on these oilshale products will ensure continuation and improvement of production and retaining and creation of employment in Ida-Virumaa.

11.2 Co-financing:

At least 25% of project financing (680 000 EUR) is covered from national resources. The Ministry of Economic Affairs and Communications provides 260 000 EUR and the direct beneficiaries at least 25% of project cost, 420 000 EUR respectively to the project.

11.3 Additionality:

The Phare investment will be wholly additional and does not replace any national or other source of funding. If public support arises, the interest of financiers from industry in general and the private sector in particular is expected to rise accordingly. Given the need to upgrade the technological aspect of oilshale production, the shale chemicals industry needs to invest additionally approximately 3-5 million euros annually in the coming years after accession.

11.4 Project readiness and Size:

All necessary documentation and Tender Dossier will be completed by the beneficiaries with the assistance of expertise and Enterprise Estonia, Phare Unit by April 2003.
The total of all Phare financed investment components of the project is **1 000 000 EUR**.

11.5 **Sustainability**:  
The investment will be sustainable after completion of the project, the involvement of project beneficiaries from the outset of the project and throughout its implementation guarantee this.  
The investment ensures better market compliance, enhanced safety and improving of the socio-economic development of Ida-Virumaa region.

11.6 **Compliance with state aids provisions**:  
State aid is regulated by Estonian Competition Law, which is harmonised and in compliance with European Union regulations. All state aid provisions deriving from the Estonian Competition Law will strictly be followed during the implementation of the project.  
Regional aid may exceptionally be granted as justified in terms of its contribution to regional development, its nature and its level is proportional to the handicaps it seeks to alleviate. Aid to Carboshale AS, Kiviõli Keemiatööstuse AS, Narva Elektrijaamad AS and Viru Keemia Grupp AS is limited to current project in amount and duration.

The project contributes to achieving the objectives stipulated in the following parts of the SPD. Priority 1: Human Resource Development; Measure 2: Human resources development for increasing competitiveness of economy in SME and Research and Development sectors (ESF) and Priority 2: Competitiveness of Enterprises; Measure 6: Business development (ERDF)

12. **CONDITIONALITY AND SEQUENCING**

12.1 **Conditionality**:  
Hiring a project manager by Enterprise Estonia by February 2003.  
Determination of the final budget of the project before the start of the project on the basis of results of the expertise financed by the Phare project 2002-000-266.01.01 (PPMTF), taking in particular into consideration the number of substances to be considered as “new” in the meaning of Directive 67/548/EEC as amended by Directive 92/32/EEC and the necessary data after evaluation of the technical information already available in Estonia.

Compilation of the Tender Dossier by beneficiaries and Enterprise Estonia with the assistance of experts for conducting of “base set” tests of 14 chemicals in compliance with the requirements of the Directive 92/32/EEC by April 2003.


16 Draft version of the document as of 15.11.2002: www.fin.ee
Requesting and receiving of authorisation for provision of state aid from the Ministry of Finance by May 2003.

12.2 Sequencing:
Before the start of the project:
- Contracting of expertise by the beginning of February 2003 for carrying out the following tasks: compiling terms of reference, which constitute the content and primary part of the Tender Dossier, final selection of chemicals for notification, evaluation of the technical information available in Estonia regarding the notification of the 14 shale oil chemicals, compiling of market analysis for potential suppliers of services for the project, evaluation of the costs of testing the shale oil chemicals, establishing of a timeframe for the full notification process, advising in preparation of selection criteria for the short list and tender evaluation and short training for personnel of the Estonian Chemicals Notification Centre.
- Hiring a project manager by Enterprise Estonia by February 2003.
- Compiling of Tender Dossier for 14 chemicals by the project beneficiaries and Enterprise Estonia with the assistance of experts by April 2003.

Starting with contracting of the project in April 2003.
Starting of project activity in May 2003.

The “base set” testing including all steps described in Ch 3.1 and Annex 4, compiling and presenting the Notification Dossier to the Competent Authority in autumn 2003 (by December 2003 at the latest).

After completion of the project
Evaluation of the information presented in the Notification Dossier, prepared according to the requirements for a “base set” notification (relating to Annex VII A of Directive 67/548/EEC as amended by Directive 92/32/EEC), by the Estonian Competent Authority (which is the Chemicals Notification Centre) in accordance with the Directive. The evaluation of the notification dossiers includes preparation of the risk assessments of each of the 14 chemicals according Directive 93/67/EEC and should be completed at the end of January 2004 at the latest. The Estonian CA should concurrently develop testing programmes for each of the 14 substances according to Annex VIII (Level 1 or 2, as appropriate). Testing programmes, accompanied by notification dossiers and risk assessments, will be submitted to the “mutual recognition procedure” according to Article 18 of Directive 67/548/EEC. Once the testing programmes under the “mutual recognition procedure” are agreed, the Estonian CA will undertake the necessary so that the notifiers of the 14 chemicals immediately start the Annex VIII testing programmes. Thus, these testing programmes should be well underway by the date of accession on 1 May 2004.

13. ANNEXES TO PROJECT FICHE
ANNEX 1 - Logical framework matrix
ANNEX 2 - Time implementation chart
ANNEX 3 - Contracting and disbursement schedule
ANNEX 4 - Overall description of the project
ANNEX 5 - Structure of Enterprise Estonia
ANNEX 6- Letters of Commitment from project beneficiaries
## PROGRAMME NAME AND NUMBER: PHARE ESC 2003

### LOG-FRAME PLANNING MATRIX FOR:
**Testing and notification of shale oil chemicals produced from oil shale**

<table>
<thead>
<tr>
<th>Contracting period expires:</th>
<th>Disbursement period expires:</th>
</tr>
</thead>
<tbody>
<tr>
<td>30. April 2005</td>
<td>30 April 2006</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total budget</strong></th>
<th><strong>Phare budget EUR</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 680 000 EUR</td>
<td>1 000 000</td>
</tr>
</tbody>
</table>

### OVERALL OBJECTIVE

**Objective**

Balanced regional development of Estonia by enhanced competitiveness of oil shale industry.

**Indicators**

Securing sustainable development of the oil shale industry sector and retaining the employment level of approximately 6000 employees during 2003-2004; Average creation of new jobs in the sector is expected to be 160-180 during 2005-2010; Average annual increase in turnover in the sector from 72 MEUR in 2002 to at least 122 MEUR in 2010.

**Sources of Verification**

Regular Reports of Estonia issued by EC
Ex ante, ex nunc and ex post evaluation by Estonian Ministries and EC Delegation
Regular reports of Estonian ministries to Phare Monitoring Committee
Regular statistics of Estonian CSO and Eurostat

### PROJECT PURPOSE

**Objective**

Compliance of 14 chemical substances with the requirements for “new” substances according to Annex VII A of Directive 67/548/EEC as amended by Directive 92/32/EEC by autumn 2003. This would allow to have testing “base set” tests and notification dossiers completed by December 2003. Competent Authority has approved the “base set” notification of the 14 chemicals.

**Sources of Verification**

Information from Competent Authority
Regular project reports issued by EE and presented to SC
Ex ante, ex nunc and ex post evaluation by Estonian Ministries and EC Delegation

**Assumptions**

Hiring a project manager in Enterprise Estonia by February 2003.
Fruitful inter-ministerial co-operation and co-operation with beneficiaries.
programmes according to Annex VIII of the Directive well underway by the date of accession in 2004 and would provide compliance with the *acquis*.

developed testing programmes according to Annex VIII (Level 1 or 2) of Directive 67/548/EEC as amended by Directive 92/32/EEC so that these testing programmes are well underway by the date of accession in 2004.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completing the “base set” tests and the notification dossiers for 14 chemical substances by December 2003 at the latest. Provision of already available information (see section 3.1, under heading “Oilshale chemicals”) from the Estonian industry should reduce the necessary testing and allow completion before December 2003 (see Annex 4 for detailed list of chemicals).</td>
<td>Tests completed for 14 chemicals in autumn 2003 (by December 2003 at the latest). Notification Dossiers presented to the Estonian CA by December 2003 at the latest.</td>
<td>Regular reports issued by project managers and presented to EE Monitoring reports issued by the MoEAC and presented to ESC Monitoring Sub-committee Ex ante, ex itinere and ex post evaluation by the MoEAC and EC Delegation</td>
<td>Fruitful inter-ministerial co-operation and co-operation with beneficiaries. Sufficient private co-financing available (See also Annex 6). Close co-operation with the Estonian Chemicals Notification Centre throughout the project implementation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Cost (EUR)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completing “base set” tests for 14 chemicals to be included in the notification dossiers Completion of the notification dossiers and notification to Competent Authority. (April 2003- December 2003 at the latest; Total cost 1 680 000 EUR).</td>
<td>Technical assistance for “base set” testing (service contract)</td>
<td>Phare 1 000 000 National 680 000</td>
<td>Strong commitment of beneficiaries for project activities and sufficient co-financing to ensure results.</td>
</tr>
</tbody>
</table>

| Preconditions |
ANNEX 2. TIME IMPLEMENTATION CHART
Project N°: ES
Project Title: “Testing and notification of shale oil chemicals produced from oil shale”

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td>J</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Technical assistance (service contract)</td>
<td>TT/CI</td>
<td>II</td>
<td>II</td>
</tr>
</tbody>
</table>

ANNEX 3. CONTRACTING AND DISBURSEMENT SCHEDULE

Project N°: ES
Project Title: Testing and notification of shale oil chemicals produced from oil shale (Phare only)

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Technical assistance (MEUR)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

CUMULATIVE DISBURSEMENT SCHEDULE (Phare only)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Technical assistance (MEUR)</td>
<td>0.6</td>
<td>1.0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>0.6</td>
<td>1.0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
ANNEX 4

Overall description of the project: Testing and notification of shale oil chemicals produced from oil shale

In relation to the preparations for accession to the European Union, Estonia must complete the tests needed for the “base set” notification of 14 oilshale chemical products corresponding to the requirements as stipulated in Annex VII A of Directive 67/548/EEC as amended by Directive 92/32/EEC by autumn 2003 (December 2003 at the latest). The Estonian Competent Authority shall then evaluate the dossiers, prepare the risk assessments and develop testing programmes according to Annex VIII (Level 1 or 2), so that Annex VIII testing is well underway by the date of accession (1 May 2004). This would provide compliance with the acquis at the date of accession to the EU.

The Phare 2003 project encompasses conducting of “base set” tests for 14 oilshale chemicals to complete the notification of the Competent Authority on these chemicals by autumn 2003 (December 2003 at the latest).

The list of 14 Shale Oil Chemicals not listed in EINECS according to the Estonian Competent Authority is the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Product</th>
<th>Composition</th>
<th>Production level Estimated for 2003 (t)</th>
<th>Market value of production according to the prices of 2002 (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total shale oil phenols</td>
<td>Mixture of water soluble phenolic compounds produced by extraction from phenolic waters</td>
<td>7 300</td>
<td>7 600 000</td>
</tr>
<tr>
<td>2.</td>
<td>Cresolics</td>
<td>Fraction 180-270°C produced by destillation of total phenols</td>
<td>900</td>
<td>450 000</td>
</tr>
<tr>
<td>3.</td>
<td>Honeyol</td>
<td>Fraction 270-320°C produced by distillation of total phenols</td>
<td>1 800</td>
<td>3 600 000</td>
</tr>
<tr>
<td>4.</td>
<td>Resold</td>
<td>Fraction &gt;270°C produced by distillation of total phenols</td>
<td>2 100</td>
<td>3 400 000</td>
</tr>
<tr>
<td>5.</td>
<td>Shale oil coke for carbon electrodes</td>
<td>Solid matter produced by heating shale oil bottoms. Consists mainly carbon, also small amount of hydrogen, sulphur and ash</td>
<td>27 000</td>
<td>3 300 000</td>
</tr>
<tr>
<td>6.</td>
<td>Oil shale retorting gas</td>
<td>Low-caloric gas. Mixture of combustible (hydrogen, methane, ethane, carbon monoxide) and nonburning (nitrogen, carbon</td>
<td>959 800</td>
<td>8 359 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Shale oil bitumens</td>
<td>Mixtures of high-molecular hydrocarbons produced from shale oil distillation bottoms</td>
<td>19 000</td>
<td>3 707 000</td>
</tr>
<tr>
<td>8.</td>
<td>Shale oil pitches</td>
<td>Mixtures of high-molecular hydrocarbons produced by heating shale oil distillation bottoms</td>
<td>1 100</td>
<td>450 000</td>
</tr>
<tr>
<td>9.</td>
<td>EPOX resins</td>
<td>Products of condensation of shale oil phenols and epichlorohydrin</td>
<td>800</td>
<td>4 000 000</td>
</tr>
<tr>
<td>10.</td>
<td>DFK resins</td>
<td>Products of condensation of shale oil alkylresorcinols, aldehydes and/or ketons</td>
<td>1 500</td>
<td>1 200 000</td>
</tr>
<tr>
<td>11.</td>
<td>SF resins</td>
<td>Modified resorcinol formaldehyde resins</td>
<td>1 300</td>
<td>2 979 000</td>
</tr>
<tr>
<td>12.</td>
<td>PBM resin</td>
<td>Alkylresorcinol-formaldehyde resin, condensation product of Fraction 270-320°C and formaldehyde</td>
<td>500</td>
<td>1 250 000</td>
</tr>
<tr>
<td>13.</td>
<td>Epoxy resin DGEAR-1</td>
<td>Mix of Alkylresorcinol diglycidyl ethers</td>
<td>500</td>
<td>1 250 000</td>
</tr>
<tr>
<td>14.</td>
<td>Epoxy resin DGEAR-2</td>
<td>Mix of Alkylresorcinol diglycidyl ethers</td>
<td>500</td>
<td>1 000 000</td>
</tr>
</tbody>
</table>

The complete procedure of “base set” testing and notification is as follows:
1. Theoretical work to compile preliminary number of needed tests according to the known information about the chemical - Preliminary Testing Plan and Preliminary Offer.
2. Theoretical work to establish appropriate analytical methods for the chemical
3. Performing few Physico-Chemical tests
4. Corrections in testing plan
5. Performing the rest of the Physico-Chemical tests
6. Corrections in test plan, further work-out of the analytical methods
7. Corrections in Preliminary offer, if needed
8. Performing ecotoxicological and toxicological tests
9. Corrections in test plan if needed
10. Further performing of the eco and tox tests
11. Corrections if needed
12. Finalisation of the tests.
13. Compilation of the Notification Dossier and the needed floppy disk (Structured Notification Interchange Format) inclusive submission to the competent authorities

The project partners are oilshale chemicals producing enterprises of Estonia:
1. Carboshale AS.
2. Kiviõli Keemiatööstuse AS
3. Narva Elektrijaamad AS
4. Viru Keemia Grupp AS

These enterprises will contribute at least 25 per cent of co-financing to the project\(^{17}\). State aid is regulated by Estonian Competition Law, which is harmonised and in compliance with European Union regulations\(^{18}\). All state aid provisions deriving from the Estonian Competition Law will strictly be followed during the implementation of the project. Regional aid may exceptionally be granted as justified in terms of its contribution to regional development, its nature and its level is proportional to the handicaps it seeks to alleviate. Aid is limited to current project in amount and duration.

\(^{17}\) See also Chapter 5, Detailed Budget and Letters of Commitment, Annex 6
“Base set” testing and notification to Competent Authority ensures enhanced market compliance and increase in turnover for the industry. This supports industrial reconversion, retaining and creation of jobs in Ida-Virumaa, one of the most socio-economically vulnerable regions in unemployment of Estonia.
ANNEX 6
Letters of Commitment from project beneficiaries.

1. Carboshale AS

Ministry of Finance
Suur-Ameerika 1, Tallinn 15006
Mr. Renaldo Mändmets
Deputy Secretary General

Letter of Commitment

I hereby endorse the commitment to participate in and co-finance the project "Testing and notification of shale oil and other chemicals produced from oil shale" submitted to Phare 2003 programme. The co-financing of the project is at least 25% of the total project cost and will be divided between the direct beneficiaries of the project.

Eke Roo
Managing Director
Member of the Board
Carboshale AS
LETTER OF COMMITMENT

I hereby endorse the commitment of Kiviõli Keemiatööstuse OÜ to participate in and co-finance the project "Testing and notification of shale oil and other chemicals produced from oil shale" submitted to Phare 2003 programme. The co-financing of the project is at least 25% of the total project cost and will be divided between the direct beneficiaries of the project.

Best regards,

Tiit Vanamölder
Manager of Marketing Department
Kiviõli Keemiatööstuse OÜ
3. Narva Elektrijaamad AS

Mr. Renaldo Mändmets  
Deputy Secretary General  
Ministry of Finance  
Suur-Ameerika 1,  
Tallinn 15006,  
Estonia  
Fax 06 313 660

18.12.2002 NJ-

Letter of Commitment

I hereby confirm the commitment of Narva Elektrijaamad AS to participate in and co-finance the project “Testing and notification of shale oil and other chemicals produced from oil shale” submitted to Phare 2003 programme. The co-financing of the project will be at least 25% of project total cost and may be divided between the direct beneficiaries of the project.

Ants Pauls  
General manager

Nikolai Golubev  
+ 372 71 67 288
4. Viru Keemia Grupp AS

Mr. Renaldo Mändmets
Deputy Secretary General
Ministry of Finance
Suur-Ameerika 1
Tallinn 15006

SUBJECT: OIL SHALE CHEMICALS NOTIFICATION PROJECT

Purpose of this letter is to confirm, that Viru Keemia Grupp AS (VKG) and its subsidiaries AS Viru Õlitööstus and AS Viru Liimid are informed about requirements stated in directives 67/548/EEC and 92/32/EEC related to the notification of chemical substances and about agreements between Estonia and European Commission concerning status of oil shale chemicals in European market.

According to Agreement, Commission will provide special Phare assistance before accession for completion of notification procedures within 75% of related costs; Estonian National Fund will cover rest 25% through oil shale industry co-financing. It is estimated that testing and notification of one chemical as stipulated in Annex VII.A of directive 67/548/EEC as amended by directive 92/32/EEC will cost up to EUR 120,000.

VKG is interested to market shale chemicals in European market and has presented list of 11 chemicals to Ministry of Economy, Social Affairs and International Affairs. VKG has counted to cover up to 25% of costs associated with notification of these chemicals proportionally with other shale chemicals producers before accession.

Jaanus Purga
Member of the Board