



Extract from the report to the  
Public Accounts Committee on  
the Danish Defence's decision to  
close down and vacate the naval  
base Grønnedal

February  
2014

revision  
revision

revision

## I. Introduction and conclusion

1. In August 2011, the parties behind the Danish Defence Agreement 2010-2014 decided to close down the Greenland Command in *Grønnedal* and establish the Arctic Command in Nuuk. The decision was made on the basis of a wish to streamline the structure of Denmark's North Atlantic bases. The decision reflected strategic considerations concerning the actual and expected development in and around Greenland and the Faroe Islands. As a consequence of the decision, the Danish Defence had to vacate its military naval base Grønnedal in Greenland. The Defence started moving out of Grønnedal around 1 January 2012 and expects to have vacated the base by 2017.

2. Closing down a military base may involve environmental clean-up and demolition of buildings, etc. The costs for environmental clean-up of Grønnedal were originally estimated at DKK 33 million, corresponding to 72 per cent of the total costs involved in establishing the Arctic Command in Nuuk. In March 2013, the Defence forwarded a new estimate to the Ministry of Defence, which indicated that clean-up costs would amount to DKK 76 million, i.e. an increase of more than 100 per cent compared to the original DKK 33 million. To this amount should be added estimated costs for demolition of in total DKK 126 million.

3. This report addresses the increase in the estimated costs for the environmental clean-up related to vacating Grønnedal. The report is focused on the financial basis for the decision to move out of Grønnedal, the development in estimated costs for the clean-up of Grønnedal and the information in this respect provided by the Ministry of Defence to the parties behind the decision. The report was launched at the request of the Danish Public Accounts Committee and is based on audits of the fiscal year 2013 – performed in the autumn 2013.

### MAIN CONCLUSION

**Rigsrevisionen is of the opinion that the Ministry of Defence had not – in the material that provided the basis for the decision by the parties behind the agreement – adequately described the level of uncertainty related to the estimated costs for the environmental clean-up related to closing down the naval base in Grønnedal.**

**The Ministry of Defence agrees with Rigsrevisionen that it should have been clear that the estimate was subject to uncertainty.**

**In the basis for decision that was submitted to the parties behind the agreement in 2011, the Ministry of Defence had estimated the costs for the environmental clean-up of Grønnedal at DKK 33 million. In 2013, the Ministry of Defence estimated the costs for environmental clean-up and demolition at DKK 126 million.**

#### **Defence Agreement 2010-2014**

*Political agreement on the objectives and framework of the Danish Defence in the years 2010 to 2014 - entered between the Liberal Party, the Social Democratic Party, The Danish People's Party, the Socialist People's Party, the Conservative Party, the Social-Liberal Party and the Liberal Alliance Party.*

#### **The Greenland Command**

*This command was established in a southern part of Greenland called Grønnedal by the bottom of the Arsuk Fjord.*

#### **The Arctic Command**

*The command was established 31 October 2012 in Nuuk – with a small liaison unit on the Faroe Islands. The purpose of establishing the Arctic Command was to streamline the structure of the North Atlantic commands in Greenland and the Faroe Islands, which were merged into one joint command.*

*The main tasks of the new joint arctic command will continue to be the military defence of Greenland and the Faroe Islands, surveillance and enforcement of sovereignty, fisheries inspection, search and rescue services, military surveillance, pollution prevention and hydrographic surveys, as well as various activities to support the civilian population.*

Rigsrevisionen's examination showed that – despite the fact that the figure was known - the parties behind the agreement were not informed of the estimated additional costs of DKK 50 million for demolition of buildings in Grønnedal – should it prove impossible to sell the buildings. Moreover, the estimated costs for the environmental clean-up were based on preliminary environmental investigations and assumptions in relation to the scope of the clean-up, as the negotiations with the Self-Government of Greenland awaited a decision on vacating the base. It was therefore not clear which environmental demands the Self-Government of Greenland would make on the clean-up and to which extent the Ministry of Defence would be responsible for the clean-up. The parties behind the agreement were not informed of this uncertainty relating to the estimated costs for the environmental clean-up.

Rigsrevisionen finds that the Ministry of Defence – when preparing the basis for the decision to vacate Grønnedal – should have ensured the elaboration of an overall description and assessment of the known uncertainties and their possible financial implications.

The estimated increased costs for the clean-up and demolition will increase the break-even point for the establishment of the Arctic Commando in Nuuk by approximately two years – from 11 months to approximately two years and 10 months. Rigsrevisionen has established that significant uncertainty will be attached to the estimated costs for the clean-up and break-even point as long as a final agreement with the Self-Government of Greenland, which resolves the environmental demands and division of responsibility for the clean-up, has not been entered.

The Ministry of Defence has – on a regular basis – kept the parties behind the agreement informed of the increase in estimated costs for the environmental clean-up of Grønnedal.