Fuel Cells and Hydrogen Joint Undertaking: funding

2011/0091(NLE) - 20/04/2011 - Legislative proposal

PURPOSE: to amend Council Regulation (EC) No 521/2008 setting up the Fuel Cells and Hydrogen Joint Undertaking.

PROPOSED ACT: Council Regulation.

BACKGROUND: fuel cells and hydrogen (FCH) technologies are promising, long-term energy options that can be used in all the sectors of the economy and that offer a broad range of benefits for energy security, transport, environment and resource efficiency. They are expected to play a major role in the transition of the EU to a low-carbon society and to achieve the goal of cutting GHG emissions by over 85% by 2050.

In the transport sector, a recent study concludes that:

- fuel cell electric vehicles (FCEVs) and battery electric vehicles (BEVs) have significant potential to reduce CO2 and local emissions. Both will be viable and complementary alternatives to conventional vehicles with internal combustion engines (ICEs) by 2025, or earlier with appropriate tax exemptions and incentives;
- over the course of the next decades, costs for a hydrogen distribution and retail infrastructure will be 5% of the overall cost of FCEVs (EUR 1,000-2,000 per car) which justifies building a dedicated hydrogen infrastructure.

In order to enable the full contribution of FCH technologies continuous and stable public support and accompanying policy measures are still needed to overcome the remaining technological, economic and institutional barriers to their widespread commercialisation. The major EU competitors in this field (US, Japan, South Korea and China) continue to conduct comprehensive efforts to overcome these barriers via RTD programmes, policy measures and commercialisation exercises.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASIS: Articles 187 and 188 of the Treaty on the Functioning of the European Union.

CONTENT: the Joint Undertaking for Fuel Cells and Hydrogen (FCH JU) was established by Council Regulation (EC) No 521/2008. The three members, the Industry Grouping (IG), the Research Grouping (RG) and the European Commission share the funding of administrative and operational costs.

A requirement for the participation of industry from the outset was that industry should make a financial contribution of 50% of the running costs (shared with the Commission), and that industry's in-kind contribution to the operational costs should at least match the Commission's financial contribution.

Since its establishment the FCH JU has published three calls for proposals: the first covering EUR 28.1 million, the second EUR 73.1 million and the third EUR 89.1 million. The provision for matching contributions from industry for operational costs means that industry also has to cover contributions to the other participants (including universities, research centres, public bodies, etc.) for all types of activities (including basic research).

The result in the first two FCH JU calls for proposals is that the maximum funding levels have to be systematically evaluated and reduced for all participants. For the first two calls the matching requirement resulted in a significant reduction of reimbursement of direct costs: for large industries from 50% to 33% FCH JU contribution and for SMEs and research bodies from 75% to 50%.

The low funding rates and the financial and economic crisis, which affects the industry working with this future technology, result in the current level of participation in the actions of the FCH JU being below initial expectations. A general loss of interest by both industry and the research community can be expected if we continue along the same path. Accordingly, the proposal aims to adapt the Regulation as follows:

- contributions from public national and regional sources to the projects are encouraged and are expected in several cases. However, the current Regulation does not take it into account. The new text states that the matching of EU funds shall allow taking into account not only industry's own contribution but also that coming from the other legal entities participating in the activities;
- the running costs of the Programme Office of the Joint Undertaking should be provided by its three members. It is appropriate to provide that all members of the Joint Undertaking have the same payment schedule;
- the Commission should be given some flexibility as to the measures to take in case of insufficient matching;
- at present the funding level is determined after each evaluation of received proposals. In order to allow the beneficiaries to estimate the extent of the potential funding, a possibility to specify the minimum funding level for a call should be provided for.

BUDGETARY IMPLICATIONS: there are no financial implications compared to the budget initially adopted for this Council Regulation. The amendments suggested will improve the possibility of spending the amounts provided. The EU contribution, totalling 470 million EUR, will come from the following FP7 "Cooperation" Specific Programme budget lines: Energy; Nanosciences, Nanotechnologies, Materials and New Production Technologies; Transport (including Aeronautics); and Environment (including Climate Change) in DG RTD and Transport in DG MOVE and Energy in DG ENER.