

# 2015 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy - Fusion for Energy Joint Undertaking (F4E)

2016/2194(DEC) - 18/10/2016 - Court of Auditors: opinion, report

**PURPOSE:** presentation of the EU Court of Auditors' report on the annual accounts of Fusion for Energy Joint Undertaking for the financial year 2015, together with the Joint Undertaking's replies.

**CONTENT:** in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit focused on the annual accounts of the F4E – ITER and the Development of Fusion Energy. As a reminder, the tasks of the Joint Undertaking are:

- to provide Euratom's contribution to the ITER International Fusion Energy Organisation;
- to provide Euratom's contribution to 'Broader Approach' (complementary joint fusion research) activities with Japan for the rapid development of fusion energy;
- to prepare and coordinate a programme of activities in preparation for the construction of a demonstration fusion reactor and related facilities, including the International Fusion Materials Irradiation Facility.

**Statement of assurance:** pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the F4E, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2015;
- the legality and regularity of the transactions underlying those accounts.

**Opinion on the reliability of the accounts:** in the Court's opinion, the Joint Undertaking's annual accounts present fairly, in all material respects, its financial position as at 31 December 2015, and the results of its operations and its cash flows for the year then ended in accordance with the provisions of its financial rules and the rules adopted by the Commission's accounting officer.

**Opinion on the legality and regularity of the transactions underlying the accounts:** in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2015 are, in all material respects, legal and regular.

**European contribution to the Joint Undertaking:** without calling into question the favourable opinions, the Court recalled that in the Council conclusions adopted on 7 July 2010, the Council approved EUR 6.6 billion (in 2008 values) for the Joint Undertaking contribution to the ITER construction phase of the project initially planned for 2020. This figure, which doubled the initial budgeted costs for this phase of the project, did not include EUR 663 million proposed by the European Commission in 2010 to cover potential contingencies.

The complexity of ITER activities puts the amount of the Joint Undertaking contribution to the construction phase of the project at **significant risk of increasing**. This risk mainly results from changes in the scope of the project deliverables and delays in the current schedule, which was **considered unrealistic**. The release of a new ITER project baseline (scope, schedule and costs) by the ITER IO Council, initially planned for June 2015, was postponed first to November 2015 and then to **June 2016**.

In 2015, F4E launched a major exercise to calculate the estimated cost at completion (EAC) of the Joint Undertaking contribution to the construction phase of the project. The result was an expected cost increase of around **EUR 2 375 million** (using a 50 % confidence level as applicable to major engineering projects).

As a result of the challenges faced by the ITER project, in 2015 the Director-General of ITER IO presented to the ITER Council an action plan with specific measures to address the main constraints affecting the development of the project. The F4E Governing Board adopted its own action plan, which largely supports that of ITER IO. While some key actions started in 2015, the full implementation of both action plans is now subject to decisions adopted by the ITER Council at its meeting of June 2016 **as regards the new schedule and resources for the ITER project**.

The audit also revealed the following points:

- **budgetary and financial management:** the Court noted that out of the EUR 467.9 million available for commitment appropriations, 52 % was implemented through direct individual commitments, and the remaining 48 % through global commitments. The implementation rate for payment appropriations with respect to the 2015 initial budget was **82 %**;
- **procurement:** the Court stated that negotiated procedures constituted 45 % of the 84 operational tendering procedures launched in 2015 (58 % in 2014). Although the Joint Undertaking reduced the percentage of negotiated procedures in 2015, efforts are needed to increase the competitiveness of its operational procurement procedures.

**Replies from the Joint Undertaking:** while the EAC for the direct expenses of F4E for the construction of the ITER project according to the new schedule remains substantially unchanged compared to the estimates reported in December 2015, the work carried out together with ITER Organisation will make possible to determine with more confidence the level of the IO cash contributions beyond 2020. Furthermore, F4E has made an estimate of its indicative funding requirements for the completion of the construction phase, and presented this to the Governing Board in June 2016. This estimate is being further refined in view of the ITER Council meeting in November 2016. F4E has also enhanced the monitoring of the project progress and its deliverables (achievement of key milestones, implementation of budget against plan, etc.) through the creation of the project management, infrastructure and control department and the introduction of monthly project steering meetings.