2016 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy - Fusion for Energy Joint Undertaking (F4E)

2017/2180(DEC) - 03/10/2017 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016, together with the Joint Undertaking's reply.

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, ITER was created to manage and to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose.

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 2016;
- 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 2016, 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 2016 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.

In November 2016, the ITER Council approved a new ITER project baseline (scope, schedule and cost). The overall project schedule was approved by all ITER Members, and the overall project cost was approved ad referendum, meaning that each Member had to seek approval for project costs through their respective government budget process.

The new schedule endorsed by the ITER Council set out a **four-stage approach**, making December 2025 the deadline for achieving the first strategic milestone of the project construction phase ('First Plasma') and December 2035 the estimated completion date for the whole construction phase, a delay of 15 years compared to the original baseline. The aim of the new staged approach is to better align the project implementation with the priorities and constraints of all the International Fusion Energy Organisation (ITER IO) Members.

Following the approval of the new ITER project baseline, the F4E Joint Undertaking set the **new timetable and recalculated the related cost at completion** ('EAC') of the Joint Undertaking's contribution to the project construction phase.

The results, which were presented to the Joint Undertaking's Governing Board in December 2016, indicated an expected funding requirement for the construction phase after 2020 of EUR 5.4 billion (**82 % increase** in relation to the approved EUR 6.6 billion). The amount of EUR 6.6 billion adopted by the Council of the EU in 2010 now serves as a ceiling for the Joint Undertaking's spending up to 2020.

It must be noted that, in addition to the construction phase, the Joint Undertaking will have to contribute to the ITER operational phase after 2035 and to the subsequent ITER deactivation and decommissioning phases. These contributions are not yet estimated.

In June 2017, the Commission issued a communication on the EU contribution to a reformed ITER project, seeking the support of the European Parliament and a mandate from the Council of the EU for the Commission to approve the new baseline on behalf of Euratom.

On 29 March 2017, the United Kingdom notified the European Council of its decision to **withdraw from the EU and Euratom**. An agreement setting out the arrangements for its withdrawal will be negotiated. This may have a significant effect on the future activities of the F4E Joint Undertaking and the ITER project

The audit also revealed the following points:

- **budgetary and financial management**: the final 2016 budget available for implementation included commitment appropriations of EUR 488 million and payment appropriations of EUR 724 million. The utilisation rates for commitment and payment appropriations were 99.8 % and 98 % respectively;
- **anti-fraud strategy**: the Court noted that in June 2015, the F4E Joint Undertaking's Governing Board adopted an anti-fraud strategy and corresponding action plan. Most of the actions were implemented in 2016. However, the Joint Undertaking has not set up a specific tool to facilitate the monitoring of its actions in relation to procurement procedures.

Joint Undertaking's reply: the F4E is currently defining the requirements to parametrize the tool that will allow F4E to collect systematically information relating to anti-fraud indicators on procurement procedures.