## Basic information

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| **2013/2247(DEC)**<br>DEC - Discharge procedure | Procedure completed |
| 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)<br>**Subject**<br>8.70.03.07 Previous discharges | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| CONT Budgetary Control | RÜBIG Paul (PPE) | 10/10/2013 |
| | Shadow rapporteur<br>STAVRAKAKIS Georgios (S&D)<br>GERBRANDY Gerben-Jan (ALDE)<br>STAES Bart (Verts/ALE)<br>ANDREASEN Marta (ECR)<br>DE JONG Dennis (GUE/NGL)<br>VANHECKE Frank (EFD)<br>EHRENHAUSER Martin (NI) | |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| ITRE Industry, Research and Energy | The committee decided not to give an opinion. | |

### European Commission

| Commission DG | Commissioner |
|---|---|
| Budget | ŠEMETA Algirdas |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 26/07/2013 | Non-legislative basic document published | COM(2013)0570 | Summary |

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|---|---|---|---|
| 22/10/2013 | Committee referral announced in Parliament | | |
| 18/03/2014 | Vote in committee | | |
| 20/03/2014 | Committee report tabled for plenary | A7-0198/2014 | Summary |
| 02/04/2014 | Debate in Parliament | | |
| 03/04/2014 | Decision by Parliament | T7-0336/2014 | Summary |
| 03/04/2014 | Results of vote in Parliament | | |
| 03/04/2014 | End of procedure in Parliament | | |
| 05/09/2014 | Final act published in Official Journal | | |

## Technical information

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|---|---|
| **Procedure reference** | 2013/2247(DEC) |
| **Procedure type** | DEC - Discharge procedure |
| **Other legal basis** | Rules of Procedure EP 165 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | CONT/7/14228 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE521.709 | 31/01/2014 | |
| Amendments tabled in committee | | PE528.210 | 26/02/2014 | |
| Committee report tabled for plenary, single reading | | A7-0198/2014 | 20/03/2014 | Summary |
| Text adopted by Parliament, single reading | | T7-0336/2014 | 03/04/2014 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Document attached to the procedure | 05851/2014 | 05/02/2014 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(2013)0570 | 26/07/2013 | Summary |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|

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|---|---|---|---|---|
| CofA | Court of Auditors: opinion, report | N7-0009/2014<br>OJ C 369 17.12.2013, p. 0035 | 22/10/2013 | Summary |

| Additional information | | |
|---|---|---|
| **Source** | **Document** | **Date** |
| European Commission | EUR-Lex | |

| Final act | |
|---|---|
| Budget 2014/0631<br>OJ L 266 05.09.2014, p. 0341 | Summary |

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 26/07/2013 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2012, as part of the 2012 discharge procedure.

Analysis of the accounts of the **ITER Joint Undertaking.**

CONTENT: this Commission document sets out the consolidated annual accounts of the European Union for the financial year 2012 as prepared on the basis of the information presented by the institutions, organisations and bodies of the EU, in accordance with Article 129 (2) of the Financial Regulation applicable to the EU's General Budget, including the ITER Joint Undertaking.

In 2012, the tasks and budget of the Joint Undertaking were as follows:

- **description of the tasks of the Joint Undertaking**: the Joint Undertaking is located in Barcelona, while the main fusion facilities are to be developed at Cadarache, in France. It was set up under Council Decision 2007/198/Euratom for a period of 35 years. ITER involves the EU and China, India, Russia, South Korea, Japan and USA. It was created to manage the ITER facilities, 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;
- **budget of the Joint Undertaking for the 2012 financial year**: the EU (Euratom) contribution to ITER International is given through the *Fusion for Energy Agency*, including also the contributions from Member States and from Switzerland. The total contribution is legally considered as a Euratom contribution to ITER since the Member States and Switzerland do not have ownership interests in ITER. As the EU legally holds the participation in the joint venture ITER International, the Commission must recognise the participation in its accounts. At 31 December 2012, the Commission held 44.25 % of the ownership participation in ITER. The total (indicative) Euratom contribution foreseen for ITER (from 2007 to 2041) is EUR 8 949 million.

Please also consult ITER Joint Undertaking's final accounts.

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 05/02/2014

Having examined the revenue and expenditure accounts for the financial year 2012 and the balance sheet at 31 December 2012 of the European Joint Undertaking for ITER and the Development of Fusion Energy, and the report by the Court of Auditors on the annual accounts of the Joint Undertaking for the financial year 2012, accompanied by the Joint Undertaking's replies to the Court's observations, the Council recommends the European Parliament to give a discharge to the Director of the Joint Undertaking in respect of the implementation of the budget for the financial year 2012.

The observations in the Court of Auditors' report in relation to the financial year 2012 call for some comments by the Council, which may be summarised as follows:

- **Market transparency**: the Council, following the Court's observation, urges the Joint Undertaking to present in the annual accounts information on the degree of advancement of the works in progress in order to provide transparency on the status of the activities carried out so far by F4E as regards the procurement arrangements signed with the ITER International Organisation.
- **Excessive carry-overs**: in order to avoid excessive carry-overs, the Council calls on the Joint Undertaking to pay due attention to the proper implementation of commitment and payment appropriations in the course of the budgetary year and to decommit unused appropriations if necessary, in line with the budgetary principle of annuality.
- **Internal control systems**: the Council welcomes the progress made by the Joint Undertaking with regard to the establishment and implementation of its internal control systems. However, since some deficiencies still persist, the Council invites the Joint Undertaking to continue its efforts in upgrading and making more efficient various components of its internal control systems.
- **Public procurement**: with regard the procurement and grant award procedures, the Council regrets that numerous weaknesses were still identified by the Court. It calls on the Joint Undertaking to make all possible efforts to maximise competition in the areas of procurement and grant contract management and to improve the controls and verifications at different stages of the procurement and grant procedures, with a view to **mitigating any financial risk for the EU funds**.
- **Intellectual property rights**: the Council invites the Joint Undertaking to follow thoroughly the Court's recommendations and to implement a plan for monitoring and reporting on intellectual property rights, to avoid late payment of membership contributions, to adopt the necessary rules for the proper implementation of Staff Regulations, and to respect the host state agreement with Spain.

The Council is also concerned with the **significant escalation in the costs of the ITER project** that has been estimated at **EUR 290 million in June 2013**. Taking into account that the Council, in its conclusions of July 2010, agreed to finance the ITER project up to EUR 6.6 billion, the Council urges the Joint Undertaking to put in place, without delay, the appropriate tools for monitoring the validity of cost estimates and of any potential costs deviations, and to report duly in its annual activity report on the results of the operations and on the associated risks. The Council stresses the importance of a **realistic approach to the management of the ITER project**, including the setting up of a realistic reference schedule and preventing any risks linked to the evolution of commodity prices.

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 22/10/2013 - 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 2012, together with the replies of the Joint Undertaking.

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 concerned, amongst others, the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy (F4E).

In the Court's opinion, the **annual accounts of the Joint Undertaking fairly present, in all material respects, its financial position as of 31 December 2012** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

The Court also considers that the **transactions underlying the annual accounts** of the Joint Undertaking for ITER and the Development of Fusion Energy for the financial year ended 31 December 2012 are, in all material respects, **legal and regular**.

The resources available to the Joint Undertaking in 2012 amounted to amounted to EUR 379.5 million of final revenue (payment appropriations), of which 76.5% funded by Community contribution.

The report also makes a series of observations on the budgetary and financial management of the Joint Undertaking, accompanied by the latter's response. The main observations may be summarised as follows:

**Court's comments**:

- presentation of the accounts: there is a lack of certain information as regards procurement which is essential to reflect the status of the activities carried out so far by F4E as regards the procurement arrangements signed with the ITER International Organisation;
- internal control: the Court notes that the Joint Undertaking's internal control systems had not been fully established and implemented. Although significant progress was made during 2012, a number of actions still need to be implemented;
- operational procurement and grants: the Court states that negotiated procedures constituted 40% of all operational tendering procedures launched in 2012 (65% in 2011). The Joint Undertaking still needs to increase the competitiveness of procurement procedures and further reduce the use of negotiated procedures;
- host state agreement: according to the Host State Agreement signed with Spain on 28 June 2007, permanent premises should have been made available to the Joint Undertaking by June 2010. At the time of the audit (April 2013), this had not occurred.

**Joint Undertaking's replies**:

audits: improvements have been made according to ITER as regards the audits, despite the Courts observations. Progress has also bee made in the implementation of the action plans;

- public procurement: due to their low average value, negotiated procedures correspond to 40 % of yearly operational procurement procedures but only to less than 10 % of the JU's yearly commitment: in this respect the use of low-value negotiated procedures allows the JU to focus the limited internal resources on the high value/high risk procurements, with a beneficial risk mitigating effect;
- host agreement: the Host Agreement signed between 'Fusion and for Energy' and Spain in 2007 does indeed foresee that Spain will provide F4E with permanent premises no later than 3 years after the signature of the agreement. While Spain has not yet provided permanent premises, the Joint Undertaking occupies temporary premises free of cost, as Spain pays for the full cost of the premises (rent and maintenance as foreseen by the Host Agreement, while F4E pays for the tenant's part of the temporary premises). In order to provide the final premises, Spain launched an informal procedure to select an appropriate site and architectural project. The selection of the site and project is foreseen to take place before the end of 2013.

As regards the **activities of the Joint Undertaking in 2012**, the report refers to the Annual Activity Report 2012 which can be found at http://www.fusionforenergy.europa.eu/

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 03/04/2014 - Text adopted by Parliament, single reading

The European Parliament adopted a decision concerning the discharge to be granted to the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy in respect of the implementation of the Centre's budget for the financial year 2012. The vote on the discharge decision approved the closure of the accounts (in accordance with Annex VI, Article 5(1) of the Rules of Procedure of the European Parliament.

Noting that the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts of ITER for the financial year 2012 are reliable, and that the underlying transactions are legal and regular, Parliament adopted by 426 votes to 111, with 19 abstentions, a resolution containing a series of recommendations that form an integral part of the discharge decision and as well as the general recommendations that appear in the draft resolution on performance, financial management and control of EU agencies.

These recommendations are summarised as follows:

- **Financing, budget and financial management**: recalling that the members of the Joint Undertaking are Euratom, represented by the Commission, the Member States of Euratom and other countries which have concluded cooperation agreements with Euratom in the field of controlled nuclear fusion, Parliament noted that the budget of the Joint Undertaking for the financial year 2012 was initially adopted for the collective amount of EUR 503 million in commitment appropriations and that this amount was reduced during the course of the year. It remarked that of the EUR 1 440 million in commitment appropriations available for operational activities, 55.4 % was implemented through direct individual commitments in 2012, while the remainder, were globally committed for large complex contracts requiring long negotiation times and with ensuing individual commitments in 2013. Parliament was also concerned about the high cash balance, which amounted to nearly 14 % of the final available payment appropriations in 2012.
- **Rate of utilisation and carryovers**: Parliament noted that after two amendments reducing the 2012 budget the utilisation rates for the available commitment and payment appropriations were 99.9 % and 94.5%, respectively.
- **Union contribution to the construction phase**: Parliament recalled that in 2010, the Council revised the final cost figure of the Joint Undertaking's contribution for the construction phase to EUR 6.6 billion (2008 value), thus **doubling the initial estimate**. It took note that there were inconsistencies in pre-procurement activities for the ITER project pointing out that the Joint Undertaking was exposed to significant financial risks linked to the evolution of commodity prices. The Joint Undertaking stressed that there was a risk of cost deviations in the range of **EUR 180-250 million**, or 3 % of the latest estimated project cost of EUR 6.6 billion. Parliament took note that in June 2013, the Joint Undertaking completed an exercise to update the cost estimate of the Union contribution to the construction phase of the project that estimates the current risk of increase at EUR 290 million, or 4.4 % of the budget approved by the Council, and that a significant escalation in the scope of the components to be provided to the ITER project was at the origin of that estimated increase. It was also concerned that the Joint Undertaking considers the **current ITER reference schedule to be unrealistic,** and it urged the Joint Undertaking to work with its ITER partners to establish a new and reliable schedule and to do its utmost to ensure that the schedule is maintained while avoiding budget deviations.

Parliament went on to make a series of observations on procurement, internal control systems, internal audits, and horizontal aspects of European Research Joint Undertakings. It invited the Court of Auditors to monitor the Joint Undertaking's policies as regards the management and prevention of conflicts of interests by drafting a Special Report on the matter by the next discharge procedure.

**JTI**: Parliament invited the Court of Auditors to **comprehensively analyse the Joint Technology Initiatives (JTIs)** and the other joint undertakings in a separate report in light of the substantial amounts involved and the risks- notably reputational – presented. It noted that the Joint Undertakings' total 2012 forecasted budgeted income amounted to some EUR 2.5 billion or about 1.8 % of the 2012 Union general budget while approximately EUR 618 million came from the general budget (cash contribution from the Commission) and approximately EUR 134 million came from the industrial partners and members of the Joint Undertakings. It also recalled that the total Union contribution deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 11.5 million.

It recalled that it had previously requested that the Court of Auditors draw up a special report on the capacity of the joint undertakings, together with their private partners, to ensure added value and efficient execution of Union research, technological development and demonstration programmes.

It agreed with the Court of Auditors' conclusion that the JTIs had been set up to support long-term industrial investment in particular research areas, but noted that it had taken on average two years to grant financial autonomy to a JTI, with the Commission usually remaining responsible for one third of the expected operational lifetime of the JTIs.

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 20/03/2014 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Paul RÜBIG (PPE, AT) on discharge in respect of the implementation of the budget of European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2012, and called on the European Parliament to grant the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2012.

Noting that the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts of ITER for the financial year 2012 are reliable, and that the underlying transactions are legal and regular, Members made a number of recommendations that needed to be taken into account when the discharge is granted, in addition to the general recommendations that appear in the draft resolution on performance, financial management and control of EU agencies.

- **Financing, budget and financial management**: Members noted that the budget of the Joint Undertaking for the financial year 2012 was initially adopted for the collective amount of EUR 503 million in commitment appropriations and that this amount was reduced during the course of the year. They remarked that of the EUR 1 440 million in commitment appropriations available for operational activities, 55.4 % was implemented through direct individual commitments in 2012, while the remainder, were globally committed for large complex contracts requiring long negotiation times and with ensuing individual commitments in 2013. Members were also concerned about the high cash balance, which amounted to nearly 14 % of the final available payment appropriations in 2012.

- **Rate of utilisation and carryovers**: Members noted that after two amendments reducing the 2012 budget the utilisation rates for the available commitment and payment appropriations were 99.9 % and 94.5%, respectively.

- **Objectives of the ITER programme**: the committee recalled that in 2010, the Council revised the final cost figure of the Joint Undertaking's contribution for the construction phase to EUR 6.6 billion (2008 value), thus **doubling the initial estimate**. It took note that there were inconsistencies in pre-procurement activities for the ITER project pointing out that the Joint Undertaking was exposed to significant financial risks linked to the evolution of commodity prices. The Joint Undertaking stressed that there was a risk of cost deviations in the range of **EUR 180-250 million**, or 3 % of the latest estimated project cost of EUR 6.6 billion. Members took note that in June 2013, the Joint Undertaking completed an exercise to update the cost estimate of the Union contribution to the construction phase of the project that estimates the current risk of increase at EUR 290 million, or 4.4 % of the budget approved by the Council, and that a significant escalation in the scope of the components to be provided to the ITER project was at the origin of that estimated increase. They were also concerned that the Joint Undertaking considers the **current ITER reference schedule to be unrealistic,** and they urged the Joint Undertaking to work with its ITER partners to establish a new and reliable schedule and to do its utmost to ensure that the schedule is maintained while avoiding budget deviations.

Members went on to make a series of observations on procurement, internal control systems, internal audits, and horizontal aspects of European Research Joint Undertakings. They invited the Court of Auditors to monitor the Joint Undertaking's policies as regards the management and prevention of conflicts of interests by drafting a Special Report on the matter by the next discharge procedure.

**JTI:** the committee invited the Court of Auditors to **comprehensively analyse the Joint Technology Initiatives (JTIs)** and the other joint undertakings in a separate report in light of the substantial amounts involved and the risks- notably reputational – presented. It noted that the Joint Undertakings' total 2012 forecasted budgeted income amounted to some EUR 2.5 billion or about 1.8 % of the 2012 Union general budget while approximately EUR 618 million came from the general budget (cash contribution from the Commission) and approximately EUR 134 million came from the industrial partners and members of the Joint Undertakings.

Members recalled that Parliament had previously requested that the Court of Auditors draw up a special report on the capacity of the joint undertakings, together with their private partners, to ensure added value and efficient execution of Union research, technological development and demonstration programmes.

They agreed with the Court of Auditors' conclusion that the JTIs had been set up to support long-term industrial investment in particular research areas, but noted that it had taken on average two years to grant financial autonomy to a JTI, with the Commission usually remaining responsible for one third of the expected operational lifetime of the JTIs.

# 2012 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2013/2247(DEC) - 03/04/2014 - Final act

PURPOSE: to grant discharge to the European Joint Undertaking for ITER in respect of the implementation of its budget for the financial year 2012.

NON-LEGISLATIVE ACT: Decision 2042/631/EU of the European Parliament on discharge in respect of the implementation of the budget of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2012.

CONTENT: with the present decision, the European Parliament grants discharge to the Director of the Joint Undertaking for ITER and the Development of Fusion Energy in respect of the implementation of its budget for the financial year 2012.

This decision is in line with the European Parliament's resolution adopted on 3 April 2014 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 3 April 2014).

Amongst the main observations made, Parliament made a number of **cross-cutting comments as regards all the Joint Undertakings** (JUs) and invited the Court of Auditors to conduct a detailed analysis of the JUs in a separate report in light of the substantial amounts involved and the risks - notably reputational - presented.