Basic information

2016/2194(DEC) DEC - Discharge procedure	Procedure completed
2015 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy - Fusion for Energy Joint Undertaking (F4E) **Subject** 8.70.03.05 2015 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	POCHE Miroslav (S&D)	04/08/2016
	Shadow rapporteur HAYES Brian (PPE) MARIAS Notis (ECR) GERBRANDY Gerben-Jan (ALDE) OMARJEE Younous (GUE/NGL) TARAND Indrek (Verts/ALE) VALLI Marco (EFDD) KAPPEL Barbara (ENF)	

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	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
		COM(2016)0475	Summary

11/07/2016	Non-legislative basic document published		
04/10/2016	Committee referral announced in Parliament		
23/03/2017	Vote in committee		
29/03/2017	Committee report tabled for plenary	A8-0108/2017	Summary
26/04/2017	Debate in Parliament		
27/04/2017	Decision by Parliament	T8-0193/2017	Summary
27/04/2017	Results of vote in Parliament		
27/04/2017	End of procedure in Parliament		
29/09/2017	Final act published in Official Journal		

Technical information

Procedure reference	2016/2194(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/07519

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE587.621	02/02/2017	
Amendments tabled in committee		PE599.875	06/03/2017	
Committee report tabled for plenary, single reading		A8-0108/2017	29/03/2017	Summary
Text adopted by Parliament, single reading		T8-0193/2017	27/04/2017	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05875/2017	07/02/2017	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2016)0475	11/07/2016	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary

CofA	Court of Auditors: opinion, report	N8-0146/2016 OJ C 473 16.12.2016, p. 0033	18/10/2016	Summary

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

Final act	
Budget 2017/1744 OJ L 352 29.09.2017, p. 0361	Summary

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

2016/2194(DEC) - 27/04/2017 - Text adopted by Parliament, single reading

The European Parliament decided to **grant discharge** to the Director of the Joint Undertaking for ITER and the Development of Fusion Energy in respect of the implementation of the budget for the financial year 2015.

Based on the statement of assurance provided by the Court of Auditors concerning the reliability of the accounts and the legality and regularity of the underlying transactions, it decided to **approve the closure of the accounts** of the Joint Undertaking for the same financial year.

Noting that the Court of Auditors has stated that it has obtained reasonable assurances that the Joint Undertaking's annual accounts for the financial year 2015 are reliable and that the underlying transactions are legal and regular, Parliament adopted by 431 votes to 147 with 37 abstentions, a resolution containing a series of recommendations which form an integral part of the decision on discharge.

General: Members expressed concern that the Court's report once again emphasised that the complexity of ITER activities puts the **amount of the Joint Undertaking's contribution** to the construction phase of the ITER project at **significant risk of increasing**. They recognised that significant progress across a range of areas impacting on the whole management structure of the project has been achieved. Highlighting the need to maintain the budget cap of EUR 6.6 billion until 2020, Parliament stressed that the main challenge for the ITER project is to make sure that the realistic schedule and budgeting are kept and that any potential deviation or problem is detected at the earliest stage possible. It welcomed the efforts taken by the Joint Undertaking to provide more global and realistic cost estimates.

The Commission is invited to **present, before July 2017, a communication on ITER project**, which is essential for ensuring transparency of the whole project and setting out the way forward.

Budget and financial management: the final 2015 budget available for implementation included commitment appropriations of EUR 467 901 000 and payment appropriations of EUR 586 080 000. Members noted the following:

- the **utilisation rates for commitment and payment appropriations** were **100 % and 99 % respectively**. The level of cancelled appropriations was low for 2015;
- out of the EUR 467 900 000 available for commitment appropriations, 52 % was implemented through direct individual commitments and the remaining 48 % through global commitments:

  i. as regards **individual commitments**, lower performance than originally foreseen was mainly due to a decrease in the amount of cash contribution requested by ITER Organisation, a decrease in the amount of cash contribution requested by Japan and postponements of contracts in areas such as remote handling, diagnostics and plasma engineering;

  ii. as for **global commitments**, the main domains were buildings (for amendments or options on the main buildings contracts) and a vacuum vessel (for completion of the procurement of the main vessel).

Other observations: the resolution also contained a series of observations on the prevention and management of conflicts of interests, personal selection and recruitment, internal control measures, operational procurements and grants, intellectual property rights and industrial policy.

Parliament also noted in particular:

-

the development of contract tracker tool (a portal by which to exchange documentation with suppliers), which is an important tool for monitoring of milestones and overall project progress;
- the launch of 73 operational procurement procedures the signing of 79 procurement contracts for a value of about EUR 326 million. The average time to contract for procurements above EUR 1 million decreased from 240 days to 140 days during 2015 in comparison with 2014; efforts are needed to increase the competitiveness of its operational procurement procedures;
- the adoption of the single intellectual property document in 2016, the Joint Undertaking formalised the use of that document by including it as an explicit step in all new processes for procurement procedures;
- the signature of a renewed long-term lease agreement with Spain for its offices.

The Director is encouraged to continue in his effort towards optimising resources between the Joint Undertaking and the ITER Organisation.

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

2016/2194(DEC) - 11/07/2016 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2015, as part of the 2015 discharge procedure.

Analysis of the accounts of the European Joint Undertaking for **ITER and Fusion for Energy Joint Undertaking (F4E)**.

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

The EU's operational expenditure of these institutions takes different forms, depending on how the money is paid out and managed.

From 2014 onwards, the Commission classifies its expenditure as follows:

- **Direct management**: the budget is implemented directly by the Commission services.
- **Indirect management**: the Commission confers tasks of implementation of the budget to bodies of EU law or national law, **such as the EU agencies**.
- **Shared management**: under this method of budget implementation tasks are delegated to Member States. About 80 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.

This Commission document concerns the EU's consolidated accounts for the year 2015 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies, including the ITER-F4E, with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge of the budget for a given financial year. It represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU.

The discharge procedure may produce three outcomes: (i) the granting; (ii) postponement or; (iii) the refusal of the discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

Each agency is subject to its own discharge procedure, including ITER and Fusion for Energy.

ITER and Fusion for Energy Joint Undertaking (F4E): the ITER-F4E Joint Undertaking, located in Barcelona (ES), is the technical and organisational structure to provide Euratom’s contribution to the ITER international project (whose main facilities are located in Cadarache - FR). The JU was set up under Council Decision 2007/198/Euratom for a period of 35 years.

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.

Implementation of the JU’s appropriations: 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.

Following a review of the accounting for joint ventures, it has been determined that the ITER Organisation does not meet the criteria for recognition as a joint venture. **Since 2015, it is no longer recorded as a joint venture**, and EU contributions to the ITER Organisation are treated as expenses. As the carrying value of the ITER Organisation at 31 December 2014 was zero, and the impact of the change is not material, no adjustment of prior year results has been made.

On an accounting level, the following expenditure is noted:

Commitment appropriations:

- **committed**: EUR 792 million;
- **paid**: EUR 791 million;
- **carried-over**: 0.

Payment appropriations:

- **committed**: EUR 531 million;
- **paid**: EUR 524 million;
- **carried-over**: EUR 6 million.

Please also refer to the final accounts of ITER-F4E.

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.

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

2016/2194(DEC) - 07/02/2017 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2015 and the balance sheet as at 31 December 2015 of the European Joint Undertaking for ITER and the Development of Fusion Energy, as well as the Court of Auditors' report on the annual accounts of the Joint Undertaking for the financial year 2015, accompanied by the Joint Undertaking's replies to the Court's observations, the Council recommended 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 2015.

The Council welcomed the Court's opinion that, in all material respects, the Joint Undertaking's annual accounts present fairly 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 the Joint Undertaking's Financial Rules, and that the underlying transactions for 2015 are legal and regular in all material respects.

Nevertheless, the following some observations need to be made.

- **increased costs for ITER**: the Council is concerned about the very significant cost increase of the ITER project that in November 2015 was estimated at EUR 2 375 million for the construction phase. The Council invited the Joint Undertaking to update the valuation of its contribution to the ITER project beyond the construction phase and to present it with the least possible delay. It urged the Joint Undertaking to present in the annual accounts more accurate information on the status and value of the activities carried out so far as regards the procurement arrangements signed with the ITER International Organisation;
- **financial programming**: the Council called on the Joint Undertaking to pay due attention to the proper programming and implementation of commitment and payment appropriations in the course of the budgetary year and to decommit unused appropriations if necessary;
- **procurement**: the Council called on the Joint Undertaking to improve the controls and verifications at different stages of the procurement and grant procedures, with a view to mitigating any financial risk in the use of EU funds.

Lastly, the Joint Undertaking is called upon to follow-up thoroughly the Court's recommendations on industrial policy and on the Joint Undertaking's procurement strategy from previous years and to continue adopting the necessary rules for the proper implementation of the Staff Regulations.

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

2016/2194(DEC) - 27/04/2017 - Final act

PURPOSE: to grant discharge to the Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2015.

NON-LEGISLATIVE ACT: Decision (EU, Euratom) 2017/1744 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 (Fusion for Energy) for the financial year 2015.

CONTENT: with this Decision, the European Parliament granted 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 2015.

This decision is in line with the European Parliament's resolution adopted on 27 April 2017 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27 April 2017).

Among Parliaments main observations made in the resolution accompanying the discharge decision, it noted that in the process of granting the postponed 2014 discharge, the discharge authority requested the Joint Undertaking's director to present a detailed progress report on all the key actions that would confirm that the project is going the right direction and that all these actions are being implemented. The report was presented to the discharge authority in January 2017.

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

2016/2194(DEC) - 29/03/2017 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Miroslav POCHE (S&D, CZ) on discharge in respect of the implementation of the budget of the ITER and the Development of Fusion Energy for the financial year 2015.

The committee 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 2015.

Noting that the Court of Auditors issued a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions for the financial year 2015, Members called on Parliament to **approve the closure of the joint undertaking’s accounts**.

They made, however, a number of recommendations that need to be taken into account when the discharge is granted. They may be summarised as follows:

General: Members expressed concern that the Court’s report once again emphasises that the complexity of ITER activities puts the amount of the Joint Undertaking’s contribution to the construction phase of the ITER project at significant risk of increasing. They recognised that significant progress across a range of areas impacting on the whole management structure of the project has been achieved. Highlighting the need to maintain the budget cap of **EUR 6.6 billion until 2020**, Members stressed that the main challenge for the ITER project is to make sure that the realistic schedule and budgeting are kept and that any potential deviation or problem is detected at the earliest stage possible. The Commission is invited to **present, before July 2017, a communication on ITER project**, which is essential for ensuring transparency of the whole project and setting out the way forward.

Budget and financial management: the final 2015 budget available for implementation included commitment appropriations of EUR 467 901 000 and payment appropriations of EUR 586 080 000. The utilisation rates for commitment and payment appropriations were **100 % and 99 %** respectively. The full implementation of the 2015 budget made the level of cancelled appropriations very low for 2015. Out of the EUR 467 900 000 available for commitment appropriations, 52 % was implemented through direct individual commitments and the remaining 48 % through global commitments. As regards **individual commitments**, **lower performance** than originally foreseen was mainly due to a decrease in the amount of cash contribution requested by ITER Organisation, a decrease in the amount of cash contribution requested by Japan and postponements of contracts in areas such as remote handling, diagnostics and plasma engineering. As for **global commitments**, the main domains were buildings (for amendments or options on the main buildings contracts) and a vacuum vessel (for completion of the procurement of the main vessel).

Other observations: the report also contained a series of observations on the prevention and management of conflicts of interests, personal selection and recruitment, internal control measures, operational procurements and grants, intellectual property rights and industrial policy.

The report also noted in particular:

- the development of contract tracker tool (a portal by which to exchange documentation with suppliers), which is an important tool for monitoring of milestones and overall project progress;
- the launch of 73 operational procurement procedures the signing of 79 procurement contracts for a value of about EUR 326 million. The average time to contract for procurements above EUR 1 million decreased from 240 days to 140 days during 2015 in comparison with 2014;
- the adoption of the single intellectual property document in 2016;
- the signature of a renewed long-term lease agreement with Spain for its offices.

The Director is encouraged to continue in his effort towards optimising resources between the Joint Undertaking and the ITER Organisation.