Basic information

2017/2180(DEC) DEC - Discharge procedure	Procedure completed
2016 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy - Fusion for Energy Joint Undertaking (F4E) **Subject** 8.70.03.06 2016 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	HAYES Brian (PPE)	20/09/2017
	Shadow rapporteur POCHE Miroslav (S&D) CZARNECKI Ryszard (ECR) DLABAJOVÁ Martina (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	OETTINGER Günther

Key events

Date	Event	Reference	Summary
26/06/2017	Non-legislative basic document published	COM(2017)0365	Summary

13/09/2017	Committee referral announced in Parliament		
20/03/2018	Vote in committee		
26/03/2018	Committee report tabled for plenary	A8-0095/2018	Summary
18/04/2018	Decision by Parliament	T8-0171/2018	Summary
18/04/2018	Results of vote in Parliament		
18/04/2018	Debate in Parliament		
18/04/2018	End of procedure in Parliament		
03/10/2018	Final act published in Official Journal		

Technical information

Procedure reference	2017/2180(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/10861

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE613.429	01/02/2018	
Amendments tabled in committee		PE618.279	01/03/2018	
Committee report tabled for plenary, single reading		A8-0095/2018	26/03/2018	Summary
Text adopted by Parliament, single reading		T8-0171/2018	18/04/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05943/2018	09/02/2018	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2017)0365	26/06/2017	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0045/2018 OJ C 426 12.12.2017, p. 0031	03/10/2017	Summary

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

Final act	
Budget 2018/1451 OJ L 248 03.10.2018, p. 0375	Summary

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

2017/2180(DEC) - 03/10/2018 - Final act

PURPOSE: to grant discharge to the Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016.

NON-LEGISLATIVE ACT: Decision (EU, Euratom) 2018/1451 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 2016.

CONTENT: the European Parliament decided 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 2016.

This decision is accompanied by a resolution of the European Parliament containing the observations which form an integral part of the discharge decision in respect of the implementation of the general budget of the European Union for the financial year 2016 (*please refer to the summary dated 18.4.2018*).

In this resolution, Parliament expressed ongoing concern that the estimated completion date for the whole construction phase is currently planned with a delay of about 15 years compared to the original baseline. 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. Parliament stressed that even though the new baseline does not include a contingency, the Commission suggested that a contingency of up to 24 months in terms of schedule and 10 to 20 % in terms of budget would be appropriate.

Lastly, Parliament acknowledged the fact that in 2016, the Joint Undertaking internal audit capability (IAC) followed up its audit of procurement in the area of ITER buildings and acknowledged the important work performed by the Joint Undertaking in formalising and designing the process, guidelines, rules and tools related to procurement activities.

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

2017/2180(DEC) - 26/03/2018 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Brian HAYES (EPP, IE) on discharge in respect of the implementation of the budget of the ITER and the Development of Fusion Energy for the financial year 2016.

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 2016.

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 2016, 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 noted that in November 2016, the Council of ITER Organisation (the "ITER Council") approved a new ITER project baseline for the scope, schedule and the costs of the project. They noted, moreover, that the overall project schedule for operations ´First Plasma ´ and ´Deuterium-

Tritium´ was approved. Following the approval of the new ITER project baseline, the Joint Undertaking set the new timetable and recalculated the related cost at completion of the Joint Undertaking's contribution to the project construction phase.

Members expressed ongoing concern that the estimated completion date for the whole construction phase is currently planned with a **delay of about 15 years** compared to the original baseline. 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.

Members noted the Court's report finding that the results, which were presented to the Joint Undertaking's Governing Board in December 2016, indicated an expected additional funding requirement to that already committed of EUR 5.4 billion for the construction phase after 2020, which represents an increase of 82 % in relation to the approved EUR 6.6 billion budget. Additional funding required to complete the ITER project must involve future Multiannual Financial Framework commitments.

The report stressed that 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 is being negotiated. However, the United Kingdom has expressed its interest in further participating in EU fusion energy activities.

Budget and financial management: the final 2016 budget available for implementation included commitment appropriations of EUR 488 000 000 and payment appropriations of EUR 724 510 000. The utilisation rates for commitment and payment appropriations were **99.8 % and 98 %** respectively. The full implementation of the 2016 budget made the level of cancelled appropriations very low for 2016. Out of EUR 488 000 000 available for commitment appropriations, almost 100 % was implemented through direct individual commitments.

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.

The report also noted in particular:

- that the governing board adopted an anti-fraud strategy and corresponding action plan, of which most of the actions were implemented in 2016;
- 40 operational procurement procedures were launched and 52 procurement contracts were signed;
- concern about the worrying increase in the timeframe to contract for procurements for both amounts above and below the EUR 1 000 000 threshold.

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

2017/2180(DEC) - 26/06/2017 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2016, as part of the 2016 discharge procedure.

Analysis of the accounts of the **European Joint Undertaking Fusion for ITER and the Development of Fusion Energy - 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.

This Commission document concerns the EU's consolidated accounts for the year 2016 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 Joint Undertaking**, 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): Fusion for Energy (F4E) is a Joint Undertaking created under the Euratom Treaty by Council Decision 2007/198/Euratom. F4E was established for a period of 35 years from 19 April 2007 and its seat is located in Barcelona, Spain. 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. ITER involves the EU, China, India, Russia, South Korea, Japan and the USA.

Main changes in 2016: during the period covered by this report there have been some important changes at the ITER Organization and F4E:

- a new Director, Johannes Schwemmer, took up his duties on 1 January 2016;
- the F4E Director took over the Action Plan prepared and used by the Acting Director to implement the necessary actions in F4E. He closely collaborated with the ITER Organization Director General to carry out further improvements to the project;
- he also modified the existing F4E structure and a new Organization Breakdown Structure was effective as of 1 October 2016;
- the close collaboration with the ITER Organization led to the approval of the updated overall project schedule (in November 2016 at the ITER Council-19). As for the overall ITER project cost and the associated estimate of resources for the overall period 2016-2035, it was approved "ad referendum" (i.e. subject to domestic processes of obtaining approval including approval of budgetary authorities and/or parliament if required). A staged approach is now foreseen for the project with first plasma in December 2025. These decisions were in line with the conclusions from the independent review of the Updated ITER Long Term Schedule and with the conclusions of the work carried out by F4E as explained below.

As regards the accounts:

Commitment appropriations:

- available: EUR 764 million;
- made: EUR 763 million.

Payment appropriations:

- available: EUR 730 million;
- paid: EUR 716 million.

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

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

2017/2180(DEC) - 18/04/2018 - Text adopted by Parliament, single reading

The European Parliament decided to grant discharge to the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy on the implementation of the budget of the Joint Undertaking for the financial year 2016 and to approve the closure of the accounts of the Joint Undertaking for the same financial year.

Noting that the Court of Auditors considered that the annual accounts of the Joint Undertaking for the financial year 2016 accurately reflected the financial position of the Joint Undertaking as at 31 December 2016, as well as the results of its operations, Parliament adopted by 494 votes in favor, 193 against and 10 abstentions, a resolution containing a series of observations which form an integral part of the discharge decision

General: Members noted that in November 2016, the Council of ITER Organisation (the "ITER Council") approved a **new ITER project baseline** for the scope, schedule and the costs of the project. They noted, moreover, that the overall project schedule for operations ´First Plasma ´ and ´Deuterium-Tritium´ was approved. Following the approval of the new ITER project baseline, the Joint Undertaking set the **new timetable** and recalculated the related cost at completion of the Joint Undertaking's contribution to the project construction phase.

Parliament expressed ongoing concern that the estimated completion date for the whole construction phase is currently planned with a **delay of about 15 years** compared to the original baseline. 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.

Members noted the Court's report finding that the results, which were presented to the Joint Undertaking's Governing Board in December 2016, indicated an expected additional funding requirement to that already committed of EUR 5.4 billion for the construction phase after 2020, which represents an increase of 82 % in relation to the approved EUR 6.6 billion budget. Additional funding required to complete the ITER project must involve **future Multiannual Financial Framework commitments.**

Parliament stressed that 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 is being negotiated. However, the United Kingdom has expressed its interest in further participating in EU fusion energy activities.

The resolution stressed that the **United Kingdom** has expressed its interest in further participating in EU fusion energy activities. Fusion communities have expressed their hope that the JET (*Joint European Torus*) experiment at Culham in the United Kingdom continue beyond 2018.

Budget and financial management: the final 2016 budget available for implementation included commitment appropriations of EUR 488 000 000 and payment appropriations of EUR 724 510 000. The utilisation rates for commitment and payment appropriations were 99.8 % and 98 % respectively. The full implementation of the 2016 budget made the **level of cancelled appropriations very low for 2016**. Out of EUR 488 000 000 available for commitment appropriations, almost 100 % was implemented through direct individual commitments.

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.

It noted in particular:

- that the governing board adopted an anti-fraud strategy and corresponding action plan, of which most of the actions were implemented in 2016; however, that the Joint Undertaking has not set up a specific tool to facilitate the monitoring of its actions in relation to procurement procedures, in particular those related to risk assessment and the evaluation;
- further to the adoption of the Joint Undertaking's whistleblowing rules in 2015, an implementation process was drafted on how serious irregularities and wrongdoings can be reported and are being followed-up;
- the Joint Undertaking did not provide detailed information on the selection and recruitment of staff in 2016;
- 40 operational procurement procedures were launched and 52 procurement contracts were signed;
- concern about the worrying increase in the timeframe to contract for procurements for both amounts above and below the EUR 1 000 000 threshold.

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.

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

2017/2180(DEC) - 09/02/2018 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2016 and the balance sheet as at 31 December 2016 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 2016, 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 2016.

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 2016 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 2016 are legal and regular in all material respects.

Nevertheless, the following observations were made:

- **increasing costs**: the Council is concerned about the risk of **further cost increases and delays** in project implementation compared to the new baseline proposed in 2016. The Council requested 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;
- **internal control**: the Council welcomed the progress achieved by the Joint Undertaking with regard to the establishment and implementation of its internal control systems. However, the Council expects the Joint Undertaking to continue its efforts in improving its procurement procedures as recommended by its Internal Audit Capability.

Lastly, the Council invited the Joint Undertaking to follow-up the Court's recommendation on **antifraud** strategy and to set up a tool to facilitate the monitoring of its actions in relation to **procurement procedure**.