



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 3 May 2013

9189/13

**Interinstitutional Files:
2011/0399 (COD)
2011/0401 (COD)**

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CODEC 979**

NOTE

From: Presidency

To: Permanent Representatives Committee

No. Cion prop.: 17933/11 RECH 410 COMPET 578 IND 162 MI 631 EDUC 283 TELECOM 197
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Subject: Horizon 2020

- Proposal for a Regulation of the European Parliament and the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)
- Proposal for Regulation of the European Parliament and of the Council laying down the rules for the participation and dissemination in 'Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)'
- Guidance for future work

Delegations will find in Annex a Presidency Policy paper in view of the Coreper meeting on 8 May 2013.

Presidency Policy paper

Horizon 2020 negotiations with the European Parliament: Guidance for future work

Horizon 2020 is a key European instrument for jobs and growth and both the Council and Parliament are working towards an agreement in first reading by the end of June, to ensure there is no interruption between FP7 and Horizon 2020.

In its Conclusions of 18-19 October 2012, the European Council highlighted the importance of research and innovation and called for "rapid progress on the proposed new programmes for research and innovation (Horizon 2020) [...]"¹.

State of Play

Significant progress has been made in the negotiations of H2020, in the Framework Programme and in the Rules for Participation, including 5 informal trilogues and several technical meetings to date.

In the informal trilogue meeting of 16 April, it became apparent that the negotiations reached a critical point, at which a number of critical issues for the Parliament stand in the way of reaching agreement. **In the Presidency's view final agreement will not be reached until these issues are addressed, and compromises may need to be sought across the different issues, as in the negotiation both institutions may need to make significant concessions.** In view of the urgency of reaching agreement in first reading, rapid progress is necessary on all issues.

To enable rapid progress the Presidency intends to address these issues in future negotiation mandates, which may include proposals for budgetary allocations. To facilitate the negotiation with the European Parliament, the Presidency intends to express budgetary allocations in percentages.

¹ Doc. EUCO 156/12

It is the Presidency's assessment that the critical issues for the Parliament at this stage can be classified in 3 categories:

1. Issues related to the H2020 architecture
 - a. Spreading Excellence and Widening Participation (Pillar I)
 - b. Science with and for Society: a cross-cutting challenge (Pillar III)
2. New objectives, activity lines and sub-activity lines,
 - a. SME instrument (earmarking of budget and single management)
 - b. Energy challenge (earmarking of budget and Intelligent Energy Europe programme and restructuring of activities)
 - c. Cross-cutting marine research
 - d. Cultural heritage
 - e. Other new activity and sub-activity lines
3. Simplification and effectiveness
 - a. The funding model
 - b. Fast track to innovation
 - c. Time to grant

These issues cut across the H2020 Framework Programme and Rules for Participation regulations and the Specific Programme decision, of which the latter is not subject to a co-decision procedure but the Parliament sees as part of the H2020 package.

The Presidency would like to step up efforts on the negotiations with the European Parliament treating these important outstanding issues as a package. The Presidency is seeking guidance from Coreper on this approach and welcomes delegations' views on the following issues:

1. Issues related to the H2020 architecture

The European Parliament has proposed a separate objective “Spreading Excellence and Widening Participation” in Pillar 1 (Excellent Science), and a separate Societal Challenge “Science with and for Society: a cross-cutting challenge” in Pillar 3 (Societal Challenges).

The Presidency understands that some Member States can show flexibility towards the Parliament’s proposals and it intends to bring compromise proposals for discussion to the Research Working Party after input from Coreper.

The Presidency notes that the European Parliament has, in the course of the negotiations, pointed out links between the issue of widening participation and the negotiation of the Rules for Participation, where the Council PGA² has introduced a new Article 22a “Direct eligible personnel costs”, providing the option of supplementary payments covered as eligible direct costs for up to € 8000 per year per person, full-time.

2. New objectives, activity lines and sub-activity lines

a. SME instrument

Substantial progress has been made in the negotiations of the Objective “Innovation in Small and Medium Sized Enterprises” of Pillar II (Industrial Leadership) of the H2020 Framework Regulation.

However, the Parliament has proposed to replace the activity line on “mainstreaming SME support”, with “Support to SMEs through a dedicated SME Instrument”. The Parliament proposes that the dedicated SME instrument will have a single management structure, an earmarked budget of 4% of the H2020 Framework Programme, and will be managed through bottom-up calls independent from the other objectives of H2020.

² Doc. 14846/12

The Presidency notes that there are significant similarities between the Parliament's proposed SME instrument and the Parliament's proposal for a Fast Track to Innovation.

The Presidency understands that some elements of the Parliament's proposal may meet with some flexibility from some Member States, in relation to bottom-up open calls for proposals outside specific thematic areas, and in relation to the improvement of the management of the scheme, and may bring compromise proposals to the Research Working Party after input from Coreper.

The Presidency is of the view that the earmarking proposed by the Parliament is a significant departure from the spirit of the Council's PGA on the Framework Regulation³.

b. Challenge 3: Secure, Clean and Efficient Energy

In Challenge 3: Secure, Clean and Efficient Energy, the Parliament has proposed

- an important increase in the budget (compared to the Commission's proposal);
- earmarking of 75% of the budget for renewable energy, end-user energy efficiency, smart grids and energy storage;
- earmarking of 15% of the budget for the market uptake of energy innovation (which the Parliament wishes to label "Intelligent Energy Europe Programme");
- a reduction of fossil fuel related activities by removing Carbon Capture and Use issues from the Energy Challenge and by placing them in a new activity line in Pillar II (industrial leadership) in the part that refers to advanced materials;
- the creation of four new sub-activity lines in the Specific Programme on "Decentralised energy production", "Lowering the environmental impact of transitional energy sources", "Energy storage", and "Back-up and balancing technologies".

³ Doc. 10663/12

The Presidency's view is that Member States may have some flexibility towards the Parliament's proposals in relation to using the label "Intelligent Energy Europe".

Member States may consider addressing the concerns expressed in the Parliament's new sub-activity lines through modifications to the Specific Programme without necessarily introducing new sub-activity lines.

However the earmarkings proposed are a significant departure from the spirit of the Council's PGA on the H2020 regulation.

The Presidency notes that the Council's PGA on the H2020 Framework Regulation strengthens fossil fuel related research as compared with the Commission's proposal, and that in the budget proposed by the Commission, of all areas of the Framework Programme, Energy had already the largest increase in relation to its allocation in the 7th Framework Programme.

c. Cross-cutting marine research

The European Parliament introduced an activity line "Cross-cutting marine research" in Societal Challenge 2: European Bioeconomy Challenges: Food Security, Sustainable Agriculture and Forestry, Marine and Maritime and Inland Water Research. The Parliament developed it into three sub-activity lines in its Amendments to the Specific Programme as follows:

- Climate change impact on marine ecosystems and maritime economy
- Develop the potential of marine resources through an integrated approach
- Cross-cutting concepts and technologies enabling maritime growth

The Council's PGAs on the H2020 Framework Regulation and on the Specific Programme provide for Cross-cutting marine and maritime research in the context of the activity line on "Unlocking the potential of aquatic living resources".

The Council has been very restrained in relation to adding new activity and sub-activity lines to the programme. The Presidency understands that some Member States can show flexibility towards the Parliament's proposals and it intends to bring compromise proposals for discussion to the Research Working Party after input from Coreper.

d. Cultural heritage

The European Parliament proposed to treat issues of cultural heritage through a dedicated sub-activity line in Challenge 5: Climate Action, Resource Efficiency and Raw Materials, and an activity line "Promote cultural heritage and European identity" in Challenge 6: Europe in a Changing World – Inclusive, Innovative and Reflective Societies.

The Council in its PGA on the Framework Regulation created an activity line "Cultural Heritage" in Challenge 5, and elements of cultural heritage also appear in an activity line in Societal Challenge 6: "Study European heritage, memory, identity, integration and cultural interaction and translation, including its representations in cultural and scientific collections, archives and museums, to better inform and understand the present by richer interpretations of the past".

The European Parliament has indicated that it can accommodate the Council's view on Challenge 6, but it insists on its approach to cultural heritage in Challenge 5.

The Presidency's view is that the activity line on Cultural Heritage is the only activity line introduced by the Council in the programme (outside the major restructuring of the Commission's proposal for Societal Challenge 6 by both Council and Parliament), because the Council recognised the importance of the issue. It therefore does not intend to seek a compromise on cultural heritage that departs from the PGA. However, the Presidency may ask Coreper to be flexible on this issue as part of the overall package.

e. Other new activity and sub-activity lines

The European Parliament proposed a great deal of restructuring of the programme. In addition to the structural changes mentioned above, it proposed:

- 6 new activity-lines in Pillar II (Industrial Leadership), one in each objective of the pillar;
- 2 new activity lines in Societal Challenge 1: Health, Demographic Change and Wellbeing (through its amendments to the Specific Programme);
- 1 new activity line in Societal Challenge 4: Smart, Green and Integrated Transport;
- 4 sub-activity lines in Societal Challenge 5: Climate Action, Resource Efficiency and Raw Materials (through its amendments to the Specific Programme);
- 4 new activity lines in Societal Challenge 6: Europe in a Changing World – Inclusive, Innovative and Reflective Societies (one of which only through its amendments to the Specific Programme);
- 4 new activity lines in Societal Challenge 7: Secure Societies – Protecting Freedom and Security of Europe and its Citizens (although one of them not reflected in its amendments to the Specific Programme).

The Presidency's view is that there may be some flexibility among Member States for the content addressed in some of those activity lines and sub-activity lines, provided that the content fits with the structure established by the Council's PGA. If this is agreed in principle with the Parliament, the Presidency will bring relevant compromise proposals to the Research Working Party after input from Coreper, including, where necessary, amendments to the Specific Programme. However, there is no flexibility at this point towards adding any of these proposed stand alone new activity and sub-activity lines.

3. Simplification and effectiveness

a. The funding model

The Presidency's view is that there is no flexibility in the Council to depart from the PGA on the Rules for Participation in relation to the funding model.

The European Parliament has proposed a funding model that does not embrace the principle of the same funding rate for all participants and all activities in research projects, which is critical for simplification.

During the negotiation the Parliament has taken a very hard line against the single funding rate, in favour of the option of a full cost model and of differentiated funding rates for different participants and activities.

During the negotiations the Parliament has criticized the Council's PGA in relation to the funding model for:

- Making projects more expensive through the uniform funding rate (Art 23 PGA, par 3 and 4), the fixed rate reimbursement of indirect costs (Art 24) and the possibility of supplementary payments (Art 22a, PGA);
- Not covering enough the costs of some organizations that can do "full cost accounting";
- Departing from simplification in close to market actions, where the PGA allows derogation from the principle of one funding rate for all participants.

The Presidency notes the links between the funding model and the important concerns of Member States and Parliament with time-to-grant, simplification and good administration in general.

The Presidency's view is that the funding model lies at the core of the simplification effort and that the Council's funding model meets best this objective. In this light, the Presidency asks Coreper to reaffirm that there is no flexibility in the Council to depart from the PGA on the Rules for Participation in relation to the funding model.

b. Fast track to innovation

The European Parliament wants to introduce a new scheme called Fast-Track to Innovation in both the Framework Regulation and the Rules for Participation Regulation. The proposed scheme involves the following characteristics:

- Support to all participants, including small and large firms;
- Open calls for proposals (any theme of technology, open continuously to submissions, with two cut-off dates per year for evaluation);
- Shorter time to grant;
- Small consortia (up to 5 partners).

The Presidency's view is that there is no flexibility in the Member States towards having a new instrument and towards addressing direct support to innovation in a bottom-up fashion to larger firms. The Presidency's view is that there is some flexibility in Member States in other elements of the Parliament's proposal (shorter time to grant, open calls for proposals, bottom-up approach) and it may bring compromise proposals to the Research Working Party after input from Coreper.

c. Time to grant

The European Parliament wants to introduce time-to-grant restrictions that deviate from those agreed in the Financial Regulation (article 128).

Time to grant is an important aspect of simplification and therefore it is important to explore with the Parliament and the Commission whether and where time to grant can be shortened beyond the provisions of the Financial Regulation.

Based on the Commission's technical explanations, the Presidency's view is that there is very little opportunity to deviate from the time to grant requirements of the Financial Regulation. However, it may bring compromise proposals to the Research Working Party after input from Coreper.

The Presidency notes the direct link of the time-to-grant with the funding model, with the quality of the evaluation and with the Comitology provisions of the Council's PGA on the Specific Programme.

The Presidency is seeking guidance from Coreper on its approach to the selected issues above in order to proceed with the negotiations with the Parliament, treating these issues as a package.