



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 15 July 2013  
(OR. en)**

**12355/13**

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**Interinstitutional File:  
2013/0241 (NLE)**

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**RECH 354  
COMPET 573  
IND 212  
ENER 363  
AGRI 483**

**COVER NOTE**

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	12 July 2013
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2013) 496 final
Subject:	Proposal for a COUNCIL REGULATION on the Bio-Based Industries Joint Undertaking

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Delegations will find attached document COM(2013) 496 final.

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Encl.: COM(2013) 496 final



Brussels, 10.7.2013  
COM(2013) 496 final

2013/0241 (NLE)

Proposal for a

**COUNCIL REGULATION**

**on the Bio-Based Industries Joint Undertaking**

(Text with EEA relevance)

{SWD(2013) 247 final}

{SWD(2013) 248 final}

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

#### ***General context***

One of the main aims of Horizon 2020, the Framework Programme for Research and Innovation covering the period 2014-2020, is to strengthen European industry through actions supporting research and innovation across a range of industrial sectors. In particular, it provides for the creation of public-private partnerships that will contribute to tackling some of the key challenges Europe is facing.

Bio-based industries in the EU could make a significant contribution to the objectives of the Europe 2020 Strategy, and its flagship initiatives "Innovation Union", "A Resource Efficient Europe" and "An Industrial Policy for the Globalisation Era". This has been recognised in several recent EU policy initiatives, such as the European Innovation Partnership for Agricultural Productivity and Sustainability<sup>1</sup>, the Smart Specialisation Strategy for Member States and Regions<sup>2</sup> and the proposal for the 7th Environmental Action Programme. The Communication outlining the European Bioeconomy Strategy, adopted on 13 February 2012<sup>3</sup> proposes the creation of a Public-Private Partnership (PPP) for bio-based industries (Bio-based PPP) as part of its Action Plan. The Commission Communication promoting a stronger European industry for growth and economic recovery<sup>4</sup> reiterates the importance of setting up a Bio-based PPP in the form of a Joint Technology Initiative (JTI) in the context of the EU's industrial policy, which is also in line with the Commission Communication "Public-private partnerships, in Horizon 2020: a powerful tool to deliver on innovation and growth in Europe"<sup>5</sup>.

The Committee of the Regions has also underlined the important role of bio-based products and a bio-based society in Europe in its opinion on the European Bioeconomy Strategy end of November 2012<sup>6</sup>. In view of broader economic and social sustainability issues and of implications for consumers, the Commission is currently studying biofuels from a consumer perspective as a part of a broader study on the functioning of the fuels market<sup>7</sup>.

#### ***Reasons and objectives for a JTI in the area of bio-based industries***

Bio-based industries are industries, which use renewable biological resources for the production of bio-based products and biofuels. Production usually takes place in biorefineries and often relies on bio-based processes. They give rise to new value chains, linking previously unrelated primary producers (and e.g. managers of organic waste) and industries, thus opening new opportunities for a wide range of established players. An increasing number of processing industries, such as the

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<sup>1</sup> COM(2012) 79

<sup>2</sup> DG REGIO (2012) Connecting Smart and Sustainable Growth through Smart Specialisation: A practical guide for ERDF managing authorities

<sup>3</sup> COM(2012) 60

<sup>4</sup> COM(2012) 582

<sup>5</sup> COM(2013) [...]

<sup>6</sup> CDR1112-2012

<sup>7</sup> The study (to be published by the end of 2013) explores whether consumers are able to make informed choices, by looking into consumer understanding and the transparency of information. It is expected to generate recommendations on improving and harmonising fuel labelling at the pump across EU Member States. The study also tackles the issue of the availability of different fuels and retailers, and retail prices.

chemical, biofuels, pulp and paper, sugar and starch, and technology providers (in particular on industrial biotechnology and engineering) are interested in moving partially or entirely towards sustainable renewable bio-based resources and/or products.

The main focus of this JTI will be on the transformation of non-edible parts of plants (e.g. wood, agricultural and forestry residues) and biodegradable wastes into bio-based products and biofuels. The non-edible part of plants, also referred to as ligno-cellulosic material, is usually heterogeneous and contains a mix of different types of complex biomolecules (i.e. cellulose, hemi-cellulose and lignin). The technology required for transforming ligno-cellulosic material is considered "more advanced" compared to current technologies converting edible parts of plants, and is still being developed. The resulting products and processes are therefore called "advanced".

Bio-based industries are a cornerstone of the EU bioeconomy in generating growth and jobs. Although bio-based products and biofuels currently only represent about 3% of the EUR 2 trillion in annual turnover and 1% of the 22 million jobs generated by the European bioeconomy today<sup>8</sup>, bio-based industries are expected to grow more rapidly and substantially than more traditional bioeconomy sectors<sup>9,10</sup>. Estimates from different sources consider that:

- The global revenue potential of the entire biomass value chain for biorefineries could exceed EUR 200 billion by 2020<sup>11</sup>;
- The share of bio-based processes in all chemical production taken on its own is likely to increase from less than 2% in 2005 to 25% in 2025<sup>12</sup>;
- The volume growth of EU bio-based chemical products (including bio-plastics, bio-lubricants, bio-solvents, bio-surfactants and chemical feedstock) will be at 5.3% per year up to 2020, resulting in a market worth EUR 40 billion and 90,000 jobs within the bio-chemical industry alone<sup>13</sup>;
- Up to 75 billion litres of bioethanol could be sustainably produced at a competitive cost by 2020, which would represent about EUR 15 billion in additional revenue for the agricultural sector<sup>14</sup>.

To realise this potential and ensure the competitiveness of Europe's bio-based industries and their value chains in global markets, a number of hurdles need to be overcome:

- Biomass feedstock will need to be sourced in Europe in a sustainable way and without unintended negative consequences, such as loss of biodiversity, indirect land use change (ILUC) or negative effects for food security.
- Different players, including agriculture and forestry, industries and waste managers need to set-up cooperations along full value chains, with the aim of increasing resource-use efficiency by reducing the current fragmentation and isolation of these sectors.
- New processes need to be developed to separate, pre-treat and convert this feedstock into bio-based products and biofuels. A wide range of radically different technological options (e.g.

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<sup>8</sup> COM(2012)60 and SWD(2012)11

<sup>9</sup> OECD(2009) The bioeconomy to 2030: Designing a Policy Agenda

<sup>10</sup> Festel, G. (2011) Presentation at the 4th Annual European Forum for Industrial Biotechnology & The Biobased Economy, Amsterdam, 20 October 2011

<sup>11</sup> WEF (2010) The future of Industrial Biorefineries

<sup>12</sup> OECD(2009) The bioeconomy to 2030: Designing a Policy Agenda

<sup>13</sup> COM(2012) 582

<sup>14</sup> Bloomberg New Energy Finance (2010) Next-generation ethanol and biochemicals: What's in it for Europe

enzyme based versus thermochemical processes) will need to be taken forward simultaneously in a strong and multi-faceted research effort to enhance process efficiency and optimise yield.

- Significant investment in up-scaling of technology and infrastructure is needed to assess the relative merits of radically different technology options and to identify winning option(s). This will mean upgrading existing bio-based industries (e.g. pulp and paper mills, biofuels, starch, chemical, etc.) and developing new and scalable integrated biorefinery models.
- The successful uptake of new bio-based products and bioenergy/fuels would require developing standards, labelling and certification systems and achieving customer acceptance. Product prices should appropriately reflect externalities and consumers should be able to make informed product choices, e.g. based on data on the benefits of these products over the full product lifecycle from cradle to grave.

The bio-based industry value chains (ranging from primary production, biorefineries, industrial users to consumer brands) are complex and so are the technological and innovation challenges that need to be overcome to unlock its socio-economic and environmental potential. Only a strong strategic vision, a well-structured and defined research and innovation agenda and a long-term stable financial commitment can bring together in one programme the different competences from across Europe to achieve the necessary breakthroughs and provide sufficient certainty and critical mass to leverage significant private investments.

The objectives of the proposed JTI on bio-based industries are to:

- Contribute to a more resource efficient and sustainable low-carbon economy and to increasing economic growth and employment, in particular in rural areas, by developing sustainable and competitive bio-based industries in Europe, based on advanced biorefineries that source their biomass sustainably; and in particular to:
- Demonstrate technologies that enable new chemical building blocks, new materials, and new consumer products from European biomass, which replace the need for fossil-based inputs;
- Develop business models that integrate economic actors along the value chain from supply of biomass to biorefinery plants to consumers of bio-based materials, chemicals and fuels, including through creating new cross-sector interconnections and supporting cross-industry clusters; and
- Set-up flagship biorefinery plants that deploy the technologies and business models for bio-based materials, chemicals and fuels and demonstrate cost and performance improvements to levels that are competitive with fossil-based alternatives.

### ***Building on past experience***

The EU has funded a wide range of projects that contribute to the advancement of bio-based industries over the past decades. The EU Framework Programmes for Research and Technological Development (FPs) cover almost 6% of total R&D investment of the EU and 15% of European publicly funded R&D financed in a cross-border collaborative manner. Under the FP7 Specific Programme on "Cooperation", Theme 2 "Food, Agriculture and Fisheries, Biotechnology" is currently financing 100 projects in the area of biotechnology with an EU contribution of about EUR 400 million.

In view of the multidisciplinary nature of biorefineries, DG RTD organised a Joint Call in 2008 on biorefineries involving four Themes of the "Cooperation" Programme (Theme 2, Theme 5, Theme 4 "Nanosciences, Nanotechnologies, Materials and New Production Technologies, and Theme 6 "Environment"). Three flagship collaborative projects (BIOCORE, EUROBIOREF and SUPRABIO) were selected for funding in 2009 with a combined EU contribution of about EUR 50 million.

The experience of the past years confirms that Europe has a strong research base in the area of bio-based industries with some successful biorefinery plant projects, both at EU level and at regional and national level.

Funding mechanisms applied at EU and regional level, in particular large and integrated biorefinery projects and regional bioeconomy clusters, are a step in the right direction by applying a value chain approach that covers research, demonstration and deployment activities and encourages cross-border collaboration. Yet, they have not succeeded in reaching a critical mass sufficient to overcome fragmentation and create integrated bio-based industry value chains in Europe. The impact of either funding mechanism could have been even better if they had been part of an integrated long-term vision for bio-based industries and if more support was given to demonstration and deployment activities.

## **2. RESULTS OF CONSULTATIONS WITH INTERESTED PARTIES AND IMPACT ASSESSMENTS**

A wide range of sources were consulted in preparation of this JTI:

- A public consultation on the proposed Bio-based PPP took place from 21 September to 14 December 2012 and received 638 valid responses. 64.6% of responses came from the private sector, 24.6% from academia, 8.8% from the public sector and 2% from NGOs. Responses were received from 19 out of 27 Member States, with most replies coming from Poland, followed by the Netherlands, Germany, Spain, France, Belgium, Sweden, Finland, Italy, Austria, the UK, Romania, the Czech Republic, Portugal, Denmark, Ireland, Hungary, Greece and Slovakia. Almost all respondents (94.3%) called for EU intervention and 86.9% viewed a PPP as the most appropriate mechanism to implement the R&I programme for bio-based industries under Horizon 2020, and considered that it would have positive socio-economic impacts. Other key messages were the need to strengthen EU innovation, to improve competitiveness and to formulate clear intervention objectives for bio-based industries. The results from the consultation were presented and discussed at a stakeholder event on 9 January 2013 in Brussels, which was attended by 162 people. The full report of the online public consultation forms part of the Impact Assessment; it is planned to publish a printed version in June 2013.
- Several events organised in the framework of the Bioeconomy Strategy implementation allowed for regular and broad-based contacts with stakeholders during the preparation of the Impact Assessment. This included the conference "Partnering for the Bioeconomy in European Regions" of 12 October 2012, co-organised by DG RTD and the Committee of the Regions. During the conference, information on the potential of a Bio-based PPP was provided and examples of regional activities highlighted possible benefits of bioeconomy partnerships. DG REGIO specifically informed conference participants about the Smart

Specialisation Strategy, being part of the rural development policy of the EU. It proposed focusing investments on the bioeconomy where appropriate.

- Several studies conducted in connection with the bioeconomy, bio-based products and biofuels were consulted.
- A group of ten external reviewers with expertise relevant to the different parts of the bio-based industries value chain was brought in to assist DG RTD with collecting and analysing the above data and preparing the Impact Assessment.

### ***Impact Assessment***

The proposed Regulation is supported by a Commission Impact Assessment, which is accompanying the proposal.

## **3. LEGAL ELEMENTS OF THE PROPOSAL**

### ***Summary of the proposed action***

This proposal concerns setting-up the Bio-based Industries Joint Undertaking (BBI JU) under Article 187 of the Treaty on the Functioning of the European Union (TFEU) for the implementation of the Joint Technology Initiative on Bio-based Industries (BBI JTI).

The BBI JU should be established for a period ending on 31 December 2024. It will have its seat in Brussels, Belgium.

It will be founded by the EU, represented by the European Commission, and the Biobased Industries Consortium (BIC). The activities of the BBI JU will be jointly funded by its founders. The Commission and BIC will contribute in equal parts to the running costs of the BBI JU. The research and demonstration activities will be funded through contributions by the BIC member companies with monetary and non-monetary resources (staff, equipment, consumables, etc.), and monetary resources from the EU. The level of EU resources will vary, in line with Horizon 2020 rules, depending on the type of activity considered.

The BBI JU will be open to new members, provided that they contribute with resources to the achievements of the objectives.

The Commission will be represented in the Governing Board in rights and votes as the industrial BIC members.

### ***Legal basis***

The legal basis of the proposal is Article 187 of the TFEU.

The Rules for Participation and Dissemination of Horizon 2020 will apply. However, given a specific operational need of this initiative, a derogation from these Rules is necessary. Nevertheless, this specific derogation is not included in the present proposal at this stage, in order not to prejudice the inter-institutional discussions concerning the appropriate legal basis/procedural modalities for their adoption, which are still pending in the context of the legislative works concerning the Commission proposal for a Regulation of the European Parliament and of the Council laying down

the Rules for Participation and dissemination in Horizon 2020 (COM(2011) 0810 - 2011/0399 (COD)). The specific derogation will be introduced at a later stage in view of the outcome of the abovementioned discussions.

The derogation will allow to limit, for actions other than innovation actions, the eligibility for funding to entities such as SMEs or secondary and higher education establishments whilst achieving at the same time the optimal level of leverage effect on private investment.

### ***Subsidiarity and proportionality***

The proposal concerns an area in which the EU does not have exclusive competence, which is why the principle of subsidiarity applies.

The policy objectives underlying the proposal can only be achieved through EU action for the following main reasons:

- (1) The transnational and complex nature of this large research and innovation challenge identified, which requires pooling complementary knowledge and financial resources across sectors and borders. No single Member State, company or stakeholder can resolve the problem by itself.
- (2) The coordination effort and the resources required are of such a large scale that they can only be credibly implemented at European level.
- (3) Given similar and competing initiatives underway or being launched in other leading economies (US, Brazil, China, Canada), only large-scale action implemented at European level is sufficiently attractive for industries to invest in Europe.

In accordance with the principle of proportionality, the provisions of this Regulation do not go beyond what is necessary to achieve the objectives.

### ***Choice of instrument***

The proposed Regulation will significantly boost public and private investment in research and innovation activities that aim to improve the competitiveness of European bio-based industries and create employment, in particular in rural areas. The BBI JU can leverage private resources with EU funds at a level that cannot be achieved with traditional instruments, which lack the strategic long-term approach regarding programming and financing. Every EUR 1 of EU funds will leverage EUR 2.8 of private funds during the operation of the Joint Undertaking.

## **4. BUDGETARY IMPLICATION**

The total budget of the BBI JU will be EUR 2 000 million (including in cash and in kind contributions). In addition, the industry has committed to invest EUR 1 800 million in the establishment of large demonstration and flagship plants contributing to the objectives of this JTI.

The maximum contribution from the European Union (including EFTA) will be EUR 1 000 million<sup>15</sup>, paid from the Horizon 2020 budget.

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<sup>15</sup> In current prices



The running costs of the BBI JU will be covered in equal parts by the EU and the BIC from the outset. The administrative costs shall not exceed EUR 60 million for the duration of the JU.

The research and demonstration activities implemented by the BBI JU and eligible for co-funding under Horizon 2020 will be jointly funded by the EU and BIC.

## **5. OPTIONAL ELEMENTS**

### ***Review***

The EU will present an annual report on the progress made by the BBI JU and will perform a mid-term review by 31 December 2017. Discharge for the implementation of the EU contribution shall be part of the discharge given by the European Parliament, upon recommendation of the Council, to the Commission in accordance with the procedure provided for in Article 319 of the TFEU.

Proposal for a

**COUNCIL REGULATION**

**on the Bio-Based Industries Joint Undertaking**

(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 187 and the first paragraph of Article 188 thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament<sup>16</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>17</sup>,

Whereas

- (1) Public-private partnerships in the form of Joint Technology Initiatives were initially provided for in Decision (EC) No 1982/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013)<sup>18</sup>.
- (2) Council Decision 2006/971/EC of 19 December 2006 concerning the Specific Programme ‘Cooperation’ implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013)<sup>19</sup> identified specific public-private partnerships to be supported.
- (3) Regulation (EU) No .../2013 of the European Parliament and of the Council of ... 2013 establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)<sup>20</sup> aims to achieve a greater impact on research and innovation by combining Horizon 2020 Framework Programme and private-sector funds in public-private partnerships in key areas where research and innovation can contribute to the Union's wider competitiveness goals and help tackle societal challenges. The involvement of the Union in

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<sup>16</sup> OJ ... [EP opinion]

<sup>17</sup> OJ ... [ESC opinion]

<sup>18</sup> OJ L 412, 30.12.2006, p. 1.

<sup>19</sup> OJ L 400, 30.12.2006, p. 86.

<sup>20</sup> OJ ... [H2020 FP]

those partnerships may take the form of financial contributions to joint undertakings established on the basis of Article 187 of the Treaty under Decision No 1982/2006/EC

- (4) In accordance with Decision (EU) No .../2013 of the Council of ... 2013 establishing the Specific Programme implementing Horizon 2020 (2014-2020)<sup>21</sup> support may be provided to joint undertakings established in the Horizon 2020 Framework Programme under the conditions specified in that Decision.
- (5) Europe 2020 Strategy<sup>22</sup> underscores the need to develop favourable conditions for investment in knowledge and innovation so as to achieve smart, sustainable and inclusive growth in the Union. Both European Parliament and Council have endorsed this strategy.
- (6) The Bio-based Industries Consortium (hereinafter "BIC") developed a vision paper and a Strategic Innovation and Research Agenda, based on extensive consultation with public and private stakeholders. The Strategic Innovation and Research Agenda describes the main technological and innovation challenges that need to be overcome in order to develop sustainable and competitive bio-based industries in Europe and identifies research, demonstration and deployment activities to be carried out by a Joint Technology Initiative on "Bio-based Industries".
- (7) BIC is a non-profit organisation that was created to represent the industry group that supports the Joint Technology Initiative on Bio-based Industries. Its members cover the entire bio-based value chain and consist of large industries, small and medium-sized enterprises (SMEs), regional clusters, European trade associations, and European Technology Platforms. The aim of BIC is to ensure and promote the technological and economic development of the bio-based industries in Europe. Any interested stakeholders along the bio-based value chain may apply for membership. It applies general principles of openness and transparency regarding membership, ensuring a wide industrial involvement.
- (8) The Commission Communication of 13 February 2012 "Innovating for Sustainable Growth: A Bioeconomy for Europe"<sup>23</sup> and in particular its Action Plan calls for a public private partnership to support the establishment of sustainable and competitive bio-based industries and value chains in Europe. In view of moving towards a post-petroleum society, the Communication aims to integrate better biomass producing and processing sectors in order to reconcile food security and natural resource scarcity and environmental objectives with the use of biomass for industrial and energy purposes.
- (9) The Commission Communication of 10 October 2012 "A Stronger European Industry for Growth and Economic Recovery"<sup>24</sup> confirms the strategic importance of bio-based industries for the future competitiveness of Europe, as identified in the Commission Communication of 21 December 2007 "A lead market initiative for Europe"<sup>25</sup> and stresses the need for a Joint Technology Initiative on "Bio-based Industries".
- (10) Bio-based industries and their value chains are facing complex and substantial technology and innovation challenges. As a nascent sector, bio-based industries have to overcome the

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<sup>21</sup> OJ ... [H2020 SP]

<sup>22</sup> COM(2010)2020 final.

<sup>23</sup> COM(2012) 60.

<sup>24</sup> COM(2012) 582 final.

<sup>25</sup> COM(2007) 860 final.

dispersion of technical competences and the limited publically available data on real resource availability in order to build sustainable and competitive value chains. In order to tackle these challenges, critical mass has to be achieved in a focused and coherent way at European level in terms of scale of activity, excellence, and potential for innovation.

- (11) The Joint Technology Initiative on Bio-based Industries should mitigate the different types of market failures that discourage private investment into pre-competitive research, demonstration and deployment activities for bio-based industries in Europe. In particular, it should ascertain the availability of reliable biomass supply taking into account other competing social and environmental demands, and support the development of advanced processing technologies, large scale demonstration activities and policy instruments, thus reducing the risk for private research and innovation investment in the development of sustainable and competitive bio-based products and biofuels.
- (12) The Joint Technology Initiative on Bio-based Industries should be a public-private partnership aiming at increasing investment in the development of a sustainable bio-based industry sector in Europe. It should provide environmental and socio-economic benefits for European citizens, increase the competitiveness of Europe and contribute to establishing Europe as a key player in research, demonstration and deployment of advanced bio-based products and biofuels.
- (13) The objective of the Joint Technology Initiative on Bio-based Industries is to implement a programme of research and innovation activities in Europe that will assess the availability of renewable biological resources that can be used for the production of bio-based materials and on that basis support the establishment of sustainable bio-based value chains. These activities should be carried out through collaboration between stakeholders along the entire bio-based value chains, including primary production and processing industries, consumer brands, SMEs, research and technology centres and universities.
- (14) The ambition and scope of the objectives of the Joint Technology Initiative on Bio-based Industries, the scale of the financial and technical resources that need to be mobilized, and the need to achieve effective coordination and synergy of resources and funding, require the involvement of the Union. Therefore a Joint Undertaking for the implementation of the Joint Technology Initiative on Bio-based Industries (hereinafter the BBI Joint Undertaking) should be established as a legal entity.
- (15) The objective of the BBI Joint Undertaking should be achieved through support of research and innovation activities by using resources from the public and private sectors. To this end, the BBI Joint Undertaking should organise calls for proposals for supporting research, demonstration and deployment activities.
- (16) To achieve maximum impact, the Bio-Based Industries Joint Undertaking should develop close synergies with other Union programmes in areas such as education, environment, competitiveness and SMEs, and with the Cohesion Policy funds and Rural Development Policy, which can specifically help to strengthen national and regional research and innovation capabilities in the context of smart specialisation strategies.
- (17) The founding members of the BBI Joint Undertaking should be the Union and BIC.
- (18) The rules for the organisation and operation of the BBI Joint Undertaking should be laid down in the Statutes of the BBI Joint Undertaking as part of this Regulation.

- (19) BIC has expressed, in writing, its agreement to pursue the research activities in the area of the BBI Joint Undertaking within a structure well adapted to the nature of a public-private partnership. It is appropriate that BIC accedes to the Statutes set out in Annex to this Regulation by signing a letter of endorsement.
- (20) In order to achieve its objectives, the BBI Joint Undertaking should provide financial support mainly in the form of grants to participants following open and competitive calls for proposals.
- (21) Contributions from the private Members should not only be limited to the administrative costs of the BBI Joint Undertaking and to the co-financing required to carry out research and innovation actions supported by the BBI Joint Undertaking.
- (22) Their contributions should also relate to additional activities to be undertaken by the private Members, as specified in an additional activities plan; in order to get a proper overview of the leverage effect those additional activities should represent contributions to the broader Joint Technology Initiative on Bio-Based Industries.
- (23) Participation in indirect actions funded by the BBI Joint Undertaking should comply with Regulation (EU) No ... /2013 of the European Parliament and of the Council of ... 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)"<sup>26</sup>.
- (24) The Union financial contribution to the BBI Joint Undertaking should be managed in accordance with the principle of sound financial management and with the relevant rules on indirect management set out in Regulation (EU, Euratom) No 966/2012 and Commission delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012<sup>27</sup>.
- (25) Audits of recipients of Union funds under this Regulation should be carried out in such a manner that the administrative burden is reduced, in compliance with Regulation (EU) No .../2013 [the Horizon 2020 Framework Programme].
- (26) The financial interests of the Union and of the other members of the BBI Joint Undertaking should be protected through proportionate measures throughout the expenditure cycle including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, administrative and financial penalties in accordance with Regulation (EU, Euratom) No 966/2012.
- (27) The Commission's internal auditor should exercise the same powers over the BBI Joint Undertaking as those exercised in respect of the Commission.
- (28) In accordance with Article 287(1) of the Treaty, the constituent instrument of bodies, offices or agencies set up by the Union may preclude the examination of the accounts of all revenue and expenditure of those bodies, offices or agencies by the Court of Auditors. In accordance with Article 60(5) of Regulation (EU, Euratom) No 966/2012, the accounts of the bodies under Article 209 Regulation (EU, Euratom) No 966/2012 are to be examined by an independent audit body which is to give an opinion inter alia on the reliability of the

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<sup>26</sup> OJ ... [H2020 RFP]

<sup>27</sup> OJ L 362, 31.12.2012, p. 1.

accounts and the legality and regularity of the underlying transactions. Avoidance of duplication of the examination of the accounts justifies that the accounts of the BBI Joint Undertaking should not be subject to examination by the Court of Auditors.

- (29) In order to facilitate its establishment, the Commission should be responsible for the establishment and initial operation of the BBI Joint Undertaking until it has the operational capacity to implement its own budget.
- (30) In accordance with the principles of subsidiarity and proportionality as set out in Article 5 of the Treaty on European Union, the objectives of the BBI Joint Undertaking in strengthening industrial research and innovation across the Union cannot be sufficiently achieved by the Member States and can therefore, by reason of avoiding duplication, retaining critical mass and ensuring that public financing is used in an optimal way, be better achieved by the Union; this Regulation confines itself to the minimum required in order to achieve those objectives and does not go beyond what is necessary for that purpose.

HAS ADOPTED THIS REGULATION:

Article 1  
Establishment

1. For the implementation of the Joint Technology Initiative on Bio-Based Industries, a joint undertaking within the meaning of Article 187 of the Treaty (hereinafter "BBI Joint Undertaking"), is established for a period from 1 January 2014 until 31 December 2024.
2. The BBI Joint Undertaking shall constitute a body entrusted with the implementation of a public-private partnership referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and the Council<sup>28</sup>.
3. The BBI Joint Undertaking shall have legal personality. In each of the Member States, it shall enjoy the most extensive legal capacity accorded to legal persons under the laws of those Member States. It may, in particular, acquire or dispose of movable and immovable property and may be party to legal proceedings.
4. The seat of the BBI Joint Undertaking shall be located in Brussels, Belgium.
5. The Statutes of the BBI Joint Undertaking are set out in the Annex.

Article 2  
Objectives

The BBI Joint Undertaking shall have the following objectives:

- (a) to contribute to the implementation of Regulation (EU) No .../2013 of the European Parliament and of the Council of ...2013 establishing the Horizon 2020 Framework Programme and in particular part ... of Decision No ... /2013 EU of the Council of ...2013 establishing the Horizon 2020 Specific Programme.
- (b) to contribute to the objectives of the Biobased Industries Joint Technology Initiative for a more resource efficient and sustainable low-carbon economy and increasing economic growth and employment, in particularly in rural areas, by developing sustainable and

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<sup>28</sup> OJ L 298, 26.10.2012, p.1.

competitive bio-based industries in Europe based on advanced biorefineries that source their biomass sustainably; and in particular to:

- (c) demonstrate technologies that enable new chemical building blocks, new materials, and new consumer products from European biomass and which replace the need for fossil based inputs;
- (d) develop business models that integrate economic actors along the whole value chain from supply of biomass to biorefinery plants to consumers of bio-based materials, chemicals and fuels, including through creating new cross-sector interconnections and supporting cross-industry clusters; and
- (e) set up flagship biorefinery plants that deploy the technologies and business models for bio-based materials, chemicals and fuels and demonstrate cost and performance improvements to levels that are competitive with fossil based alternatives.

### Article 3

#### Union financial contribution

1. The maximum Union contribution, including EFTA appropriations to the BBI Joint Undertaking to cover administrative costs and operational costs shall be EUR 1 000 million. The contribution shall be paid from the appropriations in the general budget of the Union allocated to the Horizon 2020 Specific Programme implementing the Horizon 2020 Framework Programme in accordance with the relevant provisions of Article 58(1)(c)(iv) and Articles 60 and 61 of Regulation (EU, Euratom) No 966/2012 for bodies referred to in Article 209 of that Regulation.
2. The arrangements for the Union financial contribution shall be set out in a delegation agreement and annual transfer of funds agreements to be concluded between the Commission, on behalf of the Union, and the BBI Joint Undertaking.
3. The delegation agreement referred to in paragraph 2 shall address the elements set out in Article 58(3) and Articles 60 and 61 of Regulation (EU, Euratom) No 966/2012 and in Article 40 of Commission delegated Regulation (EU) No 1268/2012 as well as inter alia the following:
  - (a) the requirements for the BBI Joint Undertaking's contribution regarding the relevant performance indicators referred to in Annex II to Decision No .../EU [the Specific Programme implementing the Horizon 2020 Framework Programme];
  - (b) the requirements for the BBI Joint Undertaking's contribution in view of the monitoring referred to in Annex III to Decision No .../EU [the Specific Programme implementing the Horizon 2020 Framework Programme];
  - (c) the specific performance indicators related to the functioning of the BBI Joint Undertaking;
  - (d) the arrangements regarding the provision of data necessary to ensure that the Commission is able to meet its dissemination and reporting obligations;

- (e) the use of and changes to human resources, in particular recruitment by function group, grade and category, the reclassification exercise and any changes to the number of staff members.

#### Article 4

##### Contributions of Members other than the Union

1. The Members of the BBI Joint Undertaking other than the Union shall make or arrange for their constituent entities to make a total contribution of at least EUR 2 800 million over the period defined in Article 1.
2. The contribution referred to in paragraph 1 shall consist of the following:
  - (a) contributions to the BBI Joint Undertaking as laid down in clause 12(2), clause 12(3)(b) and clause 12(3)(c) of the Statutes contained in the Annex.
  - (b) in kind contributions of at least EUR 1 800 million over the period defined in Article 1 by the Members other than the Union or their constituent entities consisting of the costs incurred by them in implementing additional activities outside the work plan of the BBI Joint Undertaking contributing to the objectives of the BBI Joint Technology Initiative. Other Union funding programmes may support those costs in compliance with the applicable rules and procedures. In such cases, Union financing shall not substitute for the in kind contributions from the Members other than the Union or their constituent entities.

Those costs referred to in point (b) shall not be eligible for financial support by the BBI Joint Undertaking. The corresponding activities shall be set out in an annual additional activities plan that shall indicate the estimated value of those contributions.
3. The Members of the BBI Joint Undertaking other than the Union shall report each year by 31 January to the Governing Board of the BBI Joint Undertaking on the value of the contributions referred to in paragraph 2 made in each of the previous financial years.
4. For the purpose of valuing the contributions referred to in point (b) of paragraph 2 and clause 12(3)(c) of the Statutes contained in the Annex, the costs shall be determined according to the usual cost accounting practices of the entities concerned, to the applicable accounting standards of the country where each entity is established, and to the applicable International Accounting Standards / International Financial Reporting Standards. The costs shall be certified by an independent external auditor appointed by the entity concerned. The valuation of the contributions shall be verified by the BBI Joint Undertaking. In case of remaining uncertainties, it may be audited by the BBI Joint Undertaking.
5. The Commission may terminate, proportionally reduce or suspend the Union financial contribution to the BBI Joint Undertaking or trigger the winding up procedure referred to in clause 20(2) of the Statutes contained in the Annex if those Members or their constituent entities do not contribute, contribute only partially or contribute late with regard to the contributions referred to in paragraph 2.



## Article 5 Financial rules

The BBI Joint Undertaking shall adopt its specific Financial rules in accordance with Article 209 of Regulation (EU, Euratom) No 966/2012 and Regulation (EU) No ... [Delegated Regulation on the model Financial Regulation for PPPs].

## Article 6 Staff

1. The Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Union as laid down by Council Regulation (EEC, Euratom, ECSC) No 259/68<sup>29</sup> and the rules adopted by agreement between the institutions of the Union for giving effect to those Staff Regulations and those Conditions of Employment of Other Servants shall apply to the staff employed by the BBI Joint Undertaking.
2. The Governing Board shall exercise, with respect to the staff of the BBI Joint Undertaking, the powers conferred by the Staff Regulations on the Appointing Authority and by the Conditions of Employment of Other Servants on the Authority Empowered to Conclude Contract of Employment (hereinafter "the appointing authority powers").

The Governing Board shall adopt, in accordance with Article 110 of the Staff Regulations, a decision based on Article 2 paragraph 1 of the Staff Regulations and on Article 6 of the Conditions of Employment of Other Servants delegating the relevant appointing authority powers to the Executive Director and defining the conditions under which this delegation of powers can be suspended. The Executive Director is authorised to sub-delegate those powers

Where exceptional circumstances so require, the Governing Board may by way of a decision temporarily suspend the delegation of the appointing authority powers to the Executive Director and those sub-delegated by the latter and exercise them itself or delegate them to one of its members or to a staff member of the Joint Undertaking other than the Executive Director

3. The Governing Board shall adopt appropriate implementing rules to the Staff Regulations and the Conditions of Employment of Other Servants in accordance with Article 110 of the Staff Regulations.
4. The staff resources shall be determined by the staff establishment plan of the BBI Joint Undertaking indicating the number of temporary posts by function group and by grade and the number of contract staff expressed in full-time equivalents, in line with its annual budget.
5. The staff of the BBI Joint Undertaking shall consist of temporary staff and contract staff.
6. All cost related to staff shall be borne by the BBI Joint Undertaking.

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<sup>29</sup> OJ 56, 4.3.1968, p. 1.

## Article 7

### Seconded national experts and trainees

1. The BBI Joint Undertaking may make use of seconded national experts and trainees not employed by the Joint Undertaking. The number of seconded national experts expressed in full-time equivalents shall be added to information on staff as referred to in Article 6(4) of this Regulation in line with the annual budget.
2. The Governing Board shall adopt a decision laying down rules on the secondment of national experts to the BBI Joint Undertaking and on the use of trainees.

## Article 8

### Privileges and Immunities

The Protocol on the Privileges and Immunities of the Union shall apply to the BBI Joint Undertaking and its staff.

## Article 9

### Liability of the BBI Joint Undertaking

1. The contractual liability of the BBI Joint Undertaking shall be governed by the relevant contractual provisions and by the law applicable to the agreement, decision or contract in question.
2. In the case of non-contractual liability, the BBI Joint Undertaking shall, in accordance with the general principles common to the laws of the Member States, make good any damage caused by its staff in the performance of their duties.
3. Any payment by the BBI Joint Undertaking in respect of the liability referred to in paragraphs 1 and 2 and the costs and expenses incurred in connection therewith shall be considered as expenditure of the BBI Joint Undertaking and shall be covered by the resources of the BBI Joint Undertaking.
4. The BBI Joint Undertaking shall be solely responsible for meeting its obligations.

## Article 10

### Jurisdiction of the Court of Justice and applicable law

1. The Court of Justice shall have jurisdiction under the conditions laid down in the Treaty as well as in the following cases:
  - (a) in any dispute between the Members which relates to the subject matter of this Regulation;
  - (b) pursuant to any arbitration clause contained in agreements, decisions or contracts concluded by the BBI Joint Undertaking;
  - (c) in disputes relating to compensation for damage caused by the staff of the BBI Joint Undertaking in the performance of their duties;
  - (d) in any dispute between the BBI Joint Undertaking and its servants within the limits and under the conditions laid down in the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Union.

2. Regarding any matter not covered by this Regulation or by other acts of Union law, the law of the State where the seat of the BBI Joint Undertaking is located shall apply.

#### Article 11 Evaluation

1. By 31 December 2017 the Commission shall conduct an interim evaluation of the BBI Joint Undertaking. The Commission shall communicate the conclusions thereof, accompanied by its observations, to the European Parliament and to the Council by 30 June 2018.
2. On the basis of the conclusions of the interim evaluation referred to in paragraph 1 the Commission may act in accordance with Article 4(5) or take any other appropriate action.
3. Within six months after the winding up of the BBI Joint Undertaking, but no later than two years after the triggering of the winding up procedure referred to in clause 20 of the Statutes contained in the Annex, the Commission shall conduct a final evaluation of the BBI Joint Undertaking. The results of that final evaluation shall be presented to the European Parliament and to the Council.

#### Article 12 Discharge

1. The discharge of the budget implementation with regard to the Union contribution to the BBI Joint Undertaking shall be part of the discharge given by the European Parliament, upon recommendation of the Council, to the Commission in accordance with the procedure provided for in Article 319 of the Treaty.
2. The BBI Joint Undertaking shall fully cooperate with the institutions involved in the discharge procedure and provide, as appropriate, any necessary additional information. In this context, it may be requested to be represented in meetings with the relevant institutions or bodies and assist the Commission authorising officer by delegation.

#### Article 13 Ex-post audits

1. Ex-post audits of expenditure on indirect actions shall be carried out by the BBI Joint Undertaking in accordance with Article 23 of Regulation (EU) No ... [the Horizon 2020 Framework Programme] as part of the Horizon 2020 Framework Programme indirect actions.
2. To ensure coherence, the Commission may decide to carry out the audits referred to in paragraph 1.

#### Article 14 Protection of the financial interests of the Members

1. Without prejudice to clause 16(4) of the Statutes contained in the Annex, the BBI Joint Undertaking shall grant Commission staff and other persons authorised by it, as well as the Court of Auditors, access to its sites and premises and to all the information, including information in electronic format, needed in order to conduct their audits.
2. The European Anti-fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May

1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)<sup>30</sup> and Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities<sup>31</sup> with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with an agreement or decision or a contract funded under this Regulation.

3. Without prejudice to paragraphs 1 and 2, contracts, agreements and decisions, resulting from the implementation of this Regulation shall contain provisions expressly empowering the Commission, the BBI Joint Undertaking, the Court of Auditors and OLAF to conduct such audits and investigations, according to their respective competences.
4. The BBI Joint Undertaking shall ensure that the financial interests of its Members are adequately protected by carrying out or commissioning appropriate internal and external controls.
5. The BBI Joint Undertaking shall accede to the Interinstitutional Agreement of 25 May 1999 between the European Parliament, the Council and the Commission concerning internal investigations by OLAF<sup>32</sup>. The BBI Joint Undertaking shall adopt the necessary measures needed to facilitate internal investigations conducted by OLAF.

#### Article 15 Confidentiality

Without prejudice to Article 16, the BBI Joint Undertaking shall ensure the protection of sensitive information whose disclosure could damage the interests of its Members or of participants in the activities of the BBI Joint Undertaking.

#### Article 16 Transparency

1. Regulation (EC) No 1049/2001 of the European Parliament and of the Council regarding public access to European Parliament, Council and Commission documents<sup>33</sup>, shall apply to documents held by the BBI Joint Undertaking.
2. The BBI Joint Undertaking Governing Board may adopt practical arrangements for implementing Regulation (EC) No 1049/2001.
3. Without prejudice to Article 10, decisions taken by the BBI Joint Undertaking pursuant to Article 8 of Regulation (EC) No 1049/2001 may form the subject of a complaint to the Ombudsman under the conditions laid down in Article 228 of the Treaty.

#### Article 17 Rules for participation and dissemination

Regulation (EU) No ... [Rules for participation and dissemination in Horizon 2020] shall apply to the actions funded by the BBI Joint Undertaking. In accordance with that Regulation, the

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<sup>30</sup> OJ L 136, 31.05.1999, p. 1.

<sup>31</sup> OJ L 292, 15.11.1996, p. 2-5.

<sup>32</sup> OJ L 136, 31.5.1999, p. 15.

<sup>33</sup> OJ L 145, 31.5.2001, p. 43.

BBI Joint Undertaking shall be considered as a funding body and shall provide financial support to indirect actions as set out in clause 1 of the Statutes contained in the Annex.

#### Article 18

##### Support from the host State

An administrative agreement may be concluded between the BBI Joint Undertaking and the State where its seat is located concerning privileges and immunities and other support to be provided by this State to the BBI Joint Undertaking.

#### Article 19

##### Initial actions

1. The Commission shall be responsible for the establishment and initial operation of the BBI Joint Undertaking until it has the operational capacity to implement its own budget. The Commission shall carry out, in accordance with Union law, all necessary actions in collaboration with the other Members and with the involvement of the competent bodies of the BBI Joint Undertaking.
2. For that purpose,
  - (a) until the Executive Director takes up his duties following his/her appointment by the Governing Board in accordance with clause 8 of the Annex, the Commission may designate a Commission official to act as interim Executive Director and exercise the duties assigned to the Executive Director who may be assisted by a limited number of Commission officials;
  - (b) by derogation from Article 6 (2) of this Regulation, the interim Director shall exercise the appointing authority powers;
  - (c) the Commission may assign a limited number of its officials on an interim basis.
3. The interim Executive Director may authorise all payments covered by the appropriations provided in the annual budget of the BBI Joint Undertaking once approved by the Governing Board and may conclude agreements, decisions and contracts, including staff contracts following the adoption of the BBI Joint Undertaking's staff establishment plan.
4. The interim Executive Director shall in common accord with the Executive Director of the BBI Joint Undertaking and subject to the approval of the Governing Board determine the day on which the BBI Joint Undertaking has the capacity to implement its own budget. From that day, the Commission shall abstain from making commitments and executing payments for the activities of the BBI Joint Undertaking.

#### Article 20

##### Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## ANNEX

# STATUTES OF THE BBI JOINT UNDERTAKING

### 1 - Tasks

The BBI Joint Undertaking shall carry out the following tasks:

- (a) ensure the establishment and sustainable management of the Joint Technology Initiative on Bio-Based Industries;
- (b) mobilise the public and private sector resources needed;
- (c) establish and develop close and long-term cooperation between the Union, industry and the other stakeholders;
- (d) ensure the efficiency of the Joint Technology Initiative on Bio-Based Industries;
- (e) reach the critical mass of research effort to embark on a long-term programme;
- (f) monitor progress towards the achievement of the objectives of the BBI Joint Undertaking;
- (g) support financially research and innovation indirect actions mainly through grants;
- (h) information, communication, exploitation and dissemination activities by applying mutatis mutandis the provisions of Article 22 of Regulation (EU- No.../2013 [the Horizon 2020 Framework Programme];
- (i) any other task needed to achieve the objectives set out in Article 2 of this Regulation.

### 2 - Members

1. The Members of the BBI Joint Undertaking shall be the following:

- (a) the Union, represented by the Commission,
- (b) upon acceptance of these Statutes, by means of a letter of endorsement, the Bio-based Industries Consortium Aisbl (hereinafter referred to as BIC), a non-profit organization established under Belgium law (registration number: 0521-857-822), with its permanent office in Brussels, Belgium

### 3 - Changes to membership

1. Provided that it contributes to the funding referred to in clause 12 to achieve the objectives of the BBI Joint Undertaking set out in Article 2 of this Regulation, and accepts the Statutes of the BBI Joint Undertaking, any legal entity that directly or indirectly supports

research and innovation in a Member State or in a country associated to the Horizon 2020 Framework Programme may apply to become a Member of the BBI Joint Undertaking.

2. Any application for new membership to the BBI Joint Undertaking shall be addressed to the Governing Board, accompanied by a proposal to adapt the composition of the Governing Board set out in clause 5.
3. The Governing Board shall assess the application taking into account the relevance and the potential added value of the applicant for the achievement of the objectives of the BBI Joint Undertaking. It shall then decide on the application.
4. Any Member may terminate its membership to the BBI Joint Undertaking. The termination shall become effective and irrevocable six months after notification to the other Members. As of then, the former Member shall be discharged from any obligations other than those approved or incurred by the BBI Joint Undertaking prior to terminating the membership.
5. Membership of the BBI Joint Undertaking may not be transferred to a third party without prior agreement of the Governing Board.
6. The BBI Joint Undertaking shall publish on its website immediately upon any change to membership pursuant to this clause an updated list of Members of the BBI Joint Undertaking together with the date when such change takes effect.

#### 4 - Organisation of the BBI Joint Undertaking

1. The bodies of the BBI Joint Undertaking shall be:
  - (a) the Governing Board;
  - (b) the Executive Director;
  - (c) the Scientific Committee;
  - (d) the States Representatives Group.
2. The Scientific Committee and the States Representatives Group shall be advisory bodies to the BBI Joint Undertaking.

#### 5 - Composition of the Governing Board

1. The Governing Board shall be composed of the following:
  - five representatives of the Commission;
  - five representatives of the private Members, at least one of which should be a Small and Medium Enterprise representative.



## 6 - Functioning of the Governing Board

1. The Commission shall hold 50 % of the voting rights. The vote of the Commission shall be indivisible. The private Members shall hold an equal number of votes. The Members shall use their best efforts to achieve consensus. Failing consensus, the Governing Board shall take its decisions by a majority of at least 75% of all votes, including the votes of those who are not in attendance.
2. The Governing Board shall elect its chairperson for a period of two years.
3. The Governing Board shall hold its ordinary meetings twice a year. It may hold extraordinary meetings at the request of the Commission or of a majority of the representatives of the private Members or at the request of the chairperson. The meetings of the Governing Board shall be convened by its chairperson and shall usually take place at the seat of the BBI Joint Undertaking.

The Executive Director shall have the right to take part in the deliberations, but shall have no voting rights.

The chairperson of the States Representatives Group shall have the right to attend meetings of the Governing Board as an observer.

The Governing Board may invite, on a case by case basis, other persons to attend its meetings as observers, in particular representatives of regional authorities of the Union and representatives of civil society.

The representatives of the Members shall not be personally liable for actions they have taken in their capacity as representatives on the Governing Board.

The Governing Board shall adopt its own rules of procedure.

## 7 - Tasks of the Governing Board

1. The Governing Board shall have overall responsibility for the strategic orientation and the operations of the BBI Joint Undertaking and shall supervise the implementation of its activities.
2. The Governing Board shall in particular carry out the following tasks:
  - (a) assess, accept or reject applications for new membership in accordance with clause 3;
  - (b) decide on the termination of the membership in the BBI Joint Undertaking of any Member that does not fulfil its obligations;
  - (c) adopt the Financial rules of the BBI Joint Undertaking in accordance with Article 5 of this Regulation;
  - (d) adopt the annual budget of the BBI Joint Undertaking, including the staff establishment plan indicating the number of temporary posts by function group and

- by grade as well as the number of contract staff and seconded national experts expressed in full-time equivalents;
- (e) exercise the appointing authority powers with respect of the staff, in accordance with Article 6(2) of this Regulation;
  - (f) appoint, dismiss, extend the term of office of, provide guidance to and monitor the performance of the Executive Director;
  - (g) approve the organisational structure of the Programme Office, referred to in clause 9(5), upon recommendation by the Executive Director;
  - (h) adopt the annual work plan and the corresponding expenditure estimates, as proposed by the Executive Director after having consulted the Scientific Committee and the States Representatives Group;
  - (i) approve the annual additional activities plan referred to in Article 4(2)(b) of this Regulation on the basis of a proposal from the private Members and after having consulted, where appropriate, an ad hoc advisory group
  - (j) approve the annual accounts;
  - (k) approve the annual activity report, including the corresponding expenditure;
  - (l) arrange, as appropriate, for the establishment of an internal audit capability of the BBI Joint Undertaking;
  - (m) approve the calls as well as, where appropriate, the related rules for submission, evaluation, selection, award and review procedures;
  - (n) approve the list of actions selected for funding;
  - (o) establish the BBI Joint Undertaking's communications policy upon a recommendation by the Executive Director;
  - (p) where appropriate, establish implementing rules in line with Article 6(3) of this Regulation;
  - (q) where appropriate, establish rules on the secondment of national experts to the BBI Joint Undertaking and on the use of trainees in line with Article 7 of this Regulation;
  - (r) where appropriate, set up advisory groups in addition to the bodies to the BBI Joint Undertaking;
  - (s) where appropriate, submit to the Commission any request to amend this Regulation proposed by any Member of the BBI Joint Undertaking;
  - (t) be responsible for any task that is not specifically allocated to one of the bodies of the BBI Joint Undertaking which it may assign to one of those bodies;

8 – Appointment, dismissal or extension of the term of office of the Executive Director

1. The Executive Director shall be appointed by the Governing Board, from a list of candidates proposed by the Commission, following an open and transparent selection procedure. The Commission shall associate the representation from the other Members of the BBI Joint Undertaking in the selection procedure as appropriate.

In particular, an appropriate representation from the other Members of the BBI Joint Undertaking shall be ensured at the pre-selection stage of the selection procedure. For that purpose, the private Members shall appoint by common accord a representative as well as an observer on behalf of the Governing Board.

2. The Executive Director is a member of staff and shall be engaged as a temporary agent of the BBI Joint Undertaking under point (a) of Article 2 of the Conditions of Employment of Other Servants of the Union.

For the purpose of concluding the contract of the Executive Director, the BBI Joint Undertaking shall be represented by the chairperson of the Governing Board.

3. The term of office of the Executive Director shall be three years. By the end of that period, the Commission associating the private Members as appropriate shall undertake an assessment of the performance of the Executive Director and the BBI Joint Undertaking's future tasks and challenges.
4. The Governing Board, acting on a proposal from the Commission which takes into account the assessment referred to in paragraph 3, may extend the term of office of the Executive Director once, for no more than four years.
5. An Executive Director whose term of office has been extended may not participate in another selection procedure for the same post at the end of the overall period.
6. The Executive Director may be dismissed only upon a decision of the Governing Board acting on a proposal from the Commission associating the private Members as appropriate.

#### 9 - Tasks of the Executive Director

1. The Executive Director shall be the chief executive responsible for the day-to-day management of the BBI Joint Undertaking in accordance with the decisions of the Governing Board.
2. The Executive Director shall be the legal representative of the BBI Joint Undertaking. He/she shall be accountable to the Governing Board.
3. The Executive Director shall implement the budget of the BBI Joint Undertaking.
4. The Executive Director shall in particular carry out the following tasks in an independent manner:
  - (a) prepare and submit for adoption to the Governing Board the draft annual budget, including the corresponding staff establishment plan indicating the number of

temporary posts in each grade and function group and the number of contract staff and seconded national experts expressed in full-time equivalents;

- (b) prepare and submit for adoption to the Governing Board the annual work plan and the corresponding expenditure estimates;
- (c) submit for approval to the Governing Board the annual accounts;
- (d) prepare and submit for approval to the Governing Board the annual activity report, including the corresponding expenditure;
- (e) submit for approval to the Governing Board the list of actions selected for funding;
- (f) sign individual agreements or decisions;
- (g) sign procurement contracts;
- (h) implement the BBI Joint Undertaking's communications policy;
- (i) organise, direct and supervise the operations and the staff of the BBI Joint Undertaking within the constraints of the delegation by the Governing Board as provided for in Article 6(2) of this Regulation;
- (j) establish and ensure the functioning of an effective and efficient internal control system and report any significant change to it to the Governing Board;
- (k) ensure that risk assessment and risk management are performed;
- (l) take any other measures needed for assessing the progress of the BBI Joint Undertaking towards achieving its objectives;
- (m) perform any other tasks entrusted or delegated to the Executive Director by the Governing Board.

5. The Executive Director shall set up a Programme Office for the execution, under his/ her responsibility, of all support tasks arising from this Regulation. The Programme Office shall be composed of the staff of BBI Joint Undertaking and shall in particular carry out the following tasks:

- (a) provide support in establishing and managing an appropriate accounting system in accordance with the Financial rules of the BBI Joint Undertaking;
- (b) manage the calls as provided for in the annual work plan and the administration of the agreements or decisions, including their coordination;
- (c) provide to the Members and the other bodies of the BBI Joint Undertaking all relevant information and support necessary for them to perform their duties as well as responding to their specific requests;
- (d) act as the secretariat of the bodies of the BBI Joint Undertaking and provide support to any advisory group set up by the Governing Board .

## 10 - Scientific Committee

1. The Scientific Committee shall consist of no more than ten members. It shall elect a chairperson from amongst its members.
2. The members shall reflect a balanced representation of world-wide recognised experts from academia, industry, small and medium enterprises, non-governmental organisations and regulatory bodies. Collectively, the Scientific Committee members shall have the necessary scientific competencies and expertise covering the technical domain needed to make science-based recommendations to the BBI Joint Undertaking.
3. The Governing Board shall establish the specific criteria and selection process for the composition of the Scientific Committee and shall appoint its members. The Governing Board shall take into consideration the potential candidates proposed by the BBI States Representatives Group.
4. The Scientific Committee shall carry out the following tasks:
  - (a) advise on the scientific priorities to be addressed in the annual work plans;
  - (b) advise on the scientific achievements described in the annual activity report.
5. The Scientific Committee shall meet at least once a year. The meetings shall be convened by its chairperson.
6. The Scientific Committee may, with the agreement of the chairperson, invite other persons to attend its meetings.
7. The Scientific Committee shall adopt its own rules of procedure.

## 11 - States Representatives Group

1. The BBI States Representatives Group shall consist of one representative of each Member State and of each country associated to the Horizon 2020 Framework Programme. It shall elect a chairperson among its members.
2. The States Representatives Group shall meet at least once a year. The meetings shall be convened by its chairperson. The Executive Director and the chairperson of the Governing Board or their representatives shall attend the meetings.

The chairperson of the States Representatives Group may invite other persons to attend its meetings as observers, in particular representatives of regional authorities of the Union, representatives of civil society or representatives of SME associations.
3. The States Representatives Group shall in particular review information and provide opinions on the following matters:
  - (a) programme progress in the BBI Joint Undertaking and achievement of its targets;

- (b) updating of strategic orientation;
  - (c) links to the Horizon 2020 Framework Programme;
  - (d) annual work plans;
  - (e) involvement of SMEs.
4. The States Representatives Group shall also provide information to and act as an interface with the BBI Joint Undertaking on the following matters:
- (a) the status of relevant national or regional research and innovation programmes and identification of potential areas of cooperation, including deployment of relevant technologies;
  - (b) specific measures taken at national or regional level with regard to dissemination events, dedicated technical workshops and communication activities.
  - (c) specific measures taken at national or regional level with regard to deployment activities in relation to the Joint Technology Initiative on Bio-based Industries.
5. The States Representatives Group may issue, on its own initiative, recommendations to the BBI Joint Undertaking on technical, managerial and financial matters, in particular when those matters affect national or regional interests.
- The BBI Joint Undertaking shall inform the States Representatives Group of the follow up it has given to such recommendations.
6. The States Representatives Group shall adopt its own rules of procedure.

## 12 - Sources of financing

1. The BBI Joint Undertaking shall be jointly funded by the Union and the Members other than the Union or their constituent entities through financial contributions paid in instalments and contributions consisting of the costs incurred by them in implementing indirect actions that are not reimbursed by the BBI Joint Undertaking.
2. The administrative costs of the BBI Joint Undertaking shall not exceed EUR 60 million and shall be covered through financial contributions divided equally on an annual basis between the Union and the Members other than the Union. If part of the contribution for administrative costs is not used, it may be made available to cover the operational costs of the BBI Joint Undertaking.
3. The operational costs of the BBI Joint Undertaking shall be covered through:
  - (a) a financial contribution by the Union;
  - (b) a financial contribution by the Members other than the Union;

- (c) in kind contributions by the Members other than the Union or their constituent entities consisting of the costs incurred by them in implementing indirect actions less the contribution of the BBI Joint Undertaking and any other Union contribution to those costs.
4. The financial contribution by the Members other than the Union to the operational costs referred to in paragraph 3(b) shall be at least EUR 182.50 million over the period provided for in Article 1 of this Regulation.
  5. The resources of the BBI Joint Undertaking entered to its budget shall be composed of the following contributions:
    - (a) Members' financial contributions to the administrative costs;
    - (b) Members' financial contributions to the operational costs;
    - (c) any revenue generated by the BBI Joint Undertaking;
    - (d) any other financial contributions, resources and revenues.
- Any interest yielded by the contributions paid to the BBI Joint Undertaking by its Members shall be considered to be its revenue.
6. All resources of the BBI Joint Undertaking and its activities shall be devoted to the objectives set out in Article 2 of this Regulation.
  7. The BBI Joint Undertaking shall own all assets generated by it or transferred to it for the fulfilment of its objectives set out in Article 2 of this Regulation
  8. Except when the BBI Joint Undertaking is wound up pursuant to clause 20, any excess revenue over expenditure shall not be paid to the Members of the BBI Joint Undertaking.

### 13 - Financial commitments

Financial commitments of the BBI Joint Undertaking shall not exceed the amount of financial resources available or committed to its budget by its Members.

### 14 - Financial year

The financial year shall run from 1 January to 31 December.

### 15 - Operational and financial planning

1. The Executive Director shall submit for adoption to the Governing Board a draft annual work plan, which shall include a detailed plan of the research and innovation activities, the administrative activities and the corresponding expenditure estimates for the coming year.

The draft work plan shall also include the estimated value of the contributions to be made in accordance with clause 12(3)(c).

2. The annual work plan for a particular year shall be adopted by the end of the previous year. The annual work plan shall be made publicly available.
3. The Executive Director shall prepare the draft annual budget for the following year and submit it to the Governing Board for adoption.
4. The annual budget for a particular year shall be adopted by the Governing Board by the end of the previous year.
5. The annual budget shall be adapted in order to take into account the amount of the Union contribution as set out in the Union budget.

#### 16 - Operational and financial reporting

1. The Executive Director shall report annually to the Governing Board on the performance of his duties in accordance with the Financial rules of the BBI Joint Undertaking.

By 15 February of each year the Executive Director shall submit to the Governing Board for approval an annual activity report on the progress made by the BBI Joint Undertaking in the previous calendar year, in particular in relation to the annual work plan for that year. That report shall include, *inter alia*, information on the following matters:

- (a) research, innovation and other actions carried out and the corresponding expenditure;
  - (b) the actions submitted, including a breakdown by participant type, including SMEs, and by country;
  - (c) the actions selected for funding, including a breakdown by participant type, including SMEs, and by country and indicating the contribution of the BBI Joint Undertaking to the individual participants and actions.
2. Once approved by the Governing Board, the annual activity report shall be made publicly available.
  3. The BBI Joint Undertaking shall report annually to the Commission in accordance with Article 60(5) of Regulation (EU, Euratom) No 966/2012.
  4. The accounts of the BBI Joint Undertaking shall be examined by an independent audit body as laid down in Article 60(5) of Regulation (EU, Euratom) No 966/2012.

The accounts of the BBI Joint Undertaking shall not be subject to examination by the Court of Auditors.

#### 17 - Internal audit



The Commission's internal auditor shall exercise the same powers over the BBI Joint Undertaking as those exercised in respect of the Commission.

#### 18 - Liability of Members and insurance

1. The financial liability of the Members for the debts of the BBI Joint Undertaking shall be limited to their contribution already made for the administrative costs.
2. The BBI Joint Undertaking shall take out and maintain appropriate insurance.

#### 19 - Conflict of interest

1. The BBI Joint Undertaking, its bodies and staff shall avoid any conflict of interest in the implementation of their activities.
2. The BBI Joint Undertaking Governing Board may adopt rules for the prevention and management of conflicts of interest in respect of its Members, bodies and staff. In those rules provision shall be made to avoid a conflict of interest for the representatives of the Members serving in the Governing Board.

#### 20 - Winding up

1. The BBI Joint Undertaking shall be wound up at the end of the period defined in Article 1 of this Regulation.
2. The winding up procedure shall be automatically triggered if the Commission or all private Members withdraw from the BBI Joint Undertaking.
3. For the purpose of conducting the proceedings to wind up the BBI Joint Undertaking, the Governing Board shall appoint one or more liquidators, who shall comply with the decisions of the Governing Board.
4. When the BBI Joint Undertaking is being wound up, its assets shall be used to cover its liabilities and the expenditure relating to its winding up. Any surplus shall be distributed among the Members at the time of the winding up in proportion to their financial contribution to the BBI Joint Undertaking. Any such surplus distributed to the Union shall be returned to the Union budget.
5. An ad hoc procedure shall be set up to ensure the appropriate management of any agreement concluded or decision adopted by the BBI Joint Undertaking as well as any procurement contract with duration longer than its duration.

## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Proposal for a Council Regulation on the Bio-based Industries Joint Undertaking

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>34</sup>

Policy area: Horizon 2020 - The Framework Programme for Research and Innovation

Activity: Societal challenges "Food security, sustainable agriculture, marine and marine research and the bioeconomy" and Industrial Leadership "Key Enabling Technologies (BIOKET)"

#### 1.3. Nature of the proposal/initiative

The proposal/initiative relates to a new action

The proposal/initiative relates to a new action following a pilot project/preparatory action<sup>35</sup>

The proposal/initiative relates to the extension of an existing action

The proposal/initiative relates to an action redirected towards a new action

#### 1.4. Objective(s)

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

To set up the BBI Joint Undertaking as a new scheme of Public Private Partnership between the Commission and the industry for research and innovation funding.

To organise the competitive calls for proposals, evaluation and selection of projects where industry will co-fund the selected collaborative research projects performed in a Member State or a country associated to the Horizon 2020, together with academic, SMEs, and other partners supported by the funds coming from the BBI Joint Undertaking;

##### 1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

(a) to demonstrate technologies that enable new chemical building blocks, new materials, and new consumer products from European biomass and which replace the need for fossil based inputs;

(b) to develop business models that integrate economic actors along the whole value chain from supply of biomass to biorefinery plants to consumers of bio-based materials, chemicals and fuels, including through creating new cross-sector interconnections and supporting cross-industry clusters; and

<sup>34</sup> ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

<sup>35</sup> As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

- (c) to set up flagship biorefinery plants that deploy the technologies and business models for bio-based materials, chemicals and fuels and demonstrate cost and performance improvements to levels that are competitive with fossil based alternatives.

*ABM/ABB activity(ies) concerned*

- (a) To monitor and follow-up the financial and scientific aspects of projects having concluded a grant agreement with the BBI Joint Undertaking.
- (b) To organise the calls for tender necessary to the operations of the BBI Joint Undertaking.
- (c) To set up and implement all procedures of the BBI Joint Undertaking.
- (d) To organise the dissemination activities of the BBI Joint Undertaking.
- (e) To organise any other activity linked to the BBI Joint Undertaking.

*1.4.3. Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

A significant increase in private research investment with:

- Five new building blocks for the chemical industry by 2020
- Fifty new biobased materials by 2020
- Five flagship biorefinery plants by 2020

A shorter time to market with:

- Thirty new consumer products by 2020
- Ten new bio-based value chains by 2020
- A broad participation of SMEs

*1.4.4. Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

A set of quantitative and qualitative performance indicators (KPI, key performance indicators) will be established to follow the implementation of the BBI Joint Undertaking. These key performance indicators will measure the impact of the Joint Undertaking on EU competitiveness and the research environment for biobased and renewable industries. The quantitative indicators will be measured on a large scale in a comparative and systematic manner, while the qualitative approach will include case studies and technical audits. The key performance indicators should be assessed against the baseline of the state of affairs in the years prior to the start of the Joint Undertaking to help assess additionality effects during its lifetime.

The progress of the Joint Undertaking will be continuously monitored against a set of objectively verifiable indicators including:

- monitoring of public (EC and other) and private funding;
- follow-up of additionality;
- selection of projects and allocation of funding;
- technical monitoring against well-defined specific programme milestones;
- adherence to time schedule;
- quantified monitoring of market penetration in target sectors;
- level of SME participation and of participation from the newer Member States;
- sustainability indicators.

At mid-term, the Joint Undertaking will be evaluated by independent experts on behalf of the Commission. This evaluation will cover the quality and efficiency of the Joint Undertaking and its progress towards its objectives and make recommendations for any necessary re-adjustment of the programme and if applicable, consideration of an exit strategy.

## **1.5. Grounds for the proposal/initiative**

### *1.5.1. Requirement(s) to be met in the short or long term*

To set-up the Joint Undertaking as a new structure of Partnership between the Commission and Industry for research and innovation funding.

To organise competitive calls for proposals, evaluation and selection of projects where industry will co-fund the selected collaborative research projects.

To monitor and follow up financial and scientific aspects of projects having concluded a grant agreement with BBI Joint Undertaking.

To set-up and implement all procedures of the BBI Joint Undertaking including financial auditing.

To organise the dissemination and communication activities of the BBI Joint Undertaking.

To organise any other activity linked to the BBI Joint Undertaking.

### *1.5.2. Added value of EU involvement*

A coordinated approach at EU level is also important for the development of bio-based industries, because the setting up of their value chains requires linking stakeholders in areas with strong agricultural and forestry sectors to stakeholders with a strong technological and industrial base. These may not be situated in the same Region or Member State, which can add further complications to an already complex scenario.

### *1.5.3. Lessons learned from similar experiences in the past*

A number of small scale initiatives by Member States or Regions have recognised that the successful development of the bioeconomy is highly dependent on effective transnational cooperation. This is reflected in a growing number of collaborations between national and

regional bioeconomy clusters, for example between IAR and Wagralim, or CLIB2021 and BE-BASIC. Although these collaborations between Regions and clusters look promising at first sight, they are also often affected by the differences in funding levels and financing rules.

#### *1.5.4. Compatibility and possible synergy with other appropriate instruments*

There may be compatibility in the orientations both in Horizon 2020 and in the Structural Funds, for supporting RTD activities -especially on innovation. The different new legal frameworks, programming mechanisms and approaches in terms of participation have to be considered. Synergies between funding actions in Horizon 2020 and funds of Member States and regions could be possible. Being the PPP a key enabler for bridging the Research and Innovation activities with the regional clusters organised under the Smart Specialisation Strategy it may be instrumental for facilitating combination of these sources of funding and increase efficiency of the action. Also synergies can be considered to access new financial instruments as the RSFF (Risk Sharing Funding Facility) of EIB, for the deployment.

## 1.6. Duration and financial impact

- Proposal/initiative of limited duration
- Proposal/initiative in effect from 01/01/2014 to 31/12/2024
- Financial impact from 01/01/2014 to 31/12/2020 for commitment appropriations
- Financial impact from 01/01/2014 to 31/12/2024 for payment appropriations
- Proposal/initiative of unlimited duration

Implementation with a start-up period from YYYY to YYYY,

Followed by full-scale operation.

## 1.7. Management mode(s) envisaged<sup>36</sup>

- Direct management by the Commission through:
  - Executive agencies
  - Shared management with Member States:
- Indirect management by entrusting budget implementation tasks to:
  - International organisations and their agencies (please specify);
  - The European Investment Bank;
  - bodies referred to in Article 209 FR;
  - Public law bodies;
  - Bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
  - Bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
  - Persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU and identified in the relevant basic act.

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<sup>36</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag\\_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

The BBI Joint Undertaking will be monitored through intermediary contacts and as provided in Clauses 6 and 16 of the Statutes.

### 2.2. Management and control system

#### 2.2.1. Internal control framework

The Commission through the Authorising Officer by Delegation will ensure that the rules applicable to the BBI JTI JU fully comply with the requirements of Article 60 and 61 of the Financial Regulation. Monitoring arrangements, including membership of the Governing board, of the BBI JTI JU and reporting arrangements will ensure that the Commission services can meet the accountability requirements both to the College and to the Budgetary Authority.

The internal control framework for the BBI JTI JU will be built on:

- the implementation of the Internal Control Standards offering at least equivalent guarantees to those of the Commission;
- procedures for selecting the best projects through independent evaluation, and for translating them into legal instruments;
- project and contract management throughout the lifetime of every project;
- ex-ante checks on 100% of claims, including receipt of audit certificates and ex-ante certification of cost methodologies;
- ex post audits on a sample of claims as part of the Horizon 2020 ex-post audits;
- and scientific evaluation of project results.

Various measures will be established to mitigate the inherent risk of conflict of interest within the BBI JTI JU, especially equal votes for the Commission and for industrial partners in the Governing Board, selection of the Director by the Governing Board based on a proposal by the Commission, independence of staff, evaluations by independent experts based on published selection criteria together with appeal mechanisms and full declarations of any interests. The establishment of ethical and organisational values will be one of the key roles of the JTI JU, and will be monitored by the Commission.

#### 2.2.2. Costs and benefits of controls

The Commission's internal auditor shall exercise the same powers over the Joint Undertaking as those exercised in respect of the Commission. Moreover, the Governing Board may arrange, as appropriate, for the establishment of an internal audit capability of the Joint Undertaking. The Executive Director of the BBI JTI JU, as Authorising Officer,

will be required to introduce a cost-effective system of internal control and management. He/she will be required to report to the Commission on the internal control framework adopted.

The Commission will monitor the risk of non-compliance through the reporting system that it will develop, as well as by following the results of ex post audits on the recipients of EU funds from the BBI JTI, as part of ex post audits covering the whole of the Horizon 2020.

The control system established will need to take account of the strong feeling, amongst the recipients of EU funds as well as amongst the legislative authority, that the control burden required to attain an error limit of 2% has become too great. This runs the risk of lowering the attractiveness of the Union's Research programme, and so negatively affecting Union research and innovation.

The European Council of February 4<sup>th</sup> 2011 concluded that 'it is crucial that EU instruments aimed at fostering R&D&I be simplified in order to facilitate their take-up by the best scientists and the most innovative companies, in particular by agreeing between the relevant institutions a new balance between trust and control and between risk taking and risk avoidance' (see EUCO 2/1/11 REV1, Brussels 8 March 2011).

The European Parliament, in its Resolution of 11 November 2010 (P7\_TA(2010)0401) on simplifying the implementation of the Research Framework Programmes explicitly supports a higher risk of errors for research funding and "expresses its concern that the current system and the practice of FP7 management are excessively control-oriented, thus leading to waste of resources, lower participation and less attractive research landscapes; notes with concern that the current management system of 'zero risk tolerance' seems to avoid, rather than to manage, risks".

There is therefore an acceptance among stakeholders and Institutions that the whole range of objectives and interests, especially the success of the Research policy, international competitiveness and scientific excellence, should be considered, along with the error rate. At the same time, there is a clear need to manage the budget in an efficient and effective manner, and to prevent fraud and waste.

As stated above, the Commission will monitor the risk of non-compliance through the reporting system that it will establish, as well as by following the results of ex post audits on the recipients of EU funds from the BBI JTI JU, as part of the ex post audits covering the whole of the Horizon 2020.

### 2.2.3. *Expected level of risk of non-compliance*

As the Commission reported in the Legislative Financial Statement for Horizon 2020, it remains the ultimate objective to achieve a residual error rate of less than 2% of total expenditure over the lifetime of the programme, and to that end, it has introduced a number of simplification measures. However, the other objectives set out above as well as the costs of controls need to be considered.

As the rules of participation in the BBI JTI JU are basically the same as those that the Commission will use, and with a population of beneficiaries with a similar risk profile to those of the Commission, it can be expected that the level of error will be similar to that established by the Commission for Horizon 2020, i.e. to give reasonable assurance that the risk of error over the course of the multiannual expenditure period is, on an annual basis, within a range of 2-5 %, with the ultimate aim to achieve a residual level of error as close



as possible to 2 % at the closure of the multi-annual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.

See the Legislative Financial Statement for Horizon 2020 for full details of the error rate expected with respect to participants.

### **2.3. Measures to prevent fraud and irregularities**

The Commission will ensure that procedures to fight against fraud at all stages of the management process are applied by the BBI JTI JU. The proposals for Horizon 2020 have been subject to fraud proofing and an assessment of their impact. Overall the measures proposed should have a positive impact on the fight against fraud, especially the greater emphasis on risk based audit and reinforced scientific evaluation and control.

The Commission will ensure that appropriate measures are in place to ensure that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and deterrent penalties.

The Commission will ensure that cooperation with its services from the BBI JTI JU in matters relating to fraud and irregularity will and be strong.

The Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds under the Programme.

The European Anti-fraud Office (OLAF) may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Regulation (Euratom, EC) No 2185/96 with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract concerning Union funding.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- New budget lines requested

*In order of multiannual financial framework headings and budget lines.*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 1A – Competitiveness for growth and jobs	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
1A	08 02 07 32 - Societal challenges – JTI BBI	Diff.	YES	YES	YES	YES

The annual budget of Bio-Based Industries JU commitment and payment appropriations is financed by:

- 08.020201 Leadership in nanotechnologies, advanced materials, biotechnology and advanced manufacturing and processing: 15%

- 08.020302 Improving food security, developing sustainable agriculture, marine and maritime research and the bio-economy: 85%

The yearly financial contribution per budget line is indicated in the table below.

EUR million (to three decimal places)

Budget line	2014	2015	2016	2017	2018	2019	2020	total
08.020201 Leadership in nanotechnologies, advanced materials, biotechnology and advanced manufacturing and processing	7,793	30,314	24,411	20,768	21,318	21,529	23,867	150,000
08.020302 Improving food security, developing sustainable agriculture, marine and maritime research and the bio-economy	44,162	171,782	138,332	117,685	120,803	121,998	135,238	850,000

Total	51,955	202,096	162,743	138,453	142,121	143,527	159,105	1.000,000
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### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

Heading of multiannual financial Framework:	1A	Heading 1A – Competitiveness for growth and jobs Budget line: 08 02 07 32 – Societal challenges – JTI BBI
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EUR million (to three decimal places)

		Year	Year	Year	Year	Year	Year	Year	Year	Year	TOTAL
		2014	2015	2016	2017	2018	2019	2020	2021 to 2024		
BBi Joint Undertaking											
	Commitments	(1)	0,498	0,651	0,664	0,678	0,691	0,705	3,745	0	7,632
	Payments	(2)	0,498	0,651	0,664	0,678	0,691	0,705	0,719	3,026	7,632
Title 1 - Staff expenditure	Commitments	(1a)	1,457	1,445	1,579	1,775	1,930	1,822	2,36	0	12,368
	Payments	(2a)	1,457	1,445	1,579	1,775	1,930	1,822	1,292	1,068	12,368
Title 3 - Operational expenditure	Commitments	(3a)	50,000	200,000	160,500	136,000	139,500	141,000	153,000	0	980,000
	Payments	(3b)	0	130,000	94,660	95,680	106,996	119,776	216,444	216,444	980,000
TOTAL appropriations for BBi Joint Undertaking	Commitments	=1+1a+3a	51,955	202,096	162,743	138,453	142,121	143,527	159,105	0	1.000,000
	Payments	=2+2a+3b	1,955	132,096	96,903	98,133	109,617	122,303	218,455	220,538	1.000,000

Bio-Based Industries Joint Undertaking is based on a shared costs basis with industry.

<b>Heading of multiannual financial framework:</b>	<b>1A</b>	<b>Administrative expenditure</b>
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	Year	2014	Year	2015	2016	Year	2017	Year	2018	Year	2019	Year	2020	Years	2021-2024	TOTAL
DG: RTD																
• Human resources	0,393	0,400	0,408	0,417	0,425	0,433	0,441	p.m.	2,917							
• Other administrative expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL DG RTD</b>	0,393	0,400	0,408	0,417	0,425	0,433	0,441	p.m.	2,917							

<b>TOTAL appropriations under HEADING 1A of the multiannual financial framework</b>	<b>0,393</b>	<b>0,400</b>	<b>0,408</b>	<b>0,417</b>	<b>0,425</b>	<b>0,433</b>	<b>0,441</b>	<b>p.m.</b>	<b>2,917</b>
	(Total commitments = Total payments)								

	Year	2014	Year	2015	2016	Year	2017	Year	2018	Year	2019	Year	2020	Years	2021-2024	TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	52,348	202,496	163,151	138,870	142,546	143,960	159,546	1.002,917								
	2,348	132,496	97,311	98,550	110,042	122,736	218,896	1.002,917								
														220,538	1.002,917	

3.2.2. *Estimated impact on BBI Joint Undertaking's appropriations*

The proposal/initiative does not require the use of operational appropriations

The proposal/initiative requires the use of operational appropriations, as described below:

Indicate objectives and outputs ↓	Year 2014		Year 2015		Year 2016		Year 2017		Year 2018		Year 2019		Year 2020-2024		total		
	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	
<b>SPECIFIC OBJECTIVE NO 1</b> <sup>38</sup> To up-scale and validate at demonstration scale entirely new building blocks for the chemical industry																	
- Output Five new building blocks for the chemical industry		22,000		75,000		57,500		52,000		50,000		50,000		83,000			389,500
Subtotal for specific objective N°1																	389,500

<sup>37</sup>

Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

<sup>38</sup> As described in point 1.4.2. 'Specific objective(s)...

		22,000	75,000	57,500	52,000	50,000	50,000	83,000	
<b>SPECIFIC OBJECTIVE No 2</b>									
To develop new bio-based materials									
- Output Fifty new biobased materials	Materials	2,500		36,500	24,000	27,000	29,500	36,000	197,000
Subtotal for specific objective No 2		9,000	35,000	36,500	24,000	27,000	29,500	36,000	197,000
<b>SPECIFIC OBJECTIVE NO 3</b>									
To present new close to the market consumer products									
- Output Thirty new consumer products	Products	2,500		21,500	15,500	17,500	19,000	31,500	136,500
Subtotal for specific objective No 3		10,000	21,500	21,500	15,500	17,500	19,000	31,500	136,500
<b>SPECIFIC OBJECTIVE NO 4</b>									
To set up flagship biorefineries									
- Output Five flagship biorefinery plants	refineries	2,500		47,000	51,000	53,000	51,000	65,000	356,000
Subtotal for specific objective No 4		19,000	70,000	47,000	51,000	53,000	51,000	65,000	356,000

**SPECIFIC OBJECTIVE NO 5**  
To establish new bio-based value chains

- Output Ten new bio-based value chains	Bio based Value chains	4,000	7,500	16,000	15,500	11,000	9,500	9,000	15,000	83,500
Subtotal for specific objective No 5			7,500	16,000	15,500	11,000	9,500	9,000	15,000	83,500

<b>TOTAL COST</b>	<b>67,500</b>	<b>217,500</b>	<b>178,000</b>	<b>153,500</b>	<b>157,000</b>	<b>158,500</b>	<b>230,500</b>	<b>1.162,500</b>
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EU contribution to operational costs amounts to EUR 980 millions.



### 3.2.3. Estimated impact on human resources

#### 3.2.3.1. Summary of the BBI Joint Undertaking

The proposal/initiative does not require the use of appropriations of an administrative nature

The proposal/initiative requires the use of appropriations of an administrative nature, as described below:

Staffing numbers (in FTE)<sup>39</sup>

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024*
Officials (AD Grades)	2	2	2	2	2	2	2	2	2	2	2
Officials (AST Grades)	2	2	2	2	2	2	2	2	2	2	2
Contract agents	12	18	18	18	18	18	18	18	18	18	18
Temporary agents											
Seconded National Experts											
<b>TOTAL</b>	16	22	22	22	22	22	22	22	22	22	22

\*In case of no renewal of the JTI, the staff numbers will be decreased accordingly during the phasing out period (after 2020) taking into account the financial commitments. This

<sup>39</sup>

In the case of PPP bodies under Article 209 FR, this table is included for information purposes.

table represents the maximum scenario.

EUR million (to three decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
<b>Officials (AD Grades)</b>	0.216	0.220	0.224	0.229	0.233	0.238	0.243	0.247	0.252	0.257	0.263
Officials (AST Grades)	0.216	0.220	0.224	0.229	0.233	0.238	0.243	0.247	0.252	0.257	0.263
Contract agents	0.564	0.863	0.880	0.898	0.916	0.934	0.953	0.972	0.991	1.011	1.031
Temporary agents											
Seconded National Experts											
<b>TOTAL</b>	0.996	1.303	1.328	1.356	1.382	1.410	1.439	1.466	1.495	1.525	1.557

### 3.2.3.2. Estimated requirements of human resources for the parent DG (DG RTD)

- The proposal/initiative does not require the use of human resources.

X The proposal/initiative requires the use of human resources, as described below:

*Estimate to be expressed in numbers*

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020*
<b>• Establishment plan posts (officials and temporary staff)</b>							
XX 01 01 01 (Headquarters and Commission's Representation Offices)							
XX 01 01 02 (Delegations)							
08 01 05 01 (Indirect research)	3	3	3	3	3	3	3
10 01 05 01 (Direct research)							
<b>• External staff (in Full Time Equivalent: FTE)<sup>40</sup></b>							
XX 01 02 01 (CA, SNE, INT from the 'global envelope')							
XX 01 02 02 (CA, LA, SNE, INT and JED in the delegations)							
<b>XX 01 04 yy<sup>41</sup></b>	- at Headquarters <sup>42</sup>						
	- in delegations						
XX 01 05 02 (CA, SNE, INT - Indirect research)							
10 01 05 02 (CA, SNE, INT- Direct research)							
Other budget lines (specify)							
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**\* The staff number for the period after 2020 will be decided at the later stage.**

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

<sup>40</sup> CA= Contract Agent; LA = Local Agent; SNE = Seconded National Expert; INT= agency staff ('Intérimaire').

<sup>41</sup> Sub-ceiling for external staff covered by operational appropriations (former "BA" lines).

<sup>42</sup> Mainly for the Structural Funds, the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).

Officials and temporary staff	As described in the Statutes of the BBI Joint Undertaking , Clauses 4 and 6
External staff	Not applicable

Description of the calculation of cost for FTE equivalent should be included in the Annex, section 3.

Estimated requirements of human resources for the BBI JU<sup>43</sup>

The proposal/initiative does not require the use of human resources.

The proposal/initiative requires the use of human resources, as described below:

a. Estimated requirements of human resources to be financed from appropriations under 2014-2020 Multiannual Financial Framework

*Estimate to be expressed in numbers*

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020*
<b>• Establishment plan posts (temporary staff)</b>							
08 02 07 32 – Societal challenges – JTI BBI							
Officials (AD grades)	2	2	2	2	2	2	2
Officials (AST grades)	2	2	2	2	2	2	2
<b>• External staff (in Full Time Equivalent: FTE)<sup>44</sup></b>							
08 02 07 32 – Societal challenges – JTI BBI							
TA							
CA	12	18	18	18	18	18	18
SNE							
INT							
<b>TOTAL</b>	<b>16</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>

\* for 2021-2024, please refer to table 3.2.3.1

<sup>43</sup> In the case of PPP bodies under Article 209 FR, this section is included for information purposes.

<sup>44</sup> CA = Contract Agent; LA = Local Agent; SNE = Seconded National Expert; INT = agency staff ('Intérimaire').

Description of tasks to be carried out:

Officials and temporary staff	As described in the Statutes of the BBI Joint Undertaking , Clauses 4 and 6
External staff	As described in the Statutes of the BBI Joint Undertaking , Clauses 4 and 6

Description of the calculation of cost for FTE equivalent should be included in the Annex, section 3.

### 3.2.4. *Compatibility with the current multiannual financial framework*

Proposal/initiative is compatible the current multiannual financial framework (MFF 2014-2020).

Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>45</sup>.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

### 3.2.5. *Third-party contributions*

The proposal/initiative does not provide for co-financing by third parties.

The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020 - 2024	Total
Specify the co-financing body – contribution in cash to the administrative costs	1,955	2,096	2,243	2,453	2,621	2,527	6,105	20,000

<sup>45</sup> See points 19 and 24 of the Interinstitutional Agreement.

Specify the co-financing body – contribution in cash to the operational costs*	17,500	17,500	17,500	17,500	17,500	17,500	77,500	182,500
TOTAL appropriations cofinanced	19,455	19,596	19,743	19,953	20,121	20,027	83,605	202,500

The contributions in cash will include a minimum of EUR 182.5 million from Industry for the operational costs.

The total contribution from members other than the Union are laid down by Article 4 of the Council Regulation of the BBI Joint Undertaking

### 3.3. Estimated impact on revenue

X Proposal/initiative has no financial impact on revenue.