



**COUNCIL OF
THE EUROPEAN UNION**

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PROPOSAL

from:	European Commission
dated:	21 December 2011
No Cion doc.:	COM(2011) 931 final
Subject:	Proposal for a Council Decision on the adoption of a supplementary Research Programme for the ITER project (2014-2018)

Delegations will find attached a proposal from the Commission, submitted under a covering letter from Mr Jordi AYET PUIGARNAU, Director, to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

Encl.: COM(2011) 931 final



EUROPEAN COMMISSION

Brussels, 21.12.2011
COM(2011) 931 final

2011/0460 (NLE)

Proposal for a

COUNCIL DECISION

**on the adoption of a Supplementary Research Programme
for the ITER project (2014-2018)**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The purpose of the annexed proposal for a Council Decision is to define the funding arrangement for the EU contribution to the ITER project for the period 2014-2018 through a "Supplementary Research Programme" under the Euratom Treaty.

The main purpose of the ITER project¹ is to build and operate an experimental fusion reactor. ITER is a major step towards the demonstration of fusion as a sustainable energy source. Due to its important advantages, such as the availability of large fuel reserves and the lack of CO₂ emissions, fusion could greatly contribute to the long-term EU energy strategy. Furthermore, fusion has inherent safety features that set it apart from traditional nuclear power. ITER is part of the Strategic Energy Technology (SET) Plan and will contribute to the Europe 2020 strategy, as the involvement of European high tech industry should provide the EU with a global competitive advantage in this promising sector.

The ITER project is conducted under the terms of the international Agreement on the Establishment of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project (the "ITER Agreement")² between the European Atomic Energy Community ("Euratom") and 6 other Parties: China, India, Japan, Korea, Russia, and the USA. This legally binding agreement established the ITER Organization with full international legal personality, as the body responsible for the joint implementation of the ITER project. The Commission represents Euratom in the different ITER instances, in particular the ITER Council, the project's major governing body.

In the framework of the negotiations to obtain the support of the other ITER parties to fix the site for ITER in Europe, Euratom and Japan concluded a bilateral agreement setting out complementary joint fusion research activities, called Broader Approach activities³.

As Host Party and bearing the largest share of the contributions to the construction phase (5/11, or roughly 45% of the total), Euratom has special responsibilities and obligations, including the impossibility to withdraw unilaterally from the ITER Agreement.

The EU contribution to the ITER project is managed through the European Joint Undertaking for ITER and the Development of Fusion Energy ("Fusion for Energy"), established by Council Decision on 27 March 2007⁴. The Members of Fusion for Energy (Euratom, the 27 Member States and Switzerland) are all represented in its Governing Board. The EU contribution to the ITER project consists mainly of major systems and components procured by Fusion for Energy and provided "in kind" to the ITER Organization during the construction phase. The European Parliament is responsible for giving the budgetary discharge to Fusion for Energy.

¹ Originally denoted as the International Thermonuclear Experimental Reactor

² OJ L 358, 16.12.2006, p.62

³ OJ L 246, 21.09.2007, p.34

⁴ OJ L 90, 30.03.2007, p.58

An important feature of the construction of ITER is the extreme technical challenge. With its unprecedented scale and complexity, it represents a major undertaking with contributions in civil, mechanical, electrical and nuclear engineering.

ITER shares some features with other large scale projects of interest to the EU: they can be disproportionately expensive in relation to the small EU budget and they tend to overrun initial cost projections. The subsequent need to find additional funds leads either to redeploy funds that had already been earmarked for other priorities or to challenge the limits established by the Multi-annual Financial Framework (MFF). These consequences have also been questioned by the European Parliament. In addition, the redeployments can only be decided upon after a long and complex inter-institutional process that generates risks for the fulfilment of the commitments adopted by the EU at international level.

This is not a sustainable model: a different approach is needed, one that provides long-term certainty to this challenging project. For this reason, through its Communication of 29 June 2011 "A Budget for Europe 2020"⁵, the Commission proposed to fund the EU contribution to the ITER project outside the Multi-annual Financial Framework (MFF) after 2013. It is therefore proposed to set up a Supplementary Research Programme under the Euratom Treaty for the EU contribution to the ITER project for the period 2014-2018.

It must be noted that the Euratom Treaty limits the duration of Research Programmes to a maximum of five years. According to the ITER Agreement, the ITER project will have an initial duration of 35 years (i.e. until 2041); thus, subsequent Council decisions will be needed to continue to fund the EU contribution to this project.

2. SCOPE OF THE PROPOSAL

The proposed Supplementary Research Programme covers the contributions to the construction of the ITER facility, procurement of equipment and installations and general technical and administrative support for the project during construction, and participation in commissioning and initial operation, as well as other ITER related activities, such as those under the Broader Approach Agreement.

Euratom will continue to participate in the governance, management and staffing of the ITER Organization and Fusion for Energy in accordance with the provisions of the agreement establishing the ITER Organization and the Council Decision establishing Fusion for Energy.

3. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

This proposal takes full account of the responses to an extensive public consultation based on the Green Paper 'From Challenges to Opportunities: Towards a Common Strategic Framework for EU research and innovation funding'⁶, within the preparation of the Euratom Research and Training Programme (2014-2018) contributing to the "Horizon 2020" Framework programme for Research and Innovation.

⁵ COM (2011) 500 final of 29.06.2011

⁶ COM (2011) 48

ITER was included in this consultation and in the internal and external evaluations for the drafting of the impact assessment. This impact assessment concluded that the benefits of ITER, which balance scientific, technical and financial risks, are, in the long term, the commercial exploitation of fusion energy and, in the near term, the competitiveness benefits to industry.

On the basis of the Communication of 29 June 2011, several options for the modalities of funding the ITER project outside the MFF have been examined. The creation of a Supplementary Research Programme funded with contributions from Member States will provide continuity for the project, in particular vis-à-vis our international partners. It will also avoid a renegotiation process to modify the ITER Agreement, a complex process surrounded by uncertainties.

4. LEGAL ELEMENTS OF THE PROPOSAL

The legal basis for the Supplementary Research Programme is provided for by Article 7 of the Euratom Treaty. The Supplementary Research Programme, with a duration of 5 years, will be adopted through a specific Council Decision.

5. BUDGETARY IMPLICATION

The 'legislative financial statement' attached to this proposal for a Council Decision sets out the budgetary implications and the human and administrative resources needed for the implementation of the Supplementary Research Programme.

Proposal for a

COUNCIL DECISION

**on the adoption of a Supplementary Research Programme
for the ITER project (2014-2018)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 7 thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament⁷,

Having regard to the opinion of the European Economic and Social Committee⁸,

Whereas:

- (1) The Agreement on the Establishment of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project⁹ (hereinafter the "ITER Agreement") was signed on 21 November 2006 by the European Atomic Energy Community (Euratom), the People's Republic of China, the Republic of India, Japan, the Republic of Korea, the Russian Federation and the United States of America. The ITER Agreement establishes the ITER International Fusion Energy Organization (hereinafter the "ITER Organization"), which has full responsibility for constructing, operating, exploiting and de-activating the ITER facilities.
- (2) The ITER Agreement requires all parties to provide contributions to the ITER Organization through appropriate legal entities referred to as "Domestic Agencies". The European Domestic Agency to discharge Euratom obligations to the ITER Organization has been established by Council Decision 2007/198/Euratom of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it¹⁰.
- (3) In the framework of the negotiations to obtain the support of the other ITER parties to fix the site for ITER in Europe, the Agreement between the European Atomic Energy Community and the Government of Japan for the Joint Implementation of the Broader Approach Activities in the Field of Fusion Energy Research¹¹ was concluded in 2007 setting out complementary joint fusion research activities in the territory of Japan to ensure the

⁷ OJ C , , p. .

⁸ OJ C , , p. .

⁹ OJ L 358, 16.12.2006, p. 62.

¹⁰ OJ L 90, 30.03.2007, p. 58.

¹¹ OJ L 246, 21.09.2007, p 34.

rapid start-up of high performance operation of ITER. The Broader Approach activities and other ITER related activities are channelled through the European Joint Undertaking for ITER and the Development of Fusion Energy. The funding of the Broader Approach activities is mainly ensured by in kind contributions from some members of the European Joint Undertaking for ITER and the Development of Fusion Energy, while the remaining part of the Euratom contribution is covered by the Euratom budget.

- (4) The estimated costs for ITER construction increased compared to the initial estimates of 2001, on which the ITER Agreement was based. In its conclusions of 12 July 2010 on ITER status and possible way forward, the Council of the European Union limited the European contribution to the ITER construction phase to an amount of EUR 6.6 billion in 2008 value. According to those conclusions, the European contribution is funded by Euratom (80%) and by France (20%) and includes construction costs, running costs and contingencies. As a result of those conclusions, the Commission proposed to amend the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the multiannual framework¹² (MFF) for the period 2007-2013 to provide additional funds for ITER for the period of 2012-2013.
- (5) For the period after 2013 the Commission in its communication "A Budget for Europe 2020"¹³ proposed to fund the ITER project outside the MFF. Therefore a Supplementary Research Programme for the ITER project should be established for the period of 2014 to 2018.
- (6) The Supplementary Research Programme for the ITER project should be funded by contributions from the Member States based on a call rate applied to each Member State's Gross National Income (GNI) as defined for the purpose of calculating the GNI own resource contribution to the General Budget of the European Union. Those contributions shall be made to the General Budget of the European Union, and shall be assigned to that Programme. Third countries which have concluded a cooperation agreement with Euratom in the field of controlled nuclear fusion that associates their respective research programmes with the Euratom programmes should also be able to contribute to that Programme.
- (7) The financial interests of the Union 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, penalties.
- (8) The Scientific and Technical Committee provided to the Commission its opinion concerning the Euratom Research and Training Programme (2014-2018) contributing to the "Horizon 2020" Framework Programme for Research and Innovation. The scientific and technical content of ITER activities are unchanged in this Supplementary Research Programme.

HAS ADOPTED THIS DECISION:

Article 1

The Supplementary Research Programme for the ITER project is established for the period from 1 January 2014 to 31 December 2018 (hereinafter the "Programme"). It shall finance activities

¹² OJ C 139, 14.6.2006, p.1.

¹³ COM (2011) 500 final.

necessary to provide the European Atomic Energy Community (Euratom) contribution to the ITER Organization, including those activities necessary for constructing, operating and exploiting the ITER facilities as well as ITER related activities. The scientific and technological objective, rationale and activities of the Programme are set out in the Annex.

Article 2

The Programme shall be financed through a maximum contribution of EUR 2,573 million (in current values) according to Article 3.

Article 3

The Programme shall be funded by contributions of the Member States, based on a call rate applied to each Member State's Gross National Income (GNI) as defined for the purposes of calculating GNI own resource contribution to the General Budget of the European Union. Those contributions shall be considered as external assigned revenue for the Programme in accordance with [Article XX of Regulation (EU) No XX/2012 of the European Parliament and the Council [*New Financial Regulation*]¹⁴ .

Article 4

Third countries which have concluded a cooperation agreement with Euratom in the field of controlled nuclear fusion that associates their respective research programmes with the Euratom programmes (hereinafter "associated countries") may also contribute to the Programme.

The contribution of associated countries shall be determined in the respective cooperation agreement with Euratom in the field of controlled nuclear fusion.

Article 5

The Programme shall be implemented by the Commission in accordance with Regulation (EU) No XXXX/2012 [*New Financial Regulation*].

The Commission may entrust the implementation to the European Joint Undertaking for ITER and the Development of Fusion Energy¹⁵ in accordance with [Article XX of Regulation (EU) No XXXX/2012 of the European Parliament and the Council [*New Financial Regulation*].

Article 6

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Decision 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, where irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and deterrent penalties.

¹⁴ OJ L

¹⁵ Council Decision 2007/198/Euratom of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy (the Joint Undertaking) and conferring advantages upon it

2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot checks and inspections, over all grant beneficiaries, contractors, subcontractors and other third parties who have received Union funds under this Decision.

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 Council 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.

Without prejudice to the first and second subparagraphs, cooperation agreements with third countries and international organisations, grant agreements, grant decisions and contracts resulting from the implementation of this Decision shall expressly empower the Commission, the Court of Auditors and the OLAF to conduct audits, on-the-spot checks and inspections.

Article 7

This Decision shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

Article 7

This Decision is addressed to the Member States.

Done at Brussels,

*For the Council
The President*

ANNEX

SCIENTIFIC AND TECHNOLOGICAL OBJECTIVE, RATIONALE AND ACTIVITIES OF THE SUPPLEMENTARY RESEARCH PROGRAMME FOR THE ITER PROJECT

SCIENTIFIC AND TECHNOLOGICAL OBJECTIVE

The objective of the Supplementary Research Programme for the ITER project shall be to implement ITER as a major step towards the creation of prototype reactors for fusion power stations that are safe, sustainable, environmentally responsible, and economically viable.

The first priority of the strategy to achieve the objective shall be the construction of ITER (a major experimental facility which demonstrates the scientific and technical feasibility of fusion power), followed by the construction of a demonstration fusion power plant.

RATIONALE

Fusion has the potential to make a major contribution to the realisation of a sustainable and secure energy supply for the Union a few decades from now. Its successful development would provide energy which is safe, sustainable and environmentally friendly.

The global dimension of fusion R&D is embodied in the agreement establishing the International Fusion Energy Organisation for the ITER Project and in the Agreement between the Government of Japan and Euratom for the Broader Approach Activities in the Field of Fusion Energy Research, which are complementary to the ITER activities.

ACTIVITIES

The Supplementary Research Programme for the ITER project will provide the Euratom contribution to activities of the European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy), as set out in the Council Decision of 27 March 2007 (2007/198/Euratom).

The activities of Fusion for Energy, for the period 2014 – 2018, shall be as follow:

- (a) To provide the Euratom contribution to the ITER International Fusion Energy Organisation, including those R&D activities necessary for developing the basis for the procurement of the ITER components and the procurement of the ITER Test Blanket Modules;
- (b) To provide the Euratom contribution to Broader Approach Activities with Japan;
- (c) As appropriate, other activities in order to prepare the basis for the design of a demonstration reactor and related facilities.

The functioning of Fusion for Energy, its management and staffing as well as the general technical and administrative support are also covered by the Supplementary Research Programme for the ITER project.

The detailed work programmes implementing the above activities will be decided, on an annual basis, by the Fusion for Energy Governing Board.

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Council Decision on the adoption of a Supplementary Research Programme for ITER (2014-2018)

1.2. Policy area(s) concerned in the ABM/ABB structure¹⁶

- XX XX ITER

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**¹⁷
- 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. Objectives

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

The Supplementary Research Programme for ITER ("the Programme") shall have the general objective of contributing to the long-term decarbonisation of the energy system in a safe, efficient and secure way. The Programme will contribute to the Europe 2020 strategy and to the 'Innovation Union' flagship by supporting the mobilisation of European high-tech industries which will gain new skills and manufacturing capabilities through participation in Fusion for Energy (F4E) procurement contracts.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned for indirect actions*

To provide the Euratom contribution to the ITER Organization, for the construction, operation and exploitation of the ITER facilities, as well as for ITER related activities.

¹⁶ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
¹⁷ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

ABM/ABB activity(ies) concerned:

1.4.3. *Specific objective(s) and ABM/ABB activity(ies) concerned for JRC Direct Actions*

NA

1.4.4. *Expected result(s) and impact*

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

The Supplementary Research Programme will result in Europe making its contributions to the successful construction of the ITER device within the framework of an international collaboration. Since Europe is making the largest contribution to the project (45% of the construction costs) the impacts of the Programme will be greatest in Europe. These impacts will be both near term (competitiveness benefits to European industry) and long term (a leading role for Europe in the commercial exploitation of fusion energy).

The project is already having a positive impact on industrial competitiveness and job creation due to the nature of the ITER activities (procurement of high tech components or buildings), which require industrial contributions in civil, mechanical, electrical, materials and nuclear engineering combined in unprecedented conditions. More than three quarters of the overall Community contribution to ITER will result in contracts with private companies. The creation of new jobs in Europe directly due to ITER activities will be significant because a large fraction of the expenditure is for R&D and engineering tasks which are more labour intensive than conventional manufacturing.

In the long term ITER presents a unique opportunity for European high tech industry and construction companies to establish a global competitive advantage and become a leading actor in the design of the first generation of fusion power plants and the subsequent international commercialisation.

1.4.5. *Indicators of results and impact*

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

The indicators which will measure progress in the European contributions to ITER construction will be the achievement of milestones by F4E, the European Joint Undertaking with the task of procuring components and providing them as "in kind" contributions to ITER during the construction phase of the project.

F4E has identified in its project plan major milestones covering all its procurement activities during ITER construction. The overall planning and annual Work Programme of F4E specify the timetable for the achievement of these milestones, and regular reports to its governance body (the Governing Board) and the EU Council provide information on progress.

1.5. Grounds for the proposal/initiative

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

Through its Communication of 29 June 2011 “A Budget for Europe 2020”, the Commission proposed to fund the EU contribution to the ITER project outside the Multi-annual Financial Framework (MFF) after 2013. This Supplementary Research Programme will implement this proposal.

1.5.2. Added value of EU involvement

The risk, costs, and long-term nature of a project such as ITER puts it beyond the reach of individual Member States and even of the EU as such. Thus, the establishment of a global framework has been deemed necessary to undertake this project. In order to take part to this international endeavor, action at European level shares risk and generates a breadth of scope and economies of scale that could not otherwise be achieved.

1.5.3. Lessons learned from similar experiences in the past

The Joint European Torus (JET) project has demonstrated that building and operating a large fusion research infrastructure under the coordination of Euratom is efficient and maximises the scientific and industrial benefits. However, the scale required for the construction of ITER is unprecedented and requires a collaboration at global level for which there is no example to be found in the past.

1.5.4. Coherence and possible synergy with other relevant instruments

The Programme will establish synergies and complementarities with fusion research activities and in the future Euratom research programme complementing Horizon 2020 (2014-2018). In particular, actions to be undertaken in this framework will provide important scientific contribution to the construction and operation of ITER and constitute important risk-mitigation measures. The results of fusion research activities under the Euratom research Framework Programme for 2012-2013 will also make an important contribution to activities under the Programme.

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

– Proposal/initiative in effect from 01/01/2014 to 31/12/2018

– Financial impact from 2014 to 2026

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) envisaged¹⁸

Centralised direct management by the Commission

Centralised indirect management with the delegation of implementation tasks to:

- executive agencies
- bodies set up by the Communities¹⁹
- national public-sector bodies/bodies with public-service mission
- persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

Shared management with the Member States

Decentralised management with third countries

Joint management with international organisations *(to be specified)*

If more than one management mode is indicated, please provide details in the 'Comments' section.

Comments:

Management will be through the services of the Commission and through the European Joint Undertaking for ITER and the Development of Fusion Energy ("Fusion for Energy" – F4E). The Commission represents Euratom in the high level instances of both the ITER Organization (IO) and F4E.

2. MANAGEMENT MEASURES

The Programme will be implemented through F4E, which channels the Euratom contribution to the ITER Project and the Euratom contribution to other activities related to ITER, such as the Broader Approach activities with Japan.

The Commission participates in the decision-making bodies of F4E and of the ITER Organization.

At the international level the Commission represents Euratom in the decision-making body of IO, the ITER Council, and participates in the Scientific and Technical Advisory Committee (STAC) and in the Management Advisory Committee of the ITER Council (MAC).

As regards F4E's governance and management, the Commission is a member of Fusion for Energy and participates, on behalf of Euratom, in the bodies governing this Joint

¹⁸ 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

¹⁹ As referred to in Article 185 of the Financial Regulation.

Undertaking, i.e. the Governing Board, the Executive Committee, the Technical Advisory Panel, the Administration and Finance Committee and the “Bureau”.

2.1. Monitoring and reporting rules

A monitoring system is in place to ensure the highest quality outputs and most efficient use of resources. Monitoring and reporting are based on the management and reporting rules that are applied by F4E and the IO, which require the approval of all key documents by the governance bodies. Through these bodies, the Commission monitors and revises the documents governing the activities to implement the ITER Project, such as the Work Programmes, Annual activity report, the Project Plans, the Resources Estimates Plans, the Staff Policy Plans, the Budgets, the Accounts, etc..

F4E is setting up a project management and reporting process, fully integrating various aspects of the reporting system to the GB.

Every year and in line with the Council conclusions of 12 July 2010 (Draft 11902/10 RECH 255 ATO 38 BUDGET 45; adoption 11821/10 ADD 1), F4E reports to the Council on the progress achieved in implementing the cost containment and savings plan as well as on the performance and management of the Joint Undertaking and the ITER project, including the fulfillment of the schedule activities within its annual budget.

In response of these Council conclusions, Fusion for Energy has appointed an independent expert who will assess the project progress on the basis of existing reports and will submit its opinion of the F4E GB and to the Competitiveness Council once a year.

In addition, F4E and the Commission have signed an Administrative Agreement which defines the modalities and conditions applicable to the transfer by the Commission of the Community financial contribution to F4E.

2.2. Management and control system

The Commission participates in the decision-making bodies of the IO and also in the governing bodies of F4E.

At the level of the Commission, the services of the DG in charge of the Joint Undertaking will follow and revise all initiatives needed to implement efficiently the ITER project, in particular those of a financial nature.

Also, the Commission's Internal Audit Service (IAS) will act as Internal Auditor of F4E as from 2012, under the modalities agreed between the Directorate General of the IAS and F4E.

Also, the European Anti-Fraud Office (OLAF) enjoys the same powers with respect to F4E and its staff as it enjoys in respect of Commission departments.

As regards the governance of Fusion for Energy, at the end of May 2011, F4E's GB at the initiative of the Commission adopted a set of measures to improve the governance and management of F4E. These set of measures included the establishment of the AFC to provide comments and recommendations to the GB on administrative and financial

matters; a “Bureau” that prepares the work and decisions of the GB and the revision of the role of the ExCo that will focus on the F4E’s upstream procurement activities.

In addition, a newly appointed Director has put in place as from the 1st of January 2011, a new organisational structure to have a more project-oriented organisation with on a strong financial service.

F4E's Financial Regulation is similar to the Commission's Financial Regulation, including public procurement procedures equivalent to the Commission's standards. F4E's contracts, in line with its Financial Regulation, include the necessary provisions for supervision and control of the use of F4E's budget. Following opinions of the Court of Auditors, F4E has revised its Financial Regulation to take into account the main recommendations from the Court.

F4E is accountable to its GB and the European Parliament, the latter providing the annual discharge for the budget, based on a recommendation by the Council. In addition, F4E is audited twice a year by the European Court of Auditors that provides a report to the Commission, the Council and the Parliament as part of the annual discharge. For joint management activities between F4E and ITER (like joint procurements), the Commission will continue to ensure that accounting, internal control, audit and public procurement procedures of partners are compatible with EU rules and standards. Recommendations from past audits by the Court of Auditors are taken into account.

2.2.1. *Internal control framework*

The internal control framework is built on:

1. The Internal Control Standards of the Commission which are applied by the Directorate General in charge of the ITER project when adopting any decision concerning F4E, in particular those having a financial nature;
2. The Internal Control Standards that F4E is putting in place to implement systematic surveillance exercises and follow-up the implementation of the resulting recommendations. Seconded Commission staff members have provided their support in order to assist F4E with the implementation of the Internal Control Action plan, the establishment of check lists, the implementation of a regular surveillance mechanism and budget management.
3. Technical, financial and political review by the Commission of F4E's and ITER activities throughout every step of the project;
4. Ex-ante checks for the procurement and ex-post controls. Risks are assessed regularly and progress in the execution of work and the consumption of resources is monitored regularly, based on defined objectives and indicators.

2.2.2. *Expected level of risk of non-compliance*

There is an inherent financial risk in F4E due to the nature of its activities (large and complex in-kind procurements with high technical risks). Measures to monitor and better control the functioning of F4E have been put in place and the reorganization of F4E's structure should also alleviate this situation.

The Commission will continue to identify the risks related to the implementation of this project, notably in terms of costs, and will take the most appropriate measures to manage and mitigate these risks.

2.3. Measures to prevent fraud and irregularities

The Commission's Directorate General charged with the implementation of the ITER project and budget is determined to fight against fraud at all stages of the project implementation in line with the Commission Anti-fraud strategy COM(2011)376 of 24 June 2011.

The administrative monitoring of the contracts, grants and related payments is under the responsibility of F4E. The Commission and F4E pay particular attention to cost containment.

The Commission and the Joint Undertaking take into account the financial interests of the European Union notably in compliance with Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests and Article 53(a) of the Financial Regulation.

They shall take appropriate measures ensuring that, when actions financed under this Decision 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.

Fusion for Energy has started to develop an ex-post audit strategy to be implemented in 2012. This strategy is a key control aiming to assess the legality and regularity of the underlying transactions.

The European Anti-Fraud Office (OLAF) enjoys the same powers with respect to F4E and its staff, as it enjoys in respect of Commission departments.

OLAF may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by EU funding in accordance with the procedures laid down in Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 with a view to establishing whether there has been fraud, corruption or any other illegal activity 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

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework:	Budget line	Type of expenditure	Contribution			
	Number: 08 01 xx	Diff./non-diff (20)	from EFTA ²¹ countries	from candidate countries ²²	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
Outside MFJ	08 01 04 40 Fusion For Energy	Non-diff.	NO	NO	YES	YES

- 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			
	Outside the Multiannual Financial Framework	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
H1/outside MFJ	08 01 XX 01 Expenditure related to Staff*	Diff./non-diff.	NO	NO	YES	YES
	08 01 XX 02 Expenditure related to External Staff*					
	08 01 XX 03 Other management expenditure*					
	08 06 01 xx ITER related expenditure					

*- The precise numbering of the budget lines will be defined at later stage.

²⁰ Diff. = Differentiated appropriations / Non-Diff. = Non-differentiated appropriations

²¹ EFTA: European Free Trade Association.

²² Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

In current prices - EUR million (to 3 decimal places)

			Outside the Multiannual Financial Framework						
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			Year 2014 ²³	Year 2015	Year 2016	Year 2017	Year 2018	>2018	TOTAL
• Operational appropriations outside the MFF									
Number of budget line.	Commitments	(1)	897.230	631.578	285.383	282.081	253.262	-	2,349.534
	Payments	(2)	107.000	306.140	405.263	304.368	353.455	873.308	2,349.534

08 06 01 xx ITER

Appropriations of an administrative nature financed from the envelope for ITER programme ²⁴									
Number of budget line.		(3)	43.000	43.860	44.737	45.632	46.545	-	223.774
08 01 04 40 F4E Staff									
TOTAL appropriations	Commitments	=1+1a +3	940.230	675.438	330.120	327.713	299.807		2,573.308
	Payments	=2+2a +3	150.000	350.000	450.000	350.000	400.000	873,308	2,573.308
Outside MFF									

			Heading 1						
--	--	--	------------------	--	--	--	--	--	--

DG:			Year 2014 ²⁵	Year 2015	Year 2016	Year 2017	Year 2018	>2018	TOTAL
• Operational appropriations									
Number of budget line	Commitments	(1)							
	Payments	(2)							
Number of budget line	Commitments	(1a)							
	Payments	(2a)							
Appropriations of an administrative nature financed									

²³ Year N is the year in which implementation of the proposal/initiative starts.

²⁴ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

²⁵ Year N is the year in which implementation of the proposal/initiative starts.

from the envelope for specific programmes ²⁶									
Number of budget line			6.350	6.477	6.606	6.738	6.874		33.045
08 01 XX 01		(3)	0.960	0.979	0.999	1.019	1.039		4.996
08 01 XX 02			2.559	2.610	2.662	2.715	2.769		13.315
08 01 XX 03									
TOTAL appropriations for	Commitments	=1+1a +3	9.869	10.066	10.267	10.472	10.682		51.356
	Payments	=2+2a +3	9.869	10.066	10.267	10.472	10.682		51.356

• TOTAL operational appropriations	Commitments	(4)	0	0	0	0	0		0
	Payments	(5)							
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)							
TOTAL appropriations under HEADING 1 a of the multiannual financial framework	Commitments								
	Payments								

If more than one heading is affected by the proposal / initiative: NA

²⁶ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

EUR million (to 3 decimal places)

		Year 2014 ²⁷	Year 2015	Year 2016	Year 2017	Year 2018	>2018	TOTAL
TOTAL appropriations under Heading 1/OUTSIDE MFF	Commitments	950.099	685.504	340.387	338.185	310.489		2,624.664
	Payments	159.869	360.066	460.267	360.472	410.682	873.308	2,624.664

²⁷ Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓	2014		2015		2016		2017		2017+2018		2019		2020		TOTAL			
	Number of outputs		Cost		Number of outputs		Cost		Number of outputs		Cost		Number of outputs		Cost			
	Type of output ²⁸	Average cost of the output															Total number of outputs	Total cost
OUTPUTS																		
SPECIFIC OBJECTIVE No 1 ²⁹ ...																		
- Output*	1	897,230	1	631.578	1	285.383	1	282,081	1	253,262	1	253,262	1	253,262	1	253,262	5	2,349,534
Sub-total for specific objective N°1																		
TOTAL COST	1	897,230	1	631.578	1	285.383	1	282,081	1	253,262	1	253,262	1	253,262	1	253,262	5	2,349,534

* The output of the ITER project will be the annual activity report provided by F4E (Barcelona Agency) in which the advancement of the project is described.

²⁸

Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
As described in Section 1.4.2. "Specific objective(s)..."

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year 2014 ³⁰	Year 2015	Year 2016	Year 2017	Year 2018	TOTAL
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HEADING 1 of the multiannual financial framework						
Human resources running the programme	7.310	7.456	7.605	7.757	7.913	38.041
Other administrative expenditure	2.559	2.610	2.662	2.715	2.769	13.315
Subtotal HEADING 1 of the multiannual financial framework	9.869	10.066	10.267	10.472	10.682	51.356

Outside MFJ						
Human resources	33.996	34.676	35.369	36.077	36.798	176.916
Other expenditure of an administrative nature*	9.004	9.184	9.368	9.555	9.747	46.858

* estimated figures

TOTAL	52.869	53.926	55.004	56.104	57.227	275.130
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³⁰ Year N is the year in which implementation of the proposal/initiative starts.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year 2014 ³¹	Year 2015	Year 2016	Year 2017	Year 2018	TOTAL
• Establishment plan posts (officials and temporary agents) ITER, to be integrated into a specific establishment plan for ITER in Heading 1						
At Headquarters	50	50	50	50	50	50
• External personnel (in Full Time Equivalent unit: FTE)³² ITER in Heading 1						
CA, INT, SNE	15	15	15	15	15	15
08 01 04 40³³	- at Headquarters ³⁴					
	- (JU ITER-F4E (Barcelona) (*)	422	422	422	422	422
XX 01 05 02 (CA, INT, SNE - Indirect research)						
10 01 05 02 (CA, INT, SNE - Direct research)						
Other budget lines (specify)						
TOTAL	487	487	487	487	487	487

XX is the policy area or budget title concerned.

The needs for human resources shall be covered within the allocation already granted for managing this action and/or redeployed within the DG RTD, complemented as the case may be by any additional allocation that might be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraint.

The administrative cost (including staff) of running the ITER programme (outside the operating grant to the European Joint Undertaking for ITER (F4E)) should follow the operational appropriations for the ITER programme itself.

(*) The 422 FTE financed in Budget 2012 under lines 08.01 04 40.

Description of tasks to be carried out:

³¹ Year N is the year in which implementation of the proposal/initiative starts.

³² CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

³³ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

³⁴ Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

Officials and temporary agents	Staff working in the headquarters are in charge of the definition and subsequent follow-up of the activities both from the domestic agency in Barcelona (F4E) and the ITER project where the Commission is a representative of the European partnership.
External personnel	Staff working in the domestic agency in Barcelona (F4E) are in charge of the European contribution for the procuring, contracting and financial implementation of the work plan of ITER International Organisation as defined in the ITER Council decision 2007/198/Euratom of 27 March 2007.

3.2.4. *Compatibility with the current multiannual financial framework*

- Proposal/initiative is compatible the current multiannual financial framework.
- 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 framework³⁵.

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 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations cofinanced								

* - The programme may receive third countries contributions (based on the cooperation agreement between the third countries and Euratom) which at this stage are not known yet.

³⁵ See points 19 and 24 of the Interinstitutional Agreement.

3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative ³⁶						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
Article XXXX								

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

08 01 04 40, 08 06 01 Specify the method for calculating the impact on revenue.

The Programme shall be funded by contributions of the Member States, based on the call rate applied to each Member State's Gross National Income (GNI) as defined for the purposes of calculating GNI own resource contribution to the General Budget of the European Union. These contributions shall be, made to the general budget of the European Union and, shall be considered as external assigned revenue for the Programme in accordance with Article 18 of Regulation (EU) No XX/2012 of the European Parliament and the Council [New Financial Regulation] applicable to the general budget of the European Union.

³⁶ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.