



Council of the
European Union

Brussels, 27 January 2017
(OR. en)

5682/17

FIN 46

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	26 January 2017
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2017) 46 final
Subject:	Draft amending budget No 1 to the general budget for 2017 accompanying the proposal to mobilise the European Union Solidarity Fund to provide assistance to the United Kingdom, Cyprus and Portugal

Delegations will find attached document COM(2017) 46 final.

Encl.: COM(2017) 46 final



Brussels, 26.1.2017
COM(2017) 46 final

**DRAFT AMENDING BUDGET No 1
TO THE GENERAL BUDGET 2017**

**Accompanying the proposal to mobilise the European Union Solidarity Fund to provide
assistance to the United Kingdom, Cyprus and Portugal**

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union¹, and in particular Article 41 thereof,
- the general budget of the European Union for the financial year 2017, as adopted on 1 December 2016²,

The European Commission hereby presents Draft amending budget No 1 to the 2017 budget to the European Parliament and to the Council.

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the statement of revenue and expenditure by section are available on EUR-Lex (<http://eur-lex.europa.eu/budget/www/index-en.htm>). An English version of the changes to this statement is attached for information as a budgetary annex.

¹ OJ L 298, 26.10.2012, p. 1.

² OJ L XX, XX.XX.2017.

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1. INTRODUCTION

Draft Amending Budget (DAB) No 1 for the year 2017 covers the mobilisation of the European Union Solidarity Fund (EUSF) for an amount of EUR 71 524 810 in commitment and payment appropriations. The mobilisation relates to floods in the United Kingdom, drought and fires in Cyprus and fires in Portugal.

2. MOBILISATION OF THE EUROPEAN UNION SOLIDARITY FUND

In September 2016 the Commission received the finalised application for EUSF financial assistance relating to floods in the United Kingdom, following the initially submitted incomplete application received in February 2016. During September 2016, the Commission has also received two applications for EUSF financial assistance relating to drought and fires in Cyprus as well as fires in Portugal.

The Commission services have carried out a thorough examination of the applications in accordance with Council Regulation (EC) No 2012/2002³ establishing the EUSF (hereafter "the Regulation"), in particular with Articles 2, 3 and 4 thereof.

The most important elements of the assessments are summarised here below.

2.1 United Kingdom – Floods in 2016

- (1) During December 2015 to January 2016, heavy rainfall and strong winds led to flooding and infrastructure damage causing destruction of public and private infrastructure, private homes and in agriculture. A total of 11 regions were affected⁴ in the United Kingdom. The events included a number of significant storms such as storm Desmond on 5 and 6 December and storm Eva on 24 December.
- (2) The flooding is of natural origin and therefore falls within the main field of application of the EUSF.
- (3) The application from the UK was initially received on 26 February 2016, within the deadline of 12 weeks after the first damage was recorded on 5 December 2016. In their application the UK authorities stressed that the damage assessment was incomplete and that the relevant figures were only provisional. The final application file was completed only on 22 September 2016 after the Commission had formally written to the UK authorities and set a deadline by the end of September 2016.
- (4) The UK did not request the payment of an advance.
- (5) The UK authorities have initially estimated the total direct damage caused by the disaster at EUR 2 300 million. In their final application of 22 September this figure was updated to EUR 2 412,042 million. This amount represents 73% of the “major disaster” threshold for

³ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, (OJ L 311 of 14.11.2002, p. 3) as amended by Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014 (OJ L 189 of 27.06.2014, p.143).

⁴ UKC2-Northumberland, UKD1-Cumbria, UKD3-Great Manchester, UKD4-Lancashire, UKE2-North Yorkshire, UKE4-West Yorkshire, UKL1-West Wales and the Valleys, UKM2-Eastern Scotland, UKM3-South Western Scotland, UKM5-North Eastern Scotland and UKN0-Northern Ireland.

mobilising the EUSF of EUR 3 312,242 million applicable to the UK in 2016 (i.e. EUR 3 billion in 2011 prices).

- (6) As total direct damage remains below the major disaster threshold for activating the Solidarity Fund, the application was presented and examined on the basis of the criteria for "regional disasters" as laid down in Article 2(3) of the Regulation which defines a 'regional disaster' as any natural disaster resulting in a region at NUTS level 2 of an eligible State in direct damage in excess of 1,5% of that region's GDP. The UK application relates to several single NUTS level 2 regions (refer to footnote above). The reported direct damage of EUR 2 412,042 million represents 5,77% of the weighted average GDP of the regions affected by this disaster (EUR 41 784 million based on 2014 data) and exceeds the 1,5% threshold of Article 2(3) of the Regulation. The application from the UK is therefore eligible for a contribution from the Solidarity Fund.
- (7) As regards the impact and consequences of the disaster, 16 143 households were flooded and around 3 600 households had to be placed in alternative accommodation. The UK also reported that 4 985 businesses were flooded. Over the period 1 700 military personnel were drafted in to support the rescue and recovery efforts, with around 700 on the ground at any one time. In anticipation of the flooding, flood warnings were issued and, where necessary, people were evacuated from their homes. Where possible existing flood defences were maintained and more than 5 km of temporary flood defences were put in place. 43 additional pumps were pre-deployed into the affected areas and blockages in watercourses cleared in order to minimise the damage. The disaster had a clear impact on the tourism industry (e.g. hotel cancellations, fewer tourists) with 35% of the tourism businesses located in areas affected by flooding in the north of England alone. Farms also suffered a loss of production. Impact includes damage to or loss of established and stored crops, inability to access land, cost of moving of livestock and clean-up operation. The most significant impact however were caused to the transport infrastructure. Essential bridges were damaged or destroyed. For example, damage to the Lamington Viaduct near Lockerbie left the West Coast Mainline – a major rail link between England and Scotland – out of service.
- (8) The cost of essential emergency and recovery operations eligible under Article 3(2) of the Regulation has been estimated by the UK authorities at EUR 408,232 million and has been broken down by type of operation. The largest share of these operations (over EUR 338 million) concern the transport sector. The second largest share concerns the securing of preventive infrastructure amounting to over EUR 32 million.
- (9) The affected regions are "less developed regions", "transition regions" and "more developed regions" under the European Structural and Investment (ESI) Funds (2014-2020). The UK authorities declared that their European Agricultural Fund for Rural Development allocation is being used to support farmers with their recovery on an application basis and transferred EUR 12,5 million to restoring agriculture production potential damaged by natural disasters and catastrophic events and introduction of appropriate prevention actions.
- (10) As regards the implementation of Union legislation on disaster risk prevention and management there is currently no infringement procedure on-going. The Flood Risk Regulations (2009) implement the EU Floods Directive on the assessment and management of flood risk. The Directive provides a high level framework to reduce the risks of flood damage on a community level and allows Member States to use their existing flood risk assessments and plans to satisfy the requirements of the Directive. The Environment Agency and other Risk Management Authorities have used existing comprehensive maps and plans for flood risk where possible. These will be supplemented by Flood Risk

Management Plans which bring together for the first time measures to address all sources of local flooding in England.

- (11) At the date of submitting the application the UK was not subject to infringement proceedings concerning Union legislation relating to the nature of the disaster.
- (12) The UK authorities confirmed that there is no insurance coverage of eligible costs.

2.2 Cyprus – Drought and fires in 2016

- (1) During the period from October 2015 to June 2016, the island of Cyprus suffered from very low precipitation combined with extremely high temperatures, leading to the building up of severe drought with important crop failure, forest and vegetation fires, scarcity of water in agriculture and for the population, and resulting problems for the water supply systems. In June 2016, the situation cumulated in two major wild fires breaking out on 18 and 19 June, burning an area of over 2600 hectares of state forest.
- (2) The drought and fires are of natural origin and therefore fall within the main field of application of the EUSF.
- (3) The application from Cyprus was received on 5 September 2016, within the deadline of 12 weeks after the first damage was recorded on 14 June 2016, when the first official measures against the drought were taken. Following a request from the Commission, additional information giving assurance to the correctness of this date was provided on 21 October 2016. The application was therefore received within the deadline set by the Regulation.
- (4) In its application Cyprus requested the payment of an advance as laid down in Article 4a of the Regulation. On 17 November 2016 the Commission adopted Implementing Decision C(2016) 7572 awarding a 10% advance amounting to EUR 729 876 on the anticipated financial contribution from the Fund and subsequently paid it out in full to Cyprus.
- (5) The Cypriot authorities have estimated the total direct damage caused by the disaster at EUR 180,803 million. This amount represents 1,78% of Cyprus' GNI and exceeds the 'major disaster' threshold for mobilising the Solidarity Fund of EUR 100,412 million applicable to Cyprus in 2016 (i.e. 0,6% of GNI based on 2014 data). As the estimated total direct damage exceeds the 'major disaster' threshold, the disaster qualifies as a "major natural disaster".
- (6) As regards the impact and consequences of the disaster, water scarcity caused severe damages on agriculture, households and the environment. It affected a total of 374 villages. Large parts of the Nicosia, Larnaca and Famagusta districts suffered 100% damage in rainfed crops (such as barley, wheat and other non-irrigated fodder crops). The water inflow to water reservoirs was severely reduced, especially Dam "Kouris", the main source of water to water treatment plants and irrigation, fell short of water. Based on historical data since the year 1901, the rainfall between October 2015 and June 2016 was the 6th lowest for the last 104 years and the 4th lowest for the last 50 years. In addition to the drought's impact above, in mid-June 2016, a heat wave broke out over Cyprus triggering two large forest fires. The first fire at "Argaka" burnt an area of 763 ha of the Pafos state forest. The second fire at "Solea" burnt an area of 1897 ha most of which is part of the "Adelfoi" state forest.
- (7) The cost of essential emergency and recovery operations eligible under Article 3(2) of the Regulation has been estimated by the Cypriot authorities at EUR 49 million and has been broken down by type of operation. The largest share of these operations (over

EUR 46,082 million) concerns the cost of the intervention of the emergency services against the wild fires. The second largest share concerns the immediate restoration of affected natural zones to avoid immediate effects from soil erosion amounting to EUR 2,484 million.

- (8) The affected region is a "more developed region" under the European Structural and Investment (ESI) Funds (2014-2020). The Cypriot authorities have not signalled to the Commission their intention to reallocate funding from the ESI Funds programmes towards recovery measures.
- (9) As regards the implementation of Union legislation on disaster risk prevention and management there is currently no infringement procedure on-going. The relevant Union legislation regarding forest fires is Decision No 1313/2013/EU of the European Parliament and the Council of 17 December 2013 on a Union Civil Protection Mechanism, especially provisions of Article 6 (Risk Management) are relevant. To comply with Union law, a Fire Risk Map for Cyprus was developed under the Collaboration Agreement No. 21283-2003-10 SOSC ISP CY between the Joint Research Centre (JRC) of the European Commission and the Department of Forests of the Republic of Cyprus. Disaster risk management of drought in agriculture under Regulation (EU) No 1305/2013 of the European Parliament and of the Council provides for the establishment and mobilisation of an income stabilisation tool under the Common Agricultural Policy. Cyprus declared it does not intend to use the stabilisation tool.
- (10) At the date of submitting the application Cyprus was not subject to infringement proceedings concerning Union legislation relating to the nature of the disaster.
- (11) The Cypriot authorities confirmed that there is no insurance coverage of eligible costs.

2.3 Portugal – Madeira fires in 2016

- (1) During the period between 8 and 13 August 2016, the Portuguese island of Madeira suffered from large wild fires, burning an area of 6000 hectares. The fires were triggered by high temperatures, very strong winds and extreme low humidity. They led to the destruction of essential public infrastructure, public buildings, private homes, businesses and in agriculture.
- (2) The fires are of natural origin and therefore fall within the main field of application of the EUSF.
- (3) The application from Portugal was received on 21 September 2016, within the deadline of 12 weeks after the first damage was recorded on 8 August 2016. The application was therefore received within the deadline set by the Regulation.
- (4) In its application Portugal requested the payment of an advance as laid down in Article 4a of the Regulation. On 9 November 2016 the Commission adopted Implementing Decision C(2016) 7250 awarding a 10% advance amounting to EUR 392 500 on the anticipated financial contribution from the Fund and subsequently paid it out in full to Portugal.
- (5) The Portuguese authorities have estimated the total direct damage caused by the disaster at EUR 157 million. This amount represents only 15% of the "major disaster" threshold for mobilising the EUSF of EUR 1 026,714 million applicable to Portugal in 2016 (0,6% of the EUR 171 119 million based on 2014 prices).

- (6) As total direct damage remains below the major disaster threshold for activating the Solidarity Fund, the application was presented and examined on the basis of the criteria for "regional disasters" as laid down in Article 2(3) of the Regulation which defines a 'regional disaster' as any natural disaster resulting in a region at NUTS level 2 of an eligible State in direct damage in excess of 1,5% of that region's GDP. As the Portuguese application relates to the island of Madeira (PT30 - Região Autónoma da Madeira), the GDP threshold applied is 1%, as this is an outermost region within the meaning of Article 349 of the Treaty on the Functioning of the European Union. The reported direct damage of EUR 157 million represents 3,84% of the region's GDP (EUR 4 085 million based on 2014 data) and thus exceeds the 1% threshold of article 2(3) of the Regulation. The application from Portugal is therefore eligible for a contribution from the Solidarity Fund.
- (7) As regards the impact and consequences of the disaster, the capital Funchal and the municipality of Calheta were seriously affected, with a strong impact on daily life and property of the population including three casualties. The burnt area covers 6 000 hectares of which 560 hectares concern protected areas belonging to the "Natura 2000" Network. The "Quinta do Monte", a famous historical property owned by the government, was also damaged. Moreover, Portugal reported damage to 233 houses, 154 of which were completely destroyed. Several farms were affected, 24 businesses and 5 hotels were damaged, as well as a local school and hospital. In addition, basic infrastructure was affected, such as electricity power lines supplying 400 consumers.
- (8) The cost of essential emergency and recovery operations eligible under Article 3(2) of the Regulation has been estimated by the Portuguese authorities at EUR 7,347 million and has been broken down by type of operation. The largest share of these operations (over EUR 1,816 million) concerns the costs for temporary accommodation. The second largest share concerns cleaning-up measures amounting to EUR 1,756 million.
- (9) The affected region is a "less developed region" under the European Structural and Investment (ESI) Funds (2014-2020). The Portuguese authorities signalled to the Commission their intention to reallocate funding from the ESI Funds programmes towards recovery measures.
- (10) As regards the implementation of Union legislation on disaster risk prevention and management, there is currently no infringement procedure on-going. The Portuguese application gives an overview of prevention measures in place. For instance, in 2015, Resolution No 56/2015 of the Council of Ministers published in the Official Journal of the Portuguese Republic No 147 of 30 July 2015, approved the Strategic Framework for Climate Policy, the National Programme for Climate Change and the National Strategy for Adaptation to Climate Change, strategic documents in line with the EU legislation for the prevention and management of risks related to the nature of disaster forest fires.
- (11) At the date of submitting the application Portugal was not subject to infringement proceedings concerning Union legislation relating to the nature of the disaster.
- (12) The Portuguese authorities confirmed that there is no insurance coverage of eligible costs, except an amount of EUR 360 000 already identified.

3. FINANCING

The methodology for calculating Solidarity Fund aid was set out in the 2002-2003 Annual Report on the Solidarity Fund and accepted by the Council and the European Parliament.

As solidarity was the central justification for the creation of the Fund, the Commission takes the view that aid from the Fund should be progressive. That means that, in accordance with previous practice, the portion of the damage exceeding the “major disaster” threshold for mobilising the Fund (i.e. 0,6% of GNI or EUR 3 billion in 2011 prices, whichever is the lowest amount) should give rise to higher aid intensity than damage up to the threshold. The rate applied in the past for defining the allocations for major disasters is 2,5% of total direct damage under the major threshold and 6% for the part of the damage above. For regional disasters and disasters accepted under the “neighbouring country” provision the rate is 2,5%.

The Solidarity Fund aid amounts may not exceed the estimated total costs of eligible operations as referred to in the respective paragraphs (5) above for the United Kingdom, Cyprus and Portugal.

In calculating the total amount of the aid under the EUSF, the 2,5% was applied in the cases of the United Kingdom and Portugal as the total direct damage is below their respective major disaster thresholds. In the case of Cyprus, the 2,5% was applied up to the level of its major disaster threshold while the 6% was applied to the part of the total direct damage above this threshold.

Therefore, the Commission proposes to apply the same percentages and to mobilise the following aid amounts:

Disaster	<i>Total direct damage</i>	<i>Applied regional disaster threshold</i>	<i>Applied major disaster threshold</i>	<i>2,5% of total direct damage up to the major threshold</i>	<i>6% of total direct damage above the major threshold</i>	<i>Total amount of aid proposed</i>
	<i>(million EUR)</i>	<i>(million EUR)</i>	<i>(million EUR)</i>	<i>(EUR)</i>	<i>(EUR)</i>	<i>(EUR)</i>
United Kingdom - Floods in 2016 (regional disaster)	2 412,042	626,764	n/a	60 301 050	-	60 301 050
Cyprus - Drought and fires in 2016 (major disaster)	180,803	n/a	101,412	2 535 300	4 763 460	7 298 760
Portugal – Madeira fires in 2016 (regional disaster)	157,000	40,850	n/a	3 925 000	-	3 925 000
TOTAL						71 524 810

This is the first proposal for a mobilisation decision of the EUSF in 2017. The total amount available for the mobilisation of the EUSF at the beginning of 2017 is EUR 1 115 121 612 and it is the sum of the 2017 allocation of EUR 563 081 210 (i.e. EUR 500 000 000 in 2011 prices) in accordance with Article 10(1) of the Multiannual Financial Framework⁵ (MFF) regulation, plus the entire 2016 allocation of EUR 552 040 402 (i.e. EUR 500 000 000 in 2011 prices) that remained unspent and carried over for one year, in accordance with Article 10(2) of the MFF regulation.

As the total amount of aid proposed is below the total amount available for the mobilisation of the EUSF in 2017, the ceiling provisions of the MFF regulation have been complied with.

4. CONCLUSION

The Commission proposes to mobilise the European Union Solidarity Fund for the three cases concerning the United Kingdom, Cyprus and Portugal presented above and to amend the budget 2017 by increasing budget article *13 06 01 'Assistance to Member States in the event of a major natural disaster with serious repercussions on living conditions, the natural environment or the economy'* by EUR 71 524 810 both in commitment and in payment appropriations.

As the European Union Solidarity Fund is a special instrument as defined in the MFF regulation, the corresponding appropriations should be budgeted outside the corresponding MFF ceilings.

The Commission is confident that the amount of EUR 71 524 810 of payment appropriations can be redeployed within the 2017 budget. However, at this early stage of the implementation, the Commission is not yet in the position to identify any precise source. Therefore, the Commission proposes to book in this DAB a negative reserve of payment appropriations on the budget article *40 03 01* for an amount of EUR 71 524 810.

In compliance with Article 47 of the Financial Regulation⁶, the Commission will reduce the negative reserve as soon as possible by means of transfer of appropriations from other budget items in accordance with the procedure laid down in Articles 26 and 27 of the same regulation.

⁵ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, OJ L 347, 20.12.2013, p. 884.

⁶ OJ L 298, 26.10.2012, p. 1.