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PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 16 July 2020

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: Proposal for a COUNCIL DECISION Amending Decision 2003/76/EC
establishing the measures necessary for the implementation of the
Protocol, annexed to the Treaty establishing the European Community, on
the financial consequences of the expiry of the ECSC Treaty and on the
Research Fund for Coal and Steel

Delegations will find attached document COM(2020) 319 final.

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Brussels, 16.7.2020
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2020/0142 (APP)

Proposal for a

COUNCIL DECISION

Amending Decision 2003/76/EC establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The European Union ratified the Paris Agreement on 4 October 2016 committing to contribute holding global temperature increase to well below 2°C and to pursue efforts to limit it to 1.5°C. Following this international obligation, the EU together with its Member States has agreed to fix ambitious set of targets to reduce greenhouse gas emissions of 80 % to 95% by 2050 and of 40% by 2030.

In November 2018, the Commission presented its strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050 - A Clean Planet for all¹. In its Communication - following the invitations by the European Parliament and the European Council, the Commission outlined a number of measures, among which to explore how the assets of the European Coal and Steel Community in liquidation could support breakthrough technologies for near zero carbon steelmaking.

In line with its long-term vision, the Commission published on December 2019 the European Green Deal Communication². Among the measures to take, the Commission put the decarbonisation of the steel sector high in the political agenda and it is committed to explore whether part of the funding under the European Coal and Steel Community in liquidation can be used to support near zero carbon steel-making processes by 2030. Europe needs between €175 to €290 billion additional yearly investments in the next decades. In this context, within the Green Deal Investment Plan, the Commission suggests the revision of the Research Fund for Coal and Steel legal bases to incentivise private capital to flow to green projects.

The Research Programme of the Research Fund for Coal and Steel (RFCS) is an EU funding programme that finances research projects in coal and steel sectors. The RFCS has its own legal bases standing outside the Multiannual Financial Framework. After the expiry of the European Coal and Steel Community (ECSC) Treaty in 2002 and under Protocol 37 annexed to the EU Treaties, the Member States established the new “Research Fund for Coal and Steel” (RFCS) as a continuation of the European Coal and Steel Community Coal and Steel Research and Technical Development Programmes. The RFCS Research Programme used to provide annually around EUR 40 million of research and innovation funding to sectors related to coal and steel (with a distribution of 27,2 % for coal and 72,8 % for steel) bringing together industrial partners, SMEs, leading research centres and universities across the European Union to develop knowledge and foster innovation. Its activities are funded by the revenue generated by the assets of the ECSC in liquidation, in accordance with paragraph 2 of Article 1 of Protocol 37. In order to reduce as far as possible, the fluctuations that movements in the financial markets could cause on the financing of research, a smoothing arrangement is applied. However, following declining revenues from assets management, the feeding of RFCS budget, from the net income and from the smoothing mechanism, dropped from EUR 42 million in 2017 to EUR 12 million in 2019. In 2017, the Commission proposed the use of

¹ COM/2018/773 final, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. A Clean Planet for all A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy (28.11.2018)

² COM (2019) 640 final, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions. The European Green Deal (11.12.2019).

de-commitments and recovery orders to top up the budget to EUR 40 million until 2020³. In April 2018, the European Parliament adopted a legislative resolution [P8_TA (2018)0061]⁴ accompanying its consent to the Council Decision 2018/599⁵, which aimed to authorise the use of all de-commitments and recovery orders made under the ‘Research Fund for Coal and Steel’ (RFCS) programme since 2003. In this resolution, the European Parliament called for making the management of the assets of the ECSC in liquidation more active, or even for using some of those funds to launch major projects to make European steel clean and competitive.

As recognised⁶, annual funding of at least EUR 40 million is necessary to successfully implement the research programme of the RFCS. However, under the current interest rate, considering the exhaustion of the resources available to allow the smoothing mechanism and in view of the UK withdrawal, it will be difficult to generate appropriate annual returns on the invested assets in the short to medium-term.

A recent review by the Court of Auditors on the European Coal and Steel Community⁷ concluded that funding the RFCS on the sole basis of asset management revenue is not sustainable in the current interest rate environment. In particular, the Court of Auditors suggested that the revision of the financial guidelines was urgent and should have answered how the equity of the ECSC in liquidation could be made productive within the EU’s framework research programmes.

In June 2019, the Coal and Steel Advisory Groups (CAG and SAG)⁸ urged for the revision of the legal bases to ensure the continuation of the program, whilst adapting the objectives to the current sector needs. At the same time, they endorsed the progressive use of a share of the assets, approximately equal to one third (corresponding to around EUR 50-70 million per year for the year 2021-2027) to fund research projects for the coal and steel sector, in synergy with the Just Transition Mechanism, the Coal Regions in Transition initiative⁹, Horizon Europe and the Innovation Fund. On 25 June 2019 the ad-hoc-joint CAG-SAG group endorsed the opening of the ECSC assets.

Research and innovation allows in the intensive energy sectors the development and the demonstration of an installation on appropriate scale to test all the technical and economic data in order to proceed with the industrial or commercial exploitation of the technology at the minimum risk. The 2019 Green Deal Communication proposes to support clean steel breakthrough technologies leading to zero-carbon steel making process by 2030 and to explore whether part of the funding being liquidated under the European Coal and Steel Community can be used. The Research Fund for Coal and Steel will in particular develop a Clean Steel production as a potential game-changer dragging other intensive energy sectors, such as chemicals and cement, towards Climate neutrality by 2050.

Consequently, a revision of RFCS legal bases have gained relevance, urgency and ambition.

³ Council Decision 2018/599 amending Decision 2003/76/EC (PB L 101, 20.4.2018, p. 1)

⁴ https://www.europarl.europa.eu/doceo/document/TA-8-2018-0061_EN.html

⁵ Council Decision 2018/599 amending Decision 2003/76/EC (PB L 101, 20.4.2018, p. 1)

⁶ Court of Auditors: Review No 10/2019, The European Coal and Steel Community: winding up is according to plan, but funding for research is no longer sustainable (p.13)

⁷ *Ibidem.* p.17

⁸ The coal advisory group (CAG) and the steel advisory group (SAG) task is to assist the Commission in the management of the Research Programme, for the coal- and steel-related aspects respectively. Members of the advisory groups are individuals appointed by the Commission to represent a common interest shared by stakeholders. Members are appointed for a period of 42 months.

⁹ See recital 11.

In light of the above, this proposal suggests changes to the current Decision. It aims at allowing selling a part of the assets¹⁰ of the ECSC in liquidation for the period 2021-2027 in order to provide an annual RFCS allocation of EUR 111 million per year. This annual allocation will continue to support the collaborative research in the sectors related to coal and steel under the RFCS Research Programme, it will also support breakthrough technologies leading to near zero-carbon steel making by 2030 and research projects for the coal sector managing the just transition of formerly operating coal mines or coal mines in the process of closure, and related infrastructure in line with the Just Transition Mechanism and in compliance with Article 4(2). Specifically to the sector related to the steel industry, the Commission will aim to support research projects, via a dedicated Clean Steel co-programmed partnership¹¹ in synergy with other European Union's programmes especially with the Framework Programme for Research and Innovation.

A European public-private partnership is considered a valuable tool to support the development and implementation of research activities of strategic importance to enable the Union to address global challenges and maintain its competitiveness.

PROPOSED CHANGES TO PERMIT USE OF THE ASSETS OF THE FUND WHERE NECESSARY TO PROVIDE AN ANNUAL ALLOCATION OF EUR 40 MILLION AND FINANCE LARGE RESEARCH AND INNOVATION PROJECTS.

It is proposed to modify Decision 2003/76/EC to provide until the year 2027 an annual allocation to the RFCS that will be used as follows: EUR 40 million per year will finance collaborative research in the coal sector and steel sector whereas the remaining EUR 71 million will finance breakthrough technologies leading to near zero-carbon steel making and research projects for managing the just transition of formerly operating coal mines or coal mines in the process of closure, and related infrastructure in line with the Just Transition Mechanism. These allocations and related payments should be generated by the net revenue on investments and, where necessary, by proceeds generated by sales of assets.

This allocation should be explicitly enshrined in the Decision in order to allow a predictable flow of resource, at sufficient scale to enable continuation of desired support for collaborative research in the steel and coal sectors.

To date, the assets of the ECSC in liquidation have been managed on the basis that the return on the assets invested would be the means whereby research projects would be financed. This is reflected in the language of section 1 ('use of funds') of the Annex to Council Decision 2003/77/EC and in recital 3 to the same Decision, which foresees that the "entire capital of the Assets of the Research Fund for Coal and Steel should be preserved intact".

¹⁰ The level of the assets to be considered for the calculation is the level on 31/12/2019.

¹¹ A co-programmed European Partnership means an initiative prepared with early involvement of Member States, where the Union, together with private and/or public partners (such as industry, universities, research organisations, bodies with a public service mission at local, regional, national or international level or civil society organisations including foundations and NGOs), commit to jointly support the development and implementation of a programme of research activities. Co-programmed European Partnerships are set up on the basis of memoranda of understanding and/or contractual arrangements between the Commission and such private and/or public partners specifying the objectives of the partnership, related commitments for financial and/or in-kind contributions of the partners, key performance and impact indicators, and outputs to be delivered. They include the identification of complementary research activities that are implemented by the partners and by the Research Programme.

For the reasons explained above, such an approach is inconsistent with the needs of providing the required level of funding that is needed to make viable a meaningful research programme for the steel and coal sectors.

A continued insistence on the assets of the fund remaining intact is therefore not a realistic stance and needs to be modulated. Furthermore, there are no more obligations to keep the reserves to provide assurances to the creditors of the ECSC as there are no more outstanding borrowings.

To this end, it is necessary to amend the Decision to better reflect the needs of the underlying policy that is to be served by the ECSC in liquidation, and the challenges of generating returns on the level needed against the backdrop of current market conditions, while keeping enough assets of the ECSC to generate revenues after 2027.

The abolition of the smoothing mechanism is proposed as it is considered an obsolete tool following the adoption of proposed changes.

In addition, the Commission will use the opportunity of the revision of the Decision to write off claims where the foreseeable cost of recovery would exceed the amount to be recovered and the write off would not harm the image of the Union; where the claim cannot be recovered in view of the insolvency of the debtor, or of any other insolvency proceedings; where recovery is inconsistent with the principle of proportionality.

Finally, paragraph 2 of Article 2, laying down the procedure for the adoption of the multiannual financial guidelines for management of the assets and paragraph 3 of Article 4, laying down the procedure for the adoption of multiannual technical guidelines for the programme should be deleted because they are now completely redundant with paragraph 2 of Article 2, of Protocol 37¹².

Those redundant provisions should be deleted for transparency reasons and because they cannot be relied on any longer.

- **Consistency with existing policy provisions in the policy area**

The proposal is part of a legal package revising the RFCS research programme. In particular, it is linked to:

- A Commission's proposal to amend Council Decision 2008/376/EC on the adoption of the Research Programme of the Research Fund for Coal and Steel and on the multiannual technical guidelines for this programme.
- A Commission's proposal to amend Council Decision 2003/77/EC laying down the multiannual financial guidelines for managing the assets of the European Coal and Steel Community (ECSC) in liquidation and, on completion of the liquidation, the assets of the RFCS. The revision of Council Decision 2003/77/EC, under Directorate-General Budget's responsibility, is also consistent with the European Court of Auditors 2019 Review on the winding-up of the ECSC.

¹² At the time of adoption of Decisions 2003/76 and 2008/376, Protocol (No 34) on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel (2001), annexed to the TEC, only had a legal basis for Decision 2003/76.

- **Consistency with other Union policies**

The proposal is revised in line with the Paris Agreement, the European Green Deal¹³ Communication setting the framework to transform the EU into the first climate-neutral continent by 2050 and its follow up Commission Communication Green Deal Investment Plan – Sustainable Europe Investment Plan,¹⁴ presented on 14 January 2020.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis giving the EU the right to act is Article 2 of Protocol (N° 37) annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel.

- **Subsidiarity (for non-exclusive competence)**

The measures implementing the Protocol are established in a Council decision, the revision of which belongs to the Commission exclusive right of initiative for legislative proposals.

- **Proportionality**

The proposal is necessary for establishing the measures necessary for the implementation of the Protocol, annexed to the EU Treaties, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel.

- **Choice of the instrument**

The instrument amends a Council Decision and it needs therefore to be a Decision.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The proposal is based on the results of the seven yearly report, which carry out a monitoring exercise of the RFCS Programme, including an assessment of the expected benefits, with the assistance of a panel of experts¹⁵. The most recent seven yearly report was published on 5 February 2020¹⁶. The experts analysed the functioning of the RFCS Programme, assessed the technological developments and expected benefits of the programme to the sector and society, and drew recommendations for the improvement of the programme, including a revision of the legal basis.

- **Stakeholder consultations**

The RFCS stakeholders have been involved in several ad-hoc meetings, specific Advisory Group meetings (Coal Advisory Group – CAG, Steel Advisory Group - SAG) and COSCO meetings (equivalent to the Programme Committee in Horizon 2020). As direct outcome of

¹³ COM(2019) 640, 11 December 2019

¹⁴ COM(2020) 21, 14 January 2020.

¹⁵ The monitoring and assessment report is foreseen in the provisions laid down in Council Decision n° 2008/376/EC published in the Official Journal of 20 May 2008 ref. OJ L 130/7 and amended by Council decision 2017/955 of 29 May 2017.

¹⁶ https://ec.europa.eu/info/publications/research-fund-coal-and-steel-monitoring-and-assessment-report_en

these meetings, on 25 June 2019 the opening of the ECSC assets was endorsed by the ad-hoc joint CAG-SAG group.

- **Collection and use of expertise**

The preliminary results of the present RFCS Monitoring and Assessment report were illustrated in the seminar ‘Steel and Coal: a New Perspective’ hosted by the European Commission on 28 March 2019 where more than 100 stakeholders were present¹⁷.

- **Impact assessment**

An impact assessment is not necessary for the proposed revision, as the expected economic, environmental or social impacts are not likely to be significant

- **Regulatory fitness and simplification**

The proposal is based on the results of the seven yearly report, which foresees a regular review of the RFCS programme, including an assessment of the expected benefits.

- **Fundamental rights**

The proposal is in line with the protection of fundamental rights.

4. BUDGETARY IMPLICATIONS

The proposal does not create any new liabilities to be charged to the General Budget under the current MFF.

5. OTHER ELEMENTS

- **Explanatory documents (for directives)**

Not applicable.

- **Detailed explanation of the specific provisions of the proposal**

The revision is then limited to the following provisions:

(1) Article 1, paragraph 1a

This article introduces the “de minimis” clause and it is based on Article 101 of the Financial Regulation on the financial rules applicable to the general budget of the Union. It allows the Commission to write off claims, even before exhausting all the possible remedies, in limited and specific cases where the foreseeable cost of recovery would exceed the amount to be recovered and the write off would not harm the image of the Union, or in case of the insolvency of the debtor or where the recovery is inconsistent with the principle of proportionality. The application of this clause will allow to ensure an orderly closure of the liquidation process.

(2) Article 2, paragraph 1

The assets shall be managed by the Commission in such a manner as to keep an annual RFCS allocation of [EUR 111 Million], until the year 2027 to finance research in the sectors related to coal and steel industry and namely [EUR 40 Million] to finance collaborative research in the said sectors and [EUR 71 Million] to finance research for breakthrough technologies leading to near zero-carbon steel

¹⁷ https://ec.europa.eu/research/index.cfm?pg=events&eventcode=9DB3A26D-B1D8-8BED_0A23CA684631B0CF

making and to finance research and innovation projects for managing the just transition of formerly operating coal mines or coal mines in the process of closing, and related infrastructure in line with the Just Transition Mechanism for the coal sector and in compliance with Article 4(2). After the year 2027, the assets shall be managed by the Commission in such a manner as to ensure a long-term return. The assets shall be invested with the objective of preserving, and where possible enhancing, the value of those assets.

(3) Article 2, paragraph 1(a)

1a. The annual allocation of [EUR 111 Million] should be constituted of the net revenue from the investments and, when these are insufficient, the sale of part of the assets of the ECSC in liquidation and on completion of the liquidation, the assets of the Research Fund for Coal and Steel.

(4) Article 2, paragraph 2 is deleted

(5) Article 3, paragraph 1

1. Each year a profit-and-loss account, balance sheet and financial report shall be drawn up to show, separately from the other financial operations of the European Union, the liquidation operations provided for in Article 1 and the investment transactions and asset management operations under Article 2. These financial statements shall be annexed to the financial statements drawn up by the Commission annually under Article 318 of the Treaty of the Functioning of the European Union and the Financial Regulation on the financial rules applicable to the general budget of the Union.

(6) Article 3, paragraph 2

2. The powers of the European Parliament, the Council and the Court of Auditors concerning control and discharge as set out in the Treaty on the Functioning of the European Union and in the Financial Regulation on the financial rules applicable to the general budget of the Union shall apply to the operations referred to in paragraph 1.

(7) Article 4, paragraph 1

1. Net revenue from the investments provided for under Article 2 and the proceeds generated by selling part of the assets shall constitute external assigned revenue in the general budget of the European Union. This revenue shall be earmarked for a specific purpose, namely financing research projects in the sectors related to the coal and steel industry outside of the Research Framework Programme. It shall form the Research Fund for Coal and Steel and shall be managed by the Commission.

(8) Article 4, paragraph 3 is deleted

(9) In Article 5, paragraph 2 is deleted

(10) The Annex is deleted.

Proposal for a

COUNCIL DECISION

Amending Decision 2003/76/EC establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Protocol No 37 on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel, annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union, and in particular the first paragraph of Article 2 thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament¹,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) The Treaty establishing the European Coal and Steel Community expired on 23 July 2002 in accordance with Article 97 of that Treaty. All assets and liabilities of the European Coal and Steel Community (ECSC) were transferred to the Union on 24 July 2002.
- (2) In accordance with Protocol No 37, the net worth of the assets and liabilities, as they appear in the balance sheet of the ECSC of 23 July 2002, is to be considered as assets intended for research in the sectors related to the coal and steel industry, referred to as the ‘ECSC in liquidation’, and, on completion of the liquidation, as the ‘assets of the Research Fund for Coal and Steel’.
- (3) Protocol No 37 also provides that the revenue from those assets, referred to as the ‘Research Fund for Coal and Steel’ (RFCS), is to be used exclusively for research, outside the research framework programme, in the sectors related to the coal and steel industry in accordance with the provisions of Protocol No 37 and of acts adopted on the basis thereof.
- (4) On 1 February 2003, the Council adopted Decision 2003/76/EC², which establishes the rules for implementing Protocol No 37.
- (5) Due to the low interest rate context the revenues assigned to the funding of research projects for coal and steel are rapidly decreasing.

¹ OJ C , , p. .

² OJ L 29, 5.2.2003, p. 22–24.

- (6) This is leading to a situation where the critical minimum budget available for organising an annual call for proposal for the research programme of the Research Fund for Coal and Steel (the ‘programme’) might not be met.
- (7) A critical minimum budget for organising a call is necessary in order for the programme to provide meaningful support to worthwhile collaborative research projects having the critical mass and EU added value for improving the sustainability, i.e. health, safety, working conditions and reducing the environmental impact in the sectors related to the coal and steel industry.
- (8) Within the Communication on the European Green Deal – COM(2019) 640 final, the Commission committed to support clean steel breakthrough technologies leading to near zero-carbon steelmaking by 2030. To enable this, the Commission committed to explore whether part of the funding under the ECSC in liquidation could be used.
- (9) To meet EU targets, the Green Deal Investment Plan and Just Transition Mechanism Communication – COM(2020) 21 final - considered necessary a revision of the RFCS legal bases to enable using the assets of the ECSC in liquidation and, on completion of the liquidation, the assets of the RFCS.
- (10) The sale of a share of the assets of the ECSC in liquidation and, on completion of the liquidation, the assets of the RFCS to finance research projects in the coal and steel sectors should be allowed on the condition that reserves should be kept to guarantee the limited remaining obligations, resulting from any unforeseeable liability and that reasonable part of the assets, which are no longer needed for the above, should still be invested to generate revenues.
- (11) The sale of a share of the assets of the ECSC in liquidation and, on completion of the liquidation, the assets of the RFCS could be necessary to provide until the year 2027 an annual allocation of [EUR 111 million] to the RFCS that will be used as follows: [EUR 40 million] per year will finance collaborative research in the coal and steel sectors and whereas the remaining [EUR 71 million] will finance breakthrough technologies leading to near-zero carbon steel making and research projects for managing the just transition of formerly operating coal mines or coal mines in the process of closing, and related infrastructure in line with the Just Transition Mechanism and in compliance with Article 4(2). The possibility to sell a share of the assets of ECSC in liquidation and, on completion of the liquidation, the assets of the RFCS is limited to the funding of annual allocations for the financial years 2021-2027.
- (12) The RFCS should therefore be financed not only by the net revenue from the investments but also, where needed, by the proceeds generated by selling part of the assets in the fund up to the amount envisaged for the period 2021-2027.
- (13) Paragraph 2 of Article 2, laying down the procedure for the adoption of the multiannual financial guidelines for management of the assets and paragraph 3 of Article 4, laying down the procedure for the adoption of multiannual technical guidelines for the programme, should be deleted because they are redundant with paragraph 2 of Article 2, of Protocol 37.
- (14) It is proposed the abolition of the smoothing mechanism as it is an obsolete tool.

(15) A new paragraph should be added to Article 1, in order to allow the writing off of claims based on the principles established by Article 101(2), first subparagraph, of the Financial Regulation¹⁸.

(16) Decision 2003/76/EC should therefore be amended accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Decision 2003/76/EC is amended as follows:

(1) Article 1 is amended as follows:

(a) The following paragraph 1a is inserted:

‘1a. The Commission shall write off claims, even before exhausting all the said remedies, in the following cases:

- (a) Where the foreseeable cost of recovery would exceed the amount to be recovered and the write off would not harm the image of the Union
- (b) Where the claim cannot be recovered in view of the insolvency of the debtor, or of any other insolvency proceedings
- (c) Where recovery is inconsistent with the principle of proportionality.’

(2) Article 2 is amended as follows:

(a) Paragraph 1 is replaced by the following:

‘1. The assets shall be managed by the Commission in such a manner as to keep an annual RFCS allocation of [EUR 111 Million] until the year 2027 to finance research in the sectors related to coal and steel industry and namely [EUR 40 Million] to finance collaborative research in the said sectors and [EUR 71 Million] to finance research for breakthrough technologies leading to near zero-carbon steel-making and research projects for managing the just transition of formerly operating coal mines or coal mines in the process of closure, and related infrastructure in line with the Just Transition Mechanism and in compliance with Article 4(2). After the year 2027, the assets shall be managed by the Commission in such a manner as to ensure a long-term return. The assets shall be invested with the objective of preserving, and where possible enhancing, the value of those assets.’

(b) The following paragraph 1a is inserted:

‘1a. The annual allocation of [EUR 111 Million] shall be constituted of the net revenue from the investments, and, when these are insufficient, the sale of part of the assets of the ECSC in liquidation and, on completion of the liquidation, the assets of the Research Fund for Coal and Steel.’

(c) Paragraph 2 is deleted.

(2) In Article 3,

¹⁸ OJ L 193, 30.7.2018, p. 1.

(a) Paragraph 1 is replaced by the following:

‘1. Each year a profit-and-loss account, balance sheet and financial report shall be drawn up to show, separately from the other financial operations of the European Union, the liquidation operations provided for in Article 1 and the investment transactions and asset management operations under Article 2.

These financial statements shall be annexed to the financial statements drawn up by the Commission annually under Article 318 of the Treaty of the Functioning of the European Union and the Financial Regulation on the financial rules applicable to the general budget of the Union.’

(b) Paragraph 2 is replaced by the following:

‘2. The powers of the European Parliament, the Council and the Court of Auditors concerning control and discharge as set out in the Treaty on the Functioning of the European Union and in the Financial Regulation on the financial rules applicable to the general budget of the Union shall apply to the operations referred to in paragraph 1.’

(3) In Article 4

(a) Paragraph 1 is replaced by the following:

‘1. Net revenue from the investments provided for under Article 2 and the proceeds generated by selling part of the assets shall constitute revenue in the general budget of the European Union. This revenue shall be earmarked for a specific purpose, namely financing research projects in the sectors related to the coal and steel industry not covered by the Research Framework Programme. It shall form the Research Fund for Coal and Steel and shall be managed by the Commission.’

(b) Paragraph 3 is deleted.

(4) Article 5, paragraph 2 is deleted.

(5) Annex is deleted.

Article 2

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*. It shall apply on or after 1 January 2021.

Article 3

This Decision is addressed to the Member States.

Done at Brussels,

*For the Council
The President*