RESOLUTION (EU) 2020/1839 OF THE EUROPEAN PARLIAMENT

of 14 May 2020

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the Fuel Cells and Hydrogen 2 Joint Undertaking for the financial year 2018

THE EUROPEAN PARLIAMENT,

— having regard to its decision on discharge in respect of the implementation of the budget of the Fuel Cells and Hydrogen 2 Joint Undertaking for the financial year 2018,

— having regard to Rule 100 of and Annex V to its Rules of Procedure,

— having regard to the report of the Committee on Budgetary Control (A9-0030/2020),

A. whereas the Fuel Cells and Hydrogen Joint Undertaking ('FCH') was set up in May 2008 as a public-private partnership by Council Regulation (EC) No 521/2008 ([1]) for a period until 31 December 2017 to focus on developing market applications and facilitating additional industrial efforts towards a rapid deployment of fuel cells and hydrogen technologies; whereas Regulation (EC) No 521/2008 was repealed by Council Regulation (EU) No 559/2014 ([2]);

B. whereas Regulation (EU) No 559/2014 established the Fuel Cells and Hydrogen 2 Joint Undertaking ('FCH2') in May 2014 to replace and succeed FCH for a period until 31 December 2024;

C. whereas the members of FCH were the Union, represented by the Commission, the Fuel Cell and Hydrogen Joint Technology Initiative Industry Grouping, and the Research Grouping N.ERGHY;

D. whereas the members of FCH2 are the Union, represented by the Commission, the New Energy World Industry Grouping AISBL ('Industry Grouping'), renamed Hydrogen Europe in 2016, and the New European Research Grouping on Fuel Cells and Hydrogen AISBL ('Research Grouping');

E. whereas the maximum Union contribution towards FCH2's first phase of activities is EUR 470 000 000 from the Seventh Framework Programme; whereas the contributions from the other members must be at least equal to the Union contribution;

Budget and financial management

1. Notes that the report of the Court of Auditors (the 'Court') on FCH2's annual accounts (the 'Court's report') finds the 2018 annual accounts to present fairly, in all material respects, the financial position of FCH2 at 31 December 2018, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with FCH2's financial regulation and with accounting rules adopted by the Commission's accounting officer; notes, moreover, that FCH2's accounting rules are based on internationally-accepted accounting standards for the public sector;

2. Notes that FCH2's final budget for the financial year 2018 included commitment appropriations of EUR 85 504 157 and payment appropriations of EUR 126 526 307;

3. Notes that the overall 2018 budget execution of commitment and payment appropriations reached 93 % and 83 % respectively,

([1]) Council Regulation (EC) No 521/2008 of 30 May 2008 setting up the Fuel Cells and Hydrogen Joint Undertaking (OJ L 153, 12.6.2008, p. 1).

([2]) Council Regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking (OJ L 169, 7.6.2014, p. 108).

Multiannual budget implementation under the Seventh Framework Programme

4. Notes that the Union contribution to FCH2 is EUR 421 300 000 from the Seventh Framework Programme, including EUR 19 100 000 of in-kind contributions, and the members from the Industry and Research Groupings contribute with resources in the amount of EUR 442 500 000, comprising EUR 420 000 000 in-kind contributions in the Seventh Framework Programme projects funded by FCH2, and EUR 17 900 000 cash to administrative costs;

5. Regarding FCH2's 2018 budget available for Seventh Framework Programme projects, the implementation rate for payment appropriations was 79,6 % due to delays in submission of cost claims for ongoing Seventh Framework Programme projects;

Multiannual budget implementation under Horizon 2020

6. Notes that the Union contribution to FCH2 is EUR 318 800 000 from Horizon 2020 and that the contribution of resources by members from the Industry and Research Groupings amount to EUR 649 400 000 comprising EUR 1 800 000 of in-kind contributions in the Horizon 2020 projects funded by FCH2, EUR 7 700 000 of in-kind contributions to additional activities and EUR 3 600 000 of cash contributions to administrative costs;

7. Observes that the low level of industry members' in-kind contributions for operational activities is due to the fact that FCH2 certifies them together with the final cost claims; therefore, the certification of most of the committed in-kind contributions will happen later in the Horizon 2020 programme when the final payment for the projects is made and the certificates of financial statement are due;

8. Observes that the implementation rate for commitment appropriations was 95,8 % while the rate for payment appropriations was 84,4 %; notes that at the end of 2018, 29 payments for interim and mainly final periodic reports were made for a total of EUR 21 400 000 for the Seventh Framework Programme; notes that the budget execution rate (in terms of payment appropriations) was 79,6 % (compared to 73,8 % in 2017);

9. Notes that in terms of payment appropriations, 19 pre-financing payments were made for projects relating to the 2017 and 2018 calls for proposals, 11 payments to studies and 2 to the Joint Research Centre for Horizon 2020; notes, moreover, that the budget execution rate (in terms of payments) reached 83,4 % (compared to 93,3 % in 2017); notes that in terms of commitment appropriations the budget execution rate reached 95,8 % (compared to 98,3 % in 2017), due to the outcome of the call for proposals, whereby one topic was not covered, and to the delay in the procurement planning;

10. Observes that FCH2 prepared an action plan that was endorsed by the FCH2 governing board in March 2018, which includes a wide set of actions to be implemented by FCH2, for which a certain number of activities has already been initiated; notes that the majority of those activities are to be carried out in 2018 and 2019, while a small number will be taken into consideration for the next programming period;

Performance

11. Notes that FCH2 uses certain measures as key performance indicators to assess the added value provided by its activities such as renewable energy, end-user energy efficiency, smart grids and storage; notes, furthermore, that FCH2 uses other measures like having demonstrator projects hosted in Member States and regions benefit from Union funds; notes the revision of key performance indicators endorsed by FCH2 in 2018 due to the substantial technological progress in recent years and of the new applications that have started to emerge;

12. Observes the fact that the management cost ratio (administrative and operational budget) remains below 5 %, thus pointing to rather lean and efficient organisational structure of FCH2;

13. Notes the 2018 value of leverage effect of 1,36 compared to the requirement of 0,56; furthermore, notes that, taking into account in-kind contributions in projects from all private partners, the leverage reached 1,96;

14. Welcomes the fact, that all calls for proposals were published and closed according to the respective work plans and with the annual work programme 2018, included 20 topics;

15. Notes that at the end of 2018 FCH2 had 27 staff from 10 Member States and is pleased to note that there is gender balance among staff (51 % men and 49 % women); notes also that in 2018 the share of women participating in Horizon 2020 projects stood at 31 %, that 26 % of programme coordinators were women, that 22 % of the members of FCH2 Member State representatives group were women and that 33 % of the members of the scientific committee were women;

16. Notes that effective communication is an essential component of successful Union-financed projects; considers it to be important to increase the visibility of the achievements of FCH as well as the dissemination of information on its added value; calls on FCH2 to pursue a proactive communications policy, disseminating the results of its research to the public, such as by means of social media or other media outlets, thus aiming to raise public awareness of the impact of Union support, with particular regard to market uptake.

17. Observes that on the transport side, FCH2 supported demonstration activities concerning over 1 900 light-duty vehicles, more than 630 of which were already in operation in 2018; notes also that the FCH2 has demonstrated 45 buses operational in 10 cities of the Union in 2018; notes with satisfaction that the deployment of fuel cells electric buses can be considered to be world-wide state of the art, having progressed significantly throughout FCH2 projects;

Internal audit

18. Notes that in 2018 FCH2 finalised the implementation of all action plans addressing the recommendations of the internal audit service (IAS) audits on the performance management undertaken by the IAS in 2016, including a recommendation on the revision of the multiannual work programme and of the strategic and operational objectives; notes that in January 2018 FCH2 submitted an action plan to the IAS in relation to three recommendations raised by the IAS regarding coordination with central support service (CSC) and implementation of CSC tools and services; observes that as part of the action plan FCH2 organised its first workshop with the CSC; welcomes the fact that in December 2018 FCH2 submitted all action plans addressing the recommendations of the 2017 audit report to the IAS for a review; furthermore, notes with satisfaction that in 2019 the IAS sent a letter to the governing board confirming that all the recommendations and action plans have been successfully implemented;

19. Notes that the *ex post* audit effort was pursued with the launch of 141 audits for Seventh Framework Programme grants, of which 132 were finalised and the remaining to be finalised in the first quarter of 2019, representing a cumulative audit coverage of 23 % of the value of validated cost claims; notes that the residual error rate was below 2 %; observes that 14 new audits for Horizon 2020 were launched in 2018;

20. Observes that the Commission's final evaluation on FCH for the period between 2008 and 2016 and the interim evaluation on FCH2 operating under Horizon 2020 covering the period from 2014 to 2016 were carried out, having an action plan been endorsed by the governing board in March 2018, of which several actions have already been initiated, with the expectation of completing most of the program between 2018 and 2019, but taking into consideration that a small number of actions are expected to be implemented by the following programming period;

Internal controls

21. Welcomes the fact that FCH2 has set up *ex ante* control procedures, based on financial and operational desk reviews and *ex post* audits at beneficiaries of grants, for interim and final payments under the Seventh Framework Programme and for project cost claims under Horizon 2020, while the Commission is the responsible of the *ex post* audits; welcomes the fact that the residual error rate for the *ex post* audits at the end of 2018 was 1,10 % for the Seventh Framework Programme and 0,46% for Horizon 2020, which the Court finds below materiality;

22. Notes that in 2017, FCH2, together with the Commission DG Research and Innovation's common audit service(CAS), launched the first *ex post* audit of a random sample of interim cost claims under Horizon 2020; notes that FCH2 has set up *ex ante* control procedures based on financial and operational desk reviews; notes that for interim and final payments under the Seventh Framework Programme, FCH2 performs *ex post* audits at the beneficiaries, whilst for project cost claims under Horizon 2020 the CAS is responsible for the *ex post* audits; however, notes with concern that by the end of 2018 there were two open audits launched in 2017 and FCH2 did no finalise theses audits due to ongoing discussions with beneficiaries that also required coordination with other DG Research and Innovation services to ensure coherent audit results across different stakeholders;

23. Asks the Court to assess the soundness and reliability of the methodology for calculating and valuing in-kind contributions and that that assessment evaluate the design and the robustness of the guidance for the implementation of the in-kind contribution procedure in order to assist in the planning, reporting and certification process of the in-kind contributions.