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►B DECISION OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL,

of 27 February 2002

on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel

(2002/234/ECSC)

(OJ L 79, 22.3.2002, p. 42)

Amended by:

		Official Journal		
		No	page	date
►A1	Act concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded	L 236	33	23.9.2003

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DECISION OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL,

of 27 February 2002

on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel

(2002/234/ECSC)

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF THE EUROPEAN COMMUNITIES, MEETING WITHIN THE COUNCIL,

Whereas:

(1) The Treaty establishing the European Coal and Steel Community (ECSC) expires on 23 July 2002 and the ownership of the ECSC funds will revert to the Member States.

(2) The Member States have expressed their ultimate aim to be the transfer of the ECSC funds to the European Community (EC) and the creation of a common fund for research in the sectors related to the coal and steel industries. Reference is made to the Resolution of the European Council, meeting in Amsterdam on 16 June 1997 and to Resolutions adopted by the Council and the Representatives of the Governments of the Member States on 20 July 1998 and on 21 June 1999. The Member States continue to pursue this aim.

(3) In order to ensure, temporarily and pending the transfer, an appropriate management of the assets and liabilities of the ECSC from 24 July 2002 the Commission should be given the task to manage these funds. A decrease of funds during this temporary management may not give rise to any additional liability for the Member States.

(4) The Commission has proposed in the context of the transfer of the funds to the EC that it should manage the ECSC funds in accordance with special rules. In substance these rules should be applied also in respect of this Decision, thereby ensuring necessary consistency without affecting the intergovernmental nature of this Decision.

(5) The European Parliament has been consulted on the special rules to be applied.

(6) Considering that the successful management of the assets of the ECSC require the confidence of economic operators derived *inter alia* from long term predictability in respect of the legal situation.

(7) Therefore, it is necessary to provide for temporary management of the ECSC funds in accordance with the provisions of this Decision,

HAVE DECIDED AS FOLLOWS:

Article 1

1. All assets and liabilities of the ECSC, as they exist on 23 July 2002, shall, as from 24 July 2002, be managed by the Commission on behalf of the Member States.

2. The net worth of these assets and liabilities, as they appear in the balance sheet of the ECSC of 23 July 2002, subject to any increase or decrease which may occur as a result of the liquidation operations, shall be considered as assets intended for research in the sectors related to the coal and steel industry, referred to as the ‘ECSC in liquidation’. On completion of the liquidation they shall be referred to as the ‘Assets of the Research Fund for Coal and Steel’.

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3. The revenue from these assets, referred to as the 'Research Fund for Coal and Steel', shall be used exclusively for research in the sectors related to the coal and steel industry in accordance with the provisions of this Decision and of acts adopted on the basis hereof.

Article 2

The provisions in Annexes I, II and III form an integral part of this Decision.

Article 3

Except as otherwise provided in this Decision, the provisions of the Treaty establishing the European Community shall apply *mutatis mutandis* to the activities carried out in compliance with this Decision by the Commission.

Article 4

This Decision shall apply from 24 July 2002 and shall cease to apply on the date on which the assets and liabilities of the ECSC funds have been transferred to the European Community.

This Decision shall be published in the *Official Journal of the European Communities*.

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ANNEX I

Measures necessary for the implementation of this Decision

Point 1

1. The Commission shall be entrusted with winding up the financial operations of the European Coal and Steel Community which are still in progress when the ECSC Treaty expires. Where an ECSC debtor defaults during the liquidation period, the resulting loss shall be charged first to the existing capital and then to the revenue of the current year. The Commission, before writing off any claim against an ECSC debtor in default, will exhaust all remedies including the call on guarantees (mortgages, cautions, bank guaranties or other). The Commission will reserve all possible actions in case that the debtor regains solvency.

2. The liquidation shall be conducted in accordance with the rules and procedures applying to these operations, with the Community institutions enjoying the existing powers and prerogatives provided for by the ECSC Treaty and secondary legislation in force on 23 July 2002.

Point 2

The assets shall be managed by the Commission in such a manner as to ensure a long-term return. The investment of the liquid assets should be aimed at the highest possible yield that is compatible with security.

Point 3

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 remaining Communities, the liquidation operations provided for in point 1 and the investment transactions under point 2. These financial statements shall be annexed to the financial statements drawn up by the Commission annually under Article 275 of the EC Treaty and the Financial Regulation applicable to the general budget of the European Communities.

2. The powers of the European Parliament, the Council and the Court of Auditors concerning control and discharge, as set out in the Treaty establishing the European Community and the Financial Regulation applicable to the general budget of the European Communities, shall apply by analogy to the operations referred to in point 3.1.

Point 4

1. Net revenue from the investments provided for under point 2 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.

2. The revenue referred to in point 4.1 shall be distributed, 27,2 % being allocated to the coal-related research and 72,8 % to the steel-related research. Should it prove necessary, the Council, acting unanimously on a proposal from the Commission, shall modify the breakdown between coal-related research and steel-related research.

3. Unused revenue and appropriations deriving from this revenue still available on 31 December in any given year shall be carried over automatically to the following year. These appropriations may not be transferred to other budget items.

4. Budgetary appropriations corresponding to cancellations of commitments shall automatically lapse at the end of each financial year. Provisions for commitments released as a result of the cancellations shall be entered in the balance sheet and the profit-and-loss account provided for in point 3(1) and shall return initially to the assets of the ECSC in liquidation and subsequently, on completion of the liquidation, to the Assets of the Research Fund for Coal and Steel. Amounts recovered shall similarly be entered in the balance sheet and the profit-and-loss account.

Point 5

1. Net revenue available to finance research projects for year n+2 shall be recorded in the balance sheet of the ECSC in liquidation of year n and, on

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completion of the liquidation, in the balance sheet of the Assets of the Research Fund for Coal and Steel.

2. In order to minimise fluctuations in research funding due to movements on the financial markets, a smoothing shall be effected and a provision made for a contingency provision. Details of the calculations for smoothing and determining the size of the contingency provision are contained in the Schedule.

Point 6

Administrative expenditure resulting from liquidation, investment and management operations referred to in this Decision, corresponding to the expenditure laid down in Article 20 of the Treaty establishing a Single Council and a Single Commission of the European Communities of 8 April 1965, the amount of which was adjusted by the Council Decision of 21 November 1977, shall be met by the Commission from a lump sum payment of EUR 3,3 million per year pro rata temporis transferred to the general budget of the European Union from the capital reserve of the fund.

Point 7

The Commission shall determine the amount of the assets and liabilities of the ECSC in a balance sheet closed at 23 July 2002.

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Schedule to Annex I

Procedures to be followed to establish the amount of net revenue to be allocated to the Research Fund for Coal and Steel

1. INTRODUCTION

Net revenue which may be used to finance research projects corresponds to the annual net result of the ECSC in liquidation and subsequently, when liquidation has been completed, to the annual net result of the Assets of the Research Fund for Coal and Steel. The method employed consists of establishing the funding for coal and steel research for year n+2 when producing the balance sheet for year n, taking into account half of the increase or decrease in the net result in relation to the last level of funding adopted for coal and steel research.

2. DEFINITION

n: reference year

R_n: net result for year n

P_n: contingency provision for year n

D_{n+1}: allocation for research for year n+1 (established when the balance sheet for year n - 1 is produced)

D_{n+2}: allocation for research for year n+2

3. ALGORITHMS USED

The algorithms used to establish the size of the contingency provision and the allocations for research for year n+2, which will appear in the balance sheet for year n, are as follows:

3.1. Size of contingency provision:

$$P_n = P_{n-1} + 0{,}5 * (R_n - D_{n+1})$$

3.2. Allocations for research for year n+2 (rounded up or down to the nearest hundred thousand euro. If the calculation gives a result exactly halfway, the allocation shall be rounded up to the nearest hundred thousand euro):

$$D_{n+2} = D_{n+1} + 0{,}5 * (R_n - D_{n+1})$$

Where appropriate, the amount needed for rounding up (or the amount left over from rounding down) will be taken from (or returned to) the contingency provision.

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ANNEX II

Multiannual financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel

Point 1

The multiannual financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel (hereinafter referred to as the 'financial guidelines') are set out in the Schedule.

Point 2

The financial guidelines shall be reviewed or supplemented, if appropriate, every five years, first period ending on 31 December 2007. To this end, and at the latest in the first six months of the last year of each five-year period, the Commission shall reassess the operation and effectiveness of the financial guidelines and shall propose any appropriate amendments.

If it sees fit, the Commission may carry out such reassessment and shall submit proposals for any appropriate amendments to the Council before the expiry of the five-year period.

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Schedule to Annex II

Financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel

1. USE OF FUNDS

(a) The assets of the ECSC in liquidation, including both its loan portfolio and its investments, shall be used as necessary to meet the remaining obligations of the ECSC, in terms of its outstanding borrowings, of its commitments resulting from previous operating budgets, and of any unforeseeable liability.

(b) To the extent that the assets of the ECSC in liquidation are not needed to meet obligations as described in (a), they shall be invested so as to provide income to be used to fund the continuation of research in the sectors related to the coal and steel industry.

(c) The Assets of the Research Fund for Coal and Steel shall be invested so as to provide income to be used to fund the continuation of research in the sectors related to the coal and steel industry.

2. ALLOCATION OF ASSETS

Pursuant to point 1, the Commission will allocate the assets between the following three categories:

(a) reserves needed to provide an assurance to the creditors of the ECSC that all of its outstanding borrowings and the interest thereon will be paid in full on their due date, thus enabling the obligor to maintain its 'AAA' rating or its equivalent;

(b) funds needed to guarantee the disbursement of all amounts legally engaged under the Operating Budget of the ECSC prior to the end of the ECSC Treaty;

(c) to the extent that funds are no longer needed for the above purposes (due either to the reimbursement of borrowings or payment of interest without call on the reserves or the eventual cancellation of budgetary obligations) such funds will be allocated to investment categories.

3. INVESTMENT CATEGORIES

The assets referred to in point 2 are to be invested in such a way as to ensure that funds are available as and when needed, while still generating the highest return available, consistent with maintaining a high degree of security and stability over the long-term.

(a) To obtain these objectives, investment in the following asset categories only shall be permitted:

(i) term deposits with authorised banks;

(ii) money market instruments, with a final maturity of less than one year, issued by authorised banks or by other categories of authorised issuers;

(iii) fixed and floating rate bonds, with a maturity not exceeding 10 years, provided that they are issued by any of the categories of authorised issuers;

(iv) equity shareholdings in authorised collective investment funds, provided that such investments are limited to funds whose aim is to respond to the performance of a financial index and only for the investments referred to in point 2(c).

(b) The Commission may also make use of the following operations in respect of the asset categories set out in (a):

(i) repurchase and reverse repurchase agreements, provided the counterparts are authorised for such transactions, and provided that:

— securities held under such contracts may not be re-sold to parties other than the contracting counterparty prior to the contractual deadline, and

— the Commission remains in a position to re-purchase securities that it may have sold at the contractual deadline;

(ii) bond lending operations, but only under the conditions and procedures laid down by recognised clearing systems such as CLEARSTREAM and EUROCLEAR, or by leading financial institutions specialising in this type of operations, subject to prudential rules considered as being equivalent to Community rules.

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(c) 'Authorised' counterparts, as the term is used in these guidelines are those selected by the Commission under its rules and procedures referred to in point 7.

4. INVESTMENT LIMITS

(a) The investment shall be limited to the following amounts:

(i) for bonds issued or guaranteed by Member States or institutions of the Union, EUR 250 million per Member State or institution;

(ii) for bonds issued or guaranteed by other sovereign or supranational borrowers, with a credit rating of not less than 'AA-' or its equivalent, EUR 100 million per issuer or guarantor;

(iii) for deposits with and/or monetary instruments of an authorised bank, the lower of either EUR 100 million per bank or 5 % of the bank's own funds;

(iv) for bonds of corporate issuers with a credit rating of not less than 'AAA' or its equivalent, EUR 50 million per issuer;

(v) for bonds of corporate issuers with a credit rating of not less than 'AA-' or its equivalent, EUR 25 million per issuer;

(vi) for holdings of collective investment funds with a credit rating of not less than 'AA-' or its equivalent, EUR 25 million for each such vehicle.

(b) The investment in any single bond issue, subject to the limits given in (a) above, shall not be more than 20 % of the total amount of such issue.

(c) The investment in any single counterparty, subject to the limits given in (a) above, and cumulated between instruments where necessary, shall not be more than 20 % of the total assets.

(d) The ratings referred to in these guidelines shall be those applied by at least one of the major international credit rating agencies, as generally understood.

5. TRANSFER TO THE BUDGET OF THE EUROPEAN UNION

The net revenue will be committed to the general budget of the European Union as dedicated revenue and will be transferred from the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel when necessary to meet the obligations from the budget line directed to research programmes for sectors related to the coal and steel industry.

6. ACCOUNTING

The management of the funds shall be accounted for in the annual profit-and-loss account and the annual balance sheet prepared for the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel. These shall be based upon generally accepted accounting principles similar to those provided for the ECSC, and in particular Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies [1] and Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions [2]. The accounts will be approved by the Commission and examined by the Court of Auditors. The Commission shall engage external firms to carry out an annual audit of its accounts.

7. MANAGEMENT PROCEDURES

The Commission shall carry out, in relation to the ECSC in liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel, the abovementioned management operations in accordance with these guidelines and under its internal rules and procedures in force for the ECSC at the time of its dissolution or as modified thereafter.

A detailed report on management operations carried out under these guidelines shall be drawn up every three months and sent to the Member States.

[1] OJ L 222, 14.8.1978, p. 11. Directive as last amended by Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28).

[2] OJ L 372, 31.12.1986, p. 1. Directive as last amended by Directive 2001/65/EC.

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ANNEX III

Multiannual technical guidelines for the research programme of the Research Fund for Coal and Steel

Point 1

The multiannual technical guidelines for the research programme of the Research Fund for Coal and Steel (hereinafter referred to as 'technical guidelines') are set out in the Schedule.

Point 2

The technical guidelines shall be reviewed or supplemented, if appropriate, every five years, first period ending on 31 December 2007. To this end, and at the latest in the first six months of the last year of each five-year period, the Commission shall reassess the operation and the effectiveness of the technical guidelines and shall propose any appropriate amendments.

If it sees fit, the Commission may carry out such reassessment and shall submit proposals for any appropriate amendments to the Council before the expiry of the five-year period.

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Schedule to Annex III

Technical guidelines for the research programme of the Research Fund for Coal and Steel

1. THE PROGRAMME

1.1. Objectives

As a continuation of the European Coal and Steel Community Coal and Steel Research and Technical Development Programmes ('ECSC RTD programmes') and within the framework of sustainable development, a Research Programme of the Research Fund for Coal and Steel (hereinafter referred to as 'the programme') shall be established. The objective of the programme is to support the competitiveness of the Community sectors related to the coal and steel industry. The programme shall be consistent with the scientific, technological and political objectives of the European Union, and shall complement the activities carried out in the Member States and within the existing Community research programmes, such as the framework programme of the European Community for research, technological development and demonstration activities (hereinafter referred to as 'the Research Framework Programme'). Coordination, complementarity and synergy between these programmes shall be encouraged, as shall the exchange of information between projects financed under this programme and those that are financed under the Research Framework Programme.

1.2. Main principles

The programme shall provide financial assistance for allowable projects, accompanying measures and other actions as defined in point 1.5 by promoting cooperation between undertakings, research centres and universities. The programme shall cover production processes, utilisation, conservation of resources, environmental improvements and safety at work in sectors related to the coal and steel industry.

The terms 'coal' and 'steel' are defined in Appendix A.

1.3. Scope

These guidelines describe the structure, management and implementation of the programme, its scientific and technical content and priorities as a complement to other existing research programmes and the participation rules.

These guidelines include the call for proposals for the programme described in point 3.1 and the scientific/technical and socio-economic priorities described in Appendices B and C, which may be amended by the Commission in accordance with the procedure described in point 2.1.

1.4. Participation

1.4.1. *Member States*

Undertakings, research institutes or natural persons established within the territory of a Member State may participate in the programme and apply for financial assistance, provided that they intend to carry out an RTD activity or can substantially contribute to such an activity.

1.4.2. *Applicant States*

Undertakings, research institutes or natural persons in applicant States shall be entitled to participate without receiving any financial contribution under the programme, unless otherwise provided under the relevant European Agreements and their additional Protocols, and in the decisions of the various Association Councils.

1.4.3. *Third countries*

Undertakings, research institutes or natural persons from third countries shall be entitled to participate on the basis of individual projects without receiving any financial contribution under the programme, provided that such participation is in the interest of the Community.

1.5. Allowable projects, accompanying measures and other actions

Research, pilot and demonstration projects, accompanying measures and support and preparatory actions may all be financed under the programme.

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A *research project* is intended to cover investigative or experimental work with the aim of acquiring further knowledge to facilitate the attainment of specific practical objectives such as the creation or development of products, production processes or services.

A *pilot project* is characterised by the construction, operation and development of an installation or a significant part of an installation on an appropriate scale and using suitably large components with a view to examining the potential for putting theoretical or laboratory results into practice and/or increasing the reliability of the technical and economic data needed to progress to the demonstration stage, and in certain cases to the industrial and/or commercial stage.

A *demonstration project* is characterised by the construction and/or operation of an industrial-scale installation or a significant part of an industrial-scale installation with the aim of bringing together all the technical and economic data in order to proceed with the industrial and/or commercial exploitation of the technology at minimum risk.

Accompanying measures relate to the promotion of the use of knowledge gained, the clustering of projects, the dissemination of results and support for the training and mobility of researchers in connection with projects funded under the programme.

Support and preparatory actions are those appropriate to the sound and effective management of the programme, such as the periodic monitoring and assessment referred to in point 4, studies or the networking of related projects funded under the programme.

2. MANAGEMENT OF THE PROGRAMME

The programme shall be managed by the Commission. The following committee and groups shall be established to assist the Commission:

(a) the Coal and Steel Committee described in point 2.1;

(b) the Coal and Steel Advisory Groups described in point 2.2;

(c) the Coal and Steel Technical Groups described in point 2.3.

2.1. The Coal and Steel Committee

2.1.1. The Commission shall be assisted by the Coal and Steel Committee (hereinafter referred to as 'the Committee'). Articles 4 and 7 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission [1] shall apply by analogy. The period laid down in Article 4(3) of that Decision shall be set at three months.

2.1.2. The Committee may examine any question raised by its Chairman, either on the latter's initiative or at the request of the representative of a Member State.

2.1.3. The Committee shall adopt its rules of procedure.

2.1.4. The following matters shall be adopted in accordance with the procedure referred to in point 2.1.1:

(a) the allocation of funds to individual projects, in accordance with point 3.3(3);

(b) the drawing-up of terms of reference for the monitoring and assessment of the programme referred to in point 4;

(c) any amendment of Appendices B and C to these guidelines;

(d) any other issue relating to the programme.

2.1.5. The Commission shall provide the Committee with information on the programme as a whole and on the progress and actual or anticipated impact of all funded RTD actions.

2.2. The Coal and Steel Advisory Groups

The Coal and Steel Advisory Groups (hereinafter referred to as 'the Advisory Groups') shall be independent technical advisory groups established to

[1] OJ L 184, 17.7.1999, p. 23.

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assist the Commission. For the coal and steel-related RTD aspects respectively, each Advisory Group shall advise on:

(a) the overall development of the programme, priorities listed in appendices B and C, including any amendments, the information package as referred to in point 3.1 and future guidelines;

(b) the consistency and the possible duplication with other RTD programmes at Community and national level;

(c) the setting out of the guiding principles for monitoring RTD projects;

(d) the work being undertaken on specific projects;

(e) the definition of the short term priorities of the programme, in accordance with Appendices B and C;

(f) the preparation of a manual for evaluating and selecting RTD actions, as referred to in point 3.3;

(g) the evaluation of proposals for RTD actions and the priority to be given to those proposals, having regard to the funds available;

(h) the number, competence and composition of the Technical Groups referred to in point 2.3;

(i) other measures when requested to do so by the Commission.

Each Advisory Group shall be composed of members, as referred to in point 2.2.1 and point 2.2.2, appointed by the Commission to serve in a personal capacity for a period of five years. Appointments may be withdrawn. The Commission shall consider proposals for appointments received in the following ways: on a proposal by the Member States; on a proposal by the entities referred to in point 2.2.1 and point 2.2.2; in response to a call for applications for inclusion on a reserve list.

There should be at least one member from each Member State which is interested, and within each Advisory Group a balanced range of expertise and the broadest possible geographical representation must be ensured. Members must be active in the field concerned and be aware of the industrial priorities.

The meetings of the Advisory Groups shall be chaired by the Commission, which shall also provide the secretariat. If necessary, the Chairman may request members to vote; every member has the right to one vote. The Chairman may invite visiting experts to take part in meetings where appropriate.

If necessary (e.g. to provide advice on matters of relevance for both sectors), the two Advisory Groups shall convene in joint meetings.

2.2.1. *The Coal Advisory Group*

The composition of the Coal Advisory Group shall be as follows:

Members	Maximum total
(a) From coal producers/national federations or related research centres	8
(b) From organisations representing coal producers at European level	2
(c) From coal users or related research centres	8
(d) From organisations representing coal users at European level	2
(e) From organisations representing workers	2
(f) From organisations representing equipment suppliers	2
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Members must have a wide background knowledge and individual expertise in one or more of the following areas: coal mining and utilisation, environment and social issues, including safety aspects.

2.2.2. *The Steel Advisory Group*

The composition of the Steel Advisory Group shall be as follows:

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Members	Maximum total
(a) From steel industries/national federations or related research centres	21
(b) From organisations representing producers at European level	2
(c) From organisations representing workers	2
(d) From organisations representing downstream processing industries or steel users	5
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Members must have a wide background knowledge and individual expertise in one or more of the following areas: raw materials; iron-making; steelmaking; continuous casting; hot and/or cold rolling; steel finishing and/or surface treatment; development of steel grades and/or products; steel applications and properties; environmental and social issues, including safety aspects.

2.3. The Coal and Steel Technical Groups

The role of the Coal and Steel Technical Groups consists of assisting the Commission in the monitoring of research and pilot/demonstration projects. Members shall be appointed by the Commission and shall come from the sectors related to the coal and steel industry, research organisations or user industries where they should have responsibility for research strategy, management or production.

3. IMPLEMENTATION OF THE PROGRAMME

3.1. Call for proposals

An open and continuous call for proposals is launched by this Decision, with 15 September of each year being the cut-off date for the submission of proposals for evaluation, starting with the year 2002.

The Commission shall establish and make public, including on the Community Research and Development Information Service (CORDIS) or corresponding website, an information package providing proposers and interested parties with practical information on the programme, participation rules, methods of managing proposals and projects, application forms, rules for the submission of proposals, model contracts, allowable costs, the maximum financial contribution allowable and methods of payment.

Applications must be submitted to the Commission in accordance with the rules laid down in the information package, of which a paper copy can be obtained from the Commission on request.

3.2. Content of proposals

The proposals must relate to the scientific/technical and socio-economic priorities laid down in Appendices B and C.

Each proposal must include a detailed description of the proposed project and contain full information on objectives, partnerships (including the precise role of each partner), management structure, anticipated results, expected applications and an assessment of anticipated industrial, economic, social and environmental benefits.

The proposed total cost and its breakdown must be realistic and effective, and the project must be expected to produce a favourable cost/benefit ratio.

3.3. Evaluation and selection of proposals and monitoring of projects

The Commission shall ensure a confidential, fair and equitable evaluation of proposals. The Commission shall establish and publish a manual for the evaluation and selection of RTD actions as specified in point 2.2(f).

The evaluation and selection of proposals shall be carried out under the responsibility of the Commission as follows:

1. After receiving and recording the proposals and verifying their eligibility, the Commission shall evaluate them with the assistance of the

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relevant Advisory Group referred to in point 2.2(g), and, if necessary, independent experts;

2. The Commission shall draw up a list of the proposals adopted in order of merit;

3. The Commission shall decide on the choice of projects and the allocation of funds, assisted by the Committee, in accordance with the procedure referred to in point 2.1.1.

The Commission shall, assisted by the technical groups referred to in point 2.3, monitor research projects and activities.

3.4. Contracts

Projects based on selected proposals and measures and actions as specified under point 1.5 shall form the subject of a contract. Contracts shall be based on relevant model contracts drawn up by the Commission, taking account, as appropriate, of the nature of the activities concerned.

Contracts shall define the financial contribution allocated under the programme on the basis of the allowable costs, as well as the rules concerning cost reporting, the closure of accounts and audits.

3.5. Financial contribution

The programme shall be based on cost-sharing RTD contracts. The total financial contribution including any other additional public funding shall conform to the applicable rules on State aid.

Without prejudice to the previous paragraph, the maximum total financial contribution, expressed as a percentage of the allowable costs defined in point 3.6, shall be:

(a) for research projects:	up to 60 %
(b) for pilot and demonstration projects:	up to 40 %
(c) for accompanying measures, support and preparatory actions:	up to 100 %

3.6. Allowable costs

The allowable costs shall cover only actual costs incurred for the work carried out under the contract. Contractors, associated contractors and subcontractors cannot claim any budgeted or commercial rates. The allowable costs shall be broken down into the following four categories:

3.6.1. *Equipment costs*

The costs of purchasing or hiring equipment directly related to the execution of the project shall be chargeable as direct costs. The allowable costs for the leasing of equipment shall not exceed any allowable costs for its purchase.

3.6.2. *Staff costs*

The costs of actual hours devoted exclusively to the project by scientific, postgraduate or technical staff and the staff costs of manual workers directly employed by the contractor shall be chargeable. Any additional staff costs (e.g. scholarships) shall require the Commission's prior written approval. All working hours charged must be recorded and certified.

3.6.3. *Operating costs*

Operating costs directly related to the execution of the project shall be limited solely to the cost of:

(a) raw materials;

(b) minor items of regular consumption;

(c) the use of consumable items;

(d) energy;

(e) the maintenance or repair of equipment;

(f) the transportation of equipment or products;

(g) the alteration and transformation of existing equipment;

(h) IT services;

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(i) the rental of equipment;

(j) miscellaneous analyses;

(k) special examinations and tests;

(l) assistance from third parties;

(m) travel and subsistence costs.

3.6.4. *Indirect Costs*

All other expenses ('overhead costs' or 'overheads') which may arise in connection with the project and which are not specifically identified in the preceding categories shall be covered by a lump sum amounting to 30 % of the allowable staff costs as referred to in point 3.6.2.

3.7. Technical reports

For research, pilot and demonstration projects, as described under point 1.5, a report must be drawn up every six months by the contractor(s). Such reports shall be used to describe the technical progress made. On completion of the work, a final report comprising an assessment of exploitation and impact shall be provided. This report shall be published by the Commission in full or in summarised form depending on the strategic relevance of the project. The decision shall be taken by the Commission after consultation, if necessary, of the relevant Advisory Group. Where appropriate, final reports on accompanying measures as well as support and preparatory actions shall be required and published.

4. ANNUAL REVIEWS, MONITORING AND ASSESSMENT OF THE PROGRAMME

The Commission shall conduct an annual review of activities under the programme and the progress of the RTD work. The report containing that review shall be forwarded to the Committee.

The programme shall be the subject of a monitoring exercise, including an assessment of the expected benefits. A report on that exercise shall be issued by the end of 2006, and thereafter every five years. These reports shall be forwarded to the European Parliament, the Council, the Committee and the Advisory Groups.

An assessment of the programme shall be carried out on completion of the projects financed during every period of five years, with the first period ending in 2008. The benefits of the RTD to society and to the relevant sectors shall also be assessed. The assessment report shall be published.

The Commission shall draw up the terms of reference for the monitoring exercise and the assessment; the Commission shall be assisted by the Committee. Both the monitoring and assessment shall be carried out by panels of highly qualified experts appointed by the Commission.

5. TRANSITIONAL CLAUSE

The Commission shall take the appropriate steps to ensure a smooth transition from the ECSC RTD programmes to the programme. ECSC contracts which are still running on expiry of the ECSC Treaty shall be managed by the Commission in accordance with their contractual obligations, with a view to harmonising the management of the ECSC contracts and the contracts under the programme.

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Appendix A

Research programme of the Research Fund for Coal and Steel

Definition of the terms 'coal' and 'steel'

1. COAL

(a) Hard coal;

(b) Hard coal briquette;

(c) Coke and semi-coke derived from hard coal;

(d) Lignite;

(e) Lignite briquettes;

(f) Coke and semi-coke derived from lignite;

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(g) Oil shale.

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The term 'hard coal' includes the high and medium-ranking 'A' coals (sub-bituminous coals) as defined in the 'International codification system of coal' of the UN Economic Commission for Europe. The term 'lignite' includes the low-ranking 'C' coals (or ortho-lignites) and the low-ranking 'B' coals (or meta-lignites) of the same classification. With regard to lignite, the programme shall apply solely to lignite used for electricity production or for combined heat/electricity production and not intended for the manufacture of briquettes or semi-coke.

2. IRON AND STEEL

(a) Raw materials for iron and steel production, such as iron ore, sponge iron and ferrous scrap;

(b) Pig iron (including hot metal) and ferro-alloys;

(c) Crude and semi-finished products of iron, ordinary steel or special steel (including products for re-use and re-rolling), such as liquid steel cast by continuous casting or otherwise, and semi-finished products such as blooms, billets, bars, slabs and strips;

(d) Hot finished products of iron, ordinary steel or special steel (coated or uncoated products, excluding steel castings, forgings and powder metallurgy products), such as rails, sheet piling, structural shapes, bars, wire rods, plates and universal plates, strips and sheets, and tube rounds and squares;

(e) End products of iron, ordinary steel or special steel (coated or uncoated), such as cold-rolled strips and sheets and electrical sheets;

(f) Products of the first-stage processing of steel that can enhance the competitive position of the above iron and steel products, such as tubular products, drawn and polished products, cold-rolled and cold-formed products.

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Appendix B

Research programme of the Research Fund for Coal and Steel

Scientific/technical and socio-economic priorities

Coal RTD

Research and technical development constitute a very important means of supporting Community energy objectives with regard to the supply of Community coal and its competitive and environmentally-friendly conversion and utilisation. Moreover, the growing international dimension of the coal market and the global scale of the problems confronting it means that the European Union has to take a leading role in meeting challenges relating to modern techniques, mine safety and environmental protection at worldwide level by ensuring the transfer of know-how required for further technological progress, improved working conditions (health and safety) and enhanced environmental protection. The priority areas are set out in points 1-4 below, the order of which does not represent priority as between these points.

1. IMPROVING THE COMPETITIVE POSITION OF COMMUNITY COAL

The objective is to reduce the total costs of mining production, improve the quality of the products and reduce the costs of using coal. Research projects encompass the entire coal production chain:

— modern techniques for surveying deposits;

— integrated mine planning;

— highly efficient, largely automated excavation and mining technologies corresponding to the geological characteristics of European hard coal deposits;

— appropriate support technologies;

— transport systems;

— power supply services, communication and information, transmission, monitoring and process control systems;

— coal preparation techniques, oriented to the needs of the consumer markets;

— coal conversion;

— coal combustion.

Research projects shall also aim to achieve scientific and technological progress with a view to gaining a better understanding of the behaviour and control of deposits in relation to rock pressure, gas emissions, the risk of explosion, ventilation and all other factors affecting mining operations. Research projects with these objectives must present the prospect of results applicable in the short or medium term to a substantial part of Community production.

Preference is given to projects that promote at least one of the following:

(a) integration of individual techniques in systems and methods and the development of integrated mining methods;

(b) substantial reduction of production costs;

(c) benefits in terms of mine safety and the environment.

2. HEALTH AND SAFETY IN MINES

The required developments just mentioned must be accompanied by appropriate efforts in the field of mine safety, as well as in gas control, ventilation and air-conditioning. Furthermore, underground working conditions raise the need for specific improvements with regard to occupational health and safety.

3. EFFICIENT PROTECTION OF THE ENVIRONMENT AND IMPROVEMENT OF THE USE OF COAL AS A CLEAN ENERGY SOURCE

Research projects with this objective seek to minimise the impact of mining operations and the use of coal in the Community on the atmosphere, water and the surface within the framework of an integrated management strategy with respect to pollution. As the Community coal industry is undergoing constant restructuring, the research is also geared towards minimising the environmental impact of underground mines destined for closure.

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Preference is given to projects that envisage:

(a) a reduction in greenhouse gas emissions, in particular methane, from coal deposits;

(b) the return to the mine of mining waste, fly ash and desulphurisation products, accompanied, where relevant, by other forms of waste;

(c) the refurbishment of waste heaps and the industrial use of residues from coal production and consumption;

(d) the protection of water tables and the purification of mine drainage water;

(e) a reduction in the environmental impact of installations which mainly use Community coal and lignite;

(f) the protection of surface installations against the effects of subsidence in the short and long term;

(g) a reduction in emissions from coal utilisation.

4. MANAGEMENT OF EXTERNAL DEPENDENCE ON ENERGY SUPPLY

Research projects with this objective relate to the prospects for long-term energy supply and concern the upgrading — in economic, energy-related and environmental terms — of coal deposits which cannot be extracted economically by conventional mining techniques. Projects may include studies, the definition of strategies, fundamental and applied research and the testing of innovative techniques which offer prospects for the upgrading of Community coal resources.

Preference is given to projects integrating complementary techniques such as the adsorption of methane or carbon dioxide, coal bed methane extraction and underground coal gasification, etc.

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Appendix C

Research programme of the Research Fund for Coal and Steel

Scientific/technical and socio-economic priorities

Steel RTD

With the general aim of increasing competitiveness and contributing to sustainable development, the main emphasis of RTD is on the development of new or improved technologies to guarantee the economic, clean and safe production of steel and steel products characterised by steadily increasing performance, suitability to use, customer satisfaction, prolonged service life, easy recovery and recycling. The priority areas are set out in points 1-3 below, the order of which does not represent priority as between these points.

1. NEW AND IMPROVED STEELMAKING AND FINISHING TECHNIQUES

   RTD must aim to improve steel production processes with a view to enhancing product quality and increasing productivity. Reducing emissions, energy consumption and the environmental impact as well as enhancing the use of raw materials and the conservation of resources should form an integral part of the improvements sought. Research projects should address the following areas:

   — new and improved iron-ore reduction processes;
   — ironmaking processes and operations;
   — electric arc furnace processes;
   — steelmaking processes;
   — secondary metallurgy techniques;
   — continuous casting and near net shape casting techniques with and without direct rolling;
   — rolling, finishing and coating techniques;
   — hot and cold-rolling techniques, pickling and finishing processes;
   — process instrumentation, control and automation;
   — maintenance and reliability of production lines.

2. RTD AND THE UTILISATION OF STEEL

   RTD on the utilisation of steel is essential for meeting the future requirements of steel users and creating new market opportunities. Research projects should address the following areas:

   — new steel grades for demanding applications;
   — steel properties addressing mechanical properties at low and high temperatures such as strength and toughness, fatigue, wear, creep, corrosion and resistance against fracture;
   — prolonging service life, in particular by improving the resistance of steels and steel structures to heat and corrosion;
   — steel-containing composites and sandwich structures;
   — predictive simulation models on microstructures and mechanical properties;
   — structural safety and design methods, in particular with regard to resistance to fire and earthquakes;
   — technologies relating to the forming, welding and joining of steel and other materials;
   — standardisation of testing and evaluation methods.

3. CONSERVATION OF RESOURCES AND IMPROVEMENT OF WORKING CONDITIONS

   In both steel production and steel utilisation, the conservation of resources, the preservation of the ecosystem and safety issues should form an integral part of the RTD work. Research projects should address the following areas:

   — techniques for recycling obsolete steel from various sources and classification of steel scrap;
   — steel grades and design of assembled structures to facilitate the easy recovery of steel scrap and its reconversion into usable steels;
   — control and protection of the environment in and around the workplace;
   — restoration of steelwork sites;

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— improvement of working conditions and quality of life in the workplace;
— ergonomic methods;
— occupational health and safety;
— reduction of exposure to occupational emissions.