

RESOLUTION (EU) 2019/1543 OF THE EUROPEAN PARLIAMENT**of 26 March 2019****with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Fuel Cells and Hydrogen 2 Joint Undertaking for the financial year 2017**

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 2017,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0105/2019),
- 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efforts towards a rapid deployment of fuel cells and hydrogen technologies; whereas Regulation (EC) No 521/2008 was repealed by Council Regulation (EU) No 559/2014 ⁽²⁾;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 the 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;
- F. whereas in FCH2, the maximum Union contribution is EUR 665 000 000 from the Horizon 2020 and the members from the Industry and Research Groupings are expected to contribute resources of at least EUR 380 000 000, comprising in-kind contributions in the Horizon 2020 projects funded by the FCH2, in-kind contributions to additional activities (of at least EUR 285 000 000) and in cash-contributions to administrative costs;

Budget and financial management

1. Notes that the report of the Court of Auditors (the 'Court') on the annual accounts of FCH2 (the 'Court's report') finds the 2017 annual accounts to present fairly, in all material respects, the financial position of the FCH2 at 31 December 2017, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its 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 2017 included commitment appropriations of EUR 127 800 000 and payment appropriations of EUR 198 600 000; notes that payment appropriations increased by 71, 95 %, and were mainly used for pre-financing the 2016 and 2017 calls for proposals;
3. Notes that the overall 2017 budget execution of commitment and payment appropriations reached 96 % and 89 % 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 out of the EUR 490 000 000 of the funds for FCH's activities (including EUR 470 000 000 in cash contributions from the Union and EUR 20 000 000 of administrative costs from other members), by the end of 2017, the FCH2 had made commitments of EUR 481 700 000 and payments of EUR 418 500 000; points out that according to the FCH's payment plan for ongoing projects of the Seventh Framework Programme, another EUR 25 700 000 will be paid in 2018 and EUR 17 400 000 in the subsequent years, totalling a prevision of 94,3 % of the total FCH's budget;
5. Notes that out of the EUR 470 000 000 of in-kind and cash contributions to be made by the members of the Industry and Research Groupings to the operational activities of the FCH, by the end of 2017, the governing board had validated contributions of EUR 396 200 000; points out that additional in-kind contributions to operational activities of EUR 55 800 000 had been reported to the FCH2 by the end of 2017, highlights the fact that consequently, at the end of 2017, the total contribution of the members of the Industry and Research Groupings to the Joint Undertaking amounted to EUR 452 000 000, compared to the Union contribution of EUR 405 800 000;

Multiannual budget implementation under Horizon 2020

6. Notes that out of the EUR 684 000 000 of Horizon 2020 funds allocated (including EUR 665 000 000 from cash contributions of the Union and EUR 19 000 000 from cash contributions to administrative costs from industry and research members), the FCH2 made commitments of EUR 407 200 000 (59,53 %) and payments of EUR 223 300 000;

Other issues

7. Notes that by the end of 2017, the members of the Industry and Research Groupings had reported in-kind contributions of EUR 25 100 000 for operational activities of EUR 1 300 000 of which EUR 600 000 had been validated by the governing board of the FCH2,
8. Takes note of the fact that the Union cash contribution was EUR 234 300 000 at the end of 2017;
9. Notes that for the Seventh Framework Programme, at the end of 2017, 46 payments for interim and mainly final periodic reports were made for a total of EUR 27 100 000; notes that the budget execution (in terms of payment appropriations) was 73,8 % (compared to 73,7 % in 2016);
10. Notes that for the Horizon 2020, in terms of payment appropriations, 40 pre-financing payments were made for the projects of the 2016 and 2017 calls for proposals, 8 payments to studies and 2 to the joint research centre; notes, moreover, that the budget execution (in terms of payments) reached 93,3 % (compared to 98 % in 2016); notes with satisfaction the fact that in terms of commitment appropriations the budget execution reached 99,8 % when it was of 78,6 % in the previous year, due to the decision to take two additional projects from the reserve list of the 2017 calls for proposals;
11. Observes that the fourth Additional Activities Plan covering 2018, including certifiable additional activities for EUR 250 160 000, was adopted by the FCH2 in December 2017; observes that the FCH2 has developed a methodology, which provides for robust controls for the collection, reporting and certification of additional activities and includes a model audit programme and audit certificate for the certification by independent external auditors;

Performance

12. Welcomes the revision of the technico-economic key performance indicators (KPIs) included in the addendum to the multi-annual work plan endorsed by the FCH2 governing board; observes that most of the 2017 KPIs have been met while projects still ongoing are on track to achieve targets for 2017 and beyond;
13. 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 the FCH2;
14. Welcomes the 2017 value of leverage effect of 1.95 exceeding the target leverage effect over the whole period from 2014 to 2020;

15. Takes note of the fact that experts have counted among the participants of the FCH2 calls many of the world class car manufacturers as well as top energy and utility companies, top innovators are well represented; notes also the engagement of the industry into the planning and execution of the programme; observes that the experts recommend strengthening the value chain approach by a greater participation of end users and customers;
16. Welcomes the fact that all calls for proposals were published and closed according to the respective work plans and that the results regarding 'time-to-grant' and 'time-to-pay' remained well below the defined targets;

Internal audit

17. Notes that in 2017, the FCH2 finalised implementation of all action plans addressing recommendations on internal audit service (IAS) audits on the performance management undertaken by the IAS in 2016, with an exception of one action; notes that in 2017, the IAS undertook a new audit on coordination with the Commission's Central Support Centre and implementation of its tools and services in the FCH2; notes, moreover, that on 7 December 2017, the FCH2 received a final audit report from the IAS on this audit, which resulted in three recommendations; welcomes the fact that the FCH2 agreed with all the recommendations and sent an action plan to IAS on 15 January 2018, which was subsequently agreed by the IAS in January 2018;
18. Notes that the *ex post* audit effort was pursued with the launch of 16 new audits for the Seventh Framework Programme, using the research, technological development and demonstration framework contract with one external audit firm; takes note that the residual error rate was below 2 %; observes that 11 new audits for Horizon 2020 were launched in 2017; calls on the FCH2 to report to the discharge authority on the results of these audits;
19. Observes that the Commission's final evaluation on the FCH for the period between 2008 and 2016 and the interim evaluation on the 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, of which several actions have already been initiated, with the expectation of completing most of the programme 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

20. Welcomes the fact that the FCH2 has set up *ex ante* control procedures based on financial and operational desk reviews, *ex-post* audits at beneficiaries of grants for Seventh Framework Programme interim and final payments and for Horizon 2020 project cost claims, 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 2017 was 1,13 %, which the Court finds below materiality;
 21. Welcomes that the FCH2 has adopted rules on prevention and management of conflict of interest covering its staff and bodies in November 2017;
 22. Takes note of the fact that in 2017, the FCH2, together with the Common Audit Service of Commission's Directorate-General Research and Innovation launched the first *ex post* audit of a random sample of Horizon 2020 interim cost claims; calls on the FCH2 to report to the discharge authority on the results of this audit.
 23. Notes that on 31 December 2017, the total number of posts filled in the FCH2 was 26, representing 11 different Member States;
 24. Welcomes the numerous communication activities organised in 2017 that further contributed to increased visibility of the FCH2.
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