



# Annual Activity Report 2020

## Annexes

Directorate-General for ENERGY

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## **ANNEX 1: Statement of the Director(s) in charge of Risk Management & Internal Control**

I declare that in accordance with the Commission's communication on the internal control framework<sup>1</sup>, I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

I hereby certify that the information provided in Section 2 of the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31 March 2021

Anne MONTAGNON

*e-signed*

I hereby certify that the information provided in Section 1 of the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31 March 2021

Cristina LOBILLO BORRERO

*e-signed*

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<sup>1</sup> C(2017)2373 of 19.04.2017

## ANNEX 2: Performance tables

| <b>General objective 1: European Green Deal</b>  |                          |               |                             |
|--|--------------------------|---------------|-----------------------------|
| <b>Impact indicator:</b> Share of renewable energy in gross final energy consumption   |                          |               |                             |
| <b>Explanation:</b> Renewable energy generation is given as the share of renewable energy consumption in gross final energy consumption. The gross final energy consumption is the energy used by end consumers (final energy consumption) plus grid losses and self-consumption of power plants   |                          |               |                             |
| <b>Source of the data:</b> Eurostat (Eurostat online data code: sdg_07_40)   |                          |               |                             |
| Baseline (2018)  | Interim Milestone (2020) | Target (2030) | Latest known results (2019) |
| 18.91%   | 20%                      | 32%           | 19.73%                      |
| <b>Impact indicator:</b> Primary Energy Consumption  |                          |               |                             |
| <b>Explanation:</b> Primary energy consumption covers the energy consumption by end users such as industry, transport, households, services and agriculture, plus energy consumption by the energy sector itself for the production and transformation of energies, losses occurring during the transformation of energies (for example, the efficiency of electricity production from combustible fuels) and the transmission and distribution losses of energy. Expressed in million tonnes of oil equivalent (MTOE) |                          |               |                             |
| <b>Source of the data:</b> Eurostat (Eurostat online data code: sdg_07_10)   |                          |               |                             |
| Baseline (2018)  | Interim Milestone (2020) | Target (2030) | Latest known results (2019) |
| 1,376 MTOE   | 1,483 MTOE               | 1,273 MTOE    | 1,352 MTOE                  |
| <b>Impact indicator:</b> Greenhouse gas emissions intensity of energy consumption  |                          |               |                             |
| <b>Explanation:</b> The greenhouse gas emissions intensity of energy consumption is the ratio between energy-related greenhouse gas emissions and gross inland consumption of energy. It expresses how many tonnes of CO <sub>2</sub> equivalent of energy-related greenhouse gases are emitted per unit of energy consumed. A decrease signifies either burning relatively less fossil fuels or switching to fossil fuels with lower carbon intensity (e.g. from coal to natural gas). Index: 2000 = 100              |                          |               |                             |
| <b>Source of the data:</b> Eurostat (Eurostat online data code: sdg_13_20)   |                          |               |                             |
| Baseline (2017)  | Interim Milestone (2022) | Target (2024) | Latest known results (2018) |
| 86.7   | Decrease                 | Decrease      | 85.0                        |

| <b>Specific objective 1:</b> Energy is clean, affordable and secure   | Related to spending programme(s) Recovery and Resilience Facility, European Structural and Investment Funds, InvestEU, Horizon Europe, Connecting Europe Facility, LIFE, Renewable Financing Mechanism |  |                                    |
|---|--|--|------------------------------------|
| <b>Result indicator:</b> Adoption of the Energy System Integration Strategy and the Hydrogen Strategy   |  |  |                                    |
| <b>Explanation:</b> This indicator measures the fulfilment of one of the initiatives included in the roadmap of the European Green Deal and the actions which will be triggered |  |  |                                    |
| <b>Source of data:</b> DG ENER  |  |  |                                    |
| Baseline (2019)   | Interim Milestone (2020)   | Target (2024)  | Latest known results (2020)        |
| Announcement of the Energy System Integration Strategy in the European Green Deal roadmap for   | Adoption of the Strategies   | 100% of the actions stemming from Strategies are in line with the European Green Deal objectives | Both Strategies have been adopted. |

|  |   |  |   |
|--|---|--|---|
| June 2020  |   |  |   |
| <p><b>Result indicator:</b> Completion of EU Market Coupling</p> <p><b>Explanation:</b> The indicator measures the status of the expansion of EU-wide electricity market coupling (i.e. central trading platform) for “day-ahead” and “intraday” electricity trading.</p> <p><b>Source of data:</b> DG ENER &amp; European Union Agency for the Cooperation of Energy Regulators (ACER)</p>  |   |  |   |
| <b>Baseline</b><br>(2019)  | <b>Interim Milestone</b><br>(2022)  | <b>Target</b><br>(2024)  | <b>Latest known results</b><br>(2020)   |
| Market coupling for electricity trade in the “intraday” and “day-ahead” timeframe not completed in parts of Europe (notably South-East Europe).  | Day-ahead market coupling at all EU borders (inclusion of 11 outstanding borders in Single Day Ahead Coupling”) by the end of 2022. | Completion of day-ahead and intraday market coupling at all EU borders.  | The day-ahead market coupling at all EU borders is planned to be completed in 2021: Greece and Italy coupled in December 2020, the pending Interim coupling (ICP) project shall be completed in May 2021 and Greek border with Bulgaria shall be added beginning of 2021. |
| 20 borders coupled for day-ahead trading; 21 borders coupled for intraday trading.   | All 25 Member States with interconnector coupled for day-ahead electricity trading.   | All 25 Member States with interconnectors coupled for day-ahead and intraday trading.  | The intraday market coupling is also planned to be completed in 2021, with north Italian borders to join Cross-Border Intraday Market XBID in May 2021, and Greek, Italian, Bulgarian and Slovakian borders to join end 2021.   |
| <p><b>Result indicator:</b> Adoption and full implementation in line with the European Green Deal objectives of the revised TEN-E Regulation and 6th Project of Common Interest (PCI) list</p> <p><b>Explanation:</b> This indicator measures the fulfilment of one of the initiatives included in the roadmap of the European Green Deal including adoption of the Commission proposal, agreement by the co-legislator and full implementation.</p> <p><b>Source of data:</b> DG ENER</p>   |   |  |   |
| <b>Baseline</b><br>(2019)  | <b>Interim Milestone</b><br>(2020)  | <b>Target</b><br>(2024)  | <b>Latest known results</b><br>(2020)   |
| Current TEN-E framework which, while having broad progress on market integration, security of supply and integration of renewables, is not fully aligned yet with Green Deal objectives.   | Adoption of the Commission proposal.  | Entry into force and adoption of 6th Project of Common Interest (PCI) list based on new legislative framework and hence fully in line with the European Green Deal objectives. | TEN-E proposal adopted  |
| <p><b>Result indicator:</b> National Energy and Climate Plans (NECPs) implement European Green Deal and EU post-2020 energy and climate goals, and thereby contribute to economic recovery</p> <p><b>Explanation:</b> Under the Governance Regulation Member States are required to submit progress reports every 2 years starting in 2021 and an updated National Energy and Climate Plan (NECP) to the Commission by 2024. The indicator measures how Member States - via their progress reports and revised NECPs - implement their national energy and climate policies to contribute towards the achievements of EU 2030 energy and climate targets and climate neutrality in 2050, including increased ambition level for 2030, thereby contributing to economic recovery.</p> <p><b>Source of data:</b> DG ENER</p> |   |  |   |
| <b>Baseline</b>  | <b>Interim Milestone</b>  | <b>Target</b>  | <b>Latest known results</b>   |

|  |  |  |   |
|--|--|--|---|
| (2019)   | (2023)   | (2024)   | (2020)  |
| Final National Energy and Climate Plan (NECPs) detailing existing and additional policies and measures to be implemented in the period 2020-30 | 100% of the policies and measures introduced by Member States, reflected in their National Energy and Climate Plans (NECPs) and Integrated Progress Reports, are in line with the European Green Deal objectives and contribute to the economic recovery | 100% of the policies and measures introduced by Member States in their revised National Energy and Climate Plans (NECPs) are in line with the European Green Deal objectives and thereby contribute to the economic recovery | The Commission has assessed the Final National Energy and Climate Plan (NECPs) in 2020. EU level assessment shows high level of compliance. To be reassessed in 2023 revised NECPs. |

**Result indicator:** Share of nuclear material under full scope safeguards verification activities

**Explanation:** Percentage share of all civil nuclear materials held in the EU subject to accountancy verifications, physical inventory verifications and material balance evaluation

**Source of data:** Assessment by DG ENER Directorate E

| Baseline<br>(2019) | Interim Milestone<br>(2022)    | Target<br>(2024)               | Latest known results<br>(year)                               |
|--------------------|--------------------------------|--------------------------------|--|
| 99.94%             | Value to be kept above 99.90 % | Value to be kept above 99.90 % | Due to COVID-19 pandemic, the figure fell to 99.83% in 2020. |

**Result indicator:** Supporting the highest standards on nuclear safety in the EU

**Explanation:** This indicator measures the achieved levels of transposition and implementation of the recently adopted Euratom Directives<sup>2</sup> in the area of nuclear energy with a view to ensuring nuclear safety, radiation protection, and the responsible management of radioactive waste and spent fuel.

The indicator also measures the progress in the implementation of the EU Nuclear Decommissioning Assistance Programmes in Lithuania, Bulgaria and Slovakia towards the decommissioning end states defined in the relevant detailed plans.

**Source of data:** Commission's data on the Member States' transposition and implementation of the abovementioned directives, including notified transposition measures, information from Member States received through EU Pilots and infringement procedures, complaints, and Member States' implementation reports as required by the Directives and data provided by nuclear operators.

Detailed/final decommissioning plans; Commission's work programmes; biyearly monitoring reports and inspections; EVM (Earned Value Management) data per each programme.

| Baseline<br>Progress of the implementation of the Euratom legal framework:<br>(2020)  | Interim Milestone  |   | Target<br>(2024)   | Latest known results<br>(2020)  |
|---|--|---|--|---|
|   | (2021)   | (2022)  |  |   |
| - Nuclear Safety Directive (NSD) completeness transposition checks finalised; EU Pilots launched on conformity aspects<br><br>- Basic Safety Standards (BSS) Directive completeness | - Nuclear Safety Directive (NSD) conformity checks completed, i.e. all infringement procedures launched (if any) | - adoption of 3rd Commission report on the implementation of the Radioactive Waste Directive (RWD)<br><br>- adoption of | - Completeness and conformity checks completed for the Nuclear Safety Directive (NSD), Basic Safety Standards (BSS) Directive and Radioactive Waste Directive (RWD), i.e. all infringement procedures launched (if any) and where possible closed, or in Court | - Nuclear Safety Directive (NSD): Conformity checks completed; 26 EU Pilots launched in 2020 - currently in different stages (open / additional questions raised / 3 cases closed) with the perspective of reaching decisions on them in the first quarter of 2021; all national reports on the NSD implementation received and work started on the preparation |

<sup>2</sup> That is the Nuclear Safety Directive - NSD (Directive 2009/71/Euratom, as amended by Directive 2014/87/Euratom); the Basic Safety Standards - BSS Directive (Directive 2013/59/Euratom); the Radioactive Waste Directive - RWD (Directive 2011/70/Euratom); the Shipment Directive (Directive 2006/117/Euratom).

|   |   |  |   |  |
|---|---|--|---|--|
| <p>transposition checks ongoing at advanced level, several infringement procedures pending</p> <p>- follow-up of open Radioactive Waste Directive (RWD) infringement procedures ongoing</p> | <p>- Basic Safety Standards (BSS) Directive completeness checks completed, i.e. all infringement procedures launched (if any)</p> <p>- adoption of the 2nd Commission report on the implementation of the NSD</p> | <p>4th Commission report on the implementation of the Shipment Directive</p>   |   | <p>of the Commission report to the Council and European Parliament.</p> <p>- Basic Safety Standards Directive (BSS): Completeness checks almost completed; 23 infringement cases were launched in 2019-2020, while two more cases have been proposed for inclusion in the February 2021 cycle - these cases are currently in different stages (open LFN or RO phase / referred to the Court of Justice of the EU / 5 cases closed) with a view to reaching decisions on them during 2021.</p> <p>- Radioactive Waste Directive (RWD): 30 infringement procedures are currently ongoing; in 2020 six cases were moved to the level of Reasoned Opinion, while three new LFN were issued.</p> <p>- Shipment Directive: 25 Member States have submitted their 4<sup>th</sup> national report by the deadline.</p> |
| <p><b>Baseline</b><br/>Second Topical Peer Review (TPR) under the NSD: (2020)</p>   | <p><b>Interim Milestone</b><br/>(2021)</p>  | <p><b>Target</b><br/>(2024)</p>  | <p><b>Latest known results</b><br/>(2020)</p>   |  |
| <p>Launch of preparatory work</p>   | <p>Decision on the topic of the 2nd Topical Peer Review (TPR)</p>   | <p>2nd Topical Peer Review (TPR) completed based on the reports submitted by nuclear operators and Member States' competent authorities.</p> | <p>ENSREG selected "Fire Protection" as the topic of the 2nd Topical Peer Review (TPR), at the 41st ENSREG Plenary meeting in November 2020, on the basis of a recommendation by WENRA. In addition, ENSREG established the TPR Board, which will oversee the process. The TPR Board held its first meeting in December 2020.</p> |  |
| <p><b>Baseline</b><br/>Progress of the EU Nuclear Decommissioning Assistance Programmes: (2020)</p>   | <p><b>Interim Milestone</b><br/>(2023)</p>  | <p><b>Target</b><br/>(2024)</p>  | <p><b>Latest known results</b><br/>(2020)</p>   |  |
| <p>- Ignalina Programme (LT) Earned Value (EV) = 1252 MEUR (37%)</p> <p>- Kozloduy Programme (BG)</p>   | <p>- Ignalina Programme (LT) EV = 1550 MEUR (46%)</p> <p>- Kozloduy Programme (BG) EV = 1057 MEUR (78%)</p>   | <p>- Ignalina Programme (LT) Earned Value (EV) = 1731 (51%)</p> <p>- Kozloduy Programme</p>  | <p>- Ignalina Programme (LT) EV = 1285.7 MEUR (38%)</p> <p>- Kozloduy Programme (BG) EV = 753.8 MEUR (56%)</p> <p>- Bohunice Programme (SK) EV</p>  |  |

|  |   |   |   |
|--|---|---|---|
| EV = 713 MEUR (53%)<br>- Bohunice Programme (SK)<br>EV = 628 MEUR (51%)                                | - Bohunice Programme (SK)<br>EV = 1000 MEUR (81%) | (BG)<br>EV = 1146 MEUR (84%)<br>- Bohunice Programme (SK)<br>EV = 1177 MEUR (95%) | = 662.8 MEUR (54%)  |
| <b>Main outputs in 2020:</b>   |   |   |   |
| New policy initiatives   |   |   |   |
| <b>Output description</b>  | <b>Indicator</b>                                  | <b>Target</b>   | <b>Latest known results (situation on 31/12/2020)</b>   |
| An EU strategy for energy system integration (PLAN/2020/6363)  | Adoption  | Q2 2020   | Adopted   |
| Offshore renewable energy strategy (PLAN/2020/6574)  | Adoption  | Q4 2020   | Adopted   |
| An EU hydrogen strategy (PLAN/2020/7835)   | Adoption  | Q2 2020   | Adopted   |
| Climate Target Plan (DG CLIMA in the lead) (PLAN/2020/6960)  | Adoption  | Q3 2020   | Adopted   |
| EU Methane Strategy (PLAN/2020/7941)   | Adoption  | Q3 2020   | Adopted   |
| Initiatives linked to regulatory simplification and burden reduction                                   |   |   |   |
| <b>Output description</b>  | <b>Indicator</b>                                  | <b>Target</b>   | <b>Latest known results (situation on 31/12/2020)</b>   |
| Revision of the guidelines for trans-European Energy infrastructure (PLAN/2020/6566)                   | Adoption  | Q4 2020   | Adopted   |
| Evaluations and fitness checks   |   |   |   |
| <b>Output description</b>  | <b>Indicator</b>                                  | <b>Target</b>   | <b>Latest known results (situation on 31/12/2020)</b>   |
| Evaluation of Commission Regulation (EURATOM) on the application of Euratom Safeguards (PLAN/2016/460) | Evaluation Roadmap                                | Q3 2020   | Postponed to Q2 2021 due to the sensitivity of the topic.   |
| Public consultations   |   |   |   |
| <b>Output description</b>  | <b>Indicator</b>                                  | <b>Target</b>   | <b>Latest known results (situation on 31/12/2020)</b>   |
| Public consultation on the revision of the guidelines for trans-European Energy infrastructure         | Publication of online survey                      | Q2 2020   | In line with the Better Regulation Guidelines for “back-to-back evaluations and impact assessments”, the Commission carried out a comprehensive stakeholder consultation. The Commission received 215 responses to the open public consultation and targeted questionnaires with an additional 169 submissions via email, mainly from citizens, project promoters and industry associations. Four stakeholder webinars were attended by more than 40 panellists and 300 participants. |
| Public consultation on the offshore renewable energy strategy  | Publication of online survey                      | Q2 2020   | In line with the Better Regulation guidelines, a comprehensive stakeholder consultation was conducted.  |



|  |  |  |   |
|--|--|--|---|
|  |  |  | <p>The open public consultation targeted all type of stakeholders. A total of 219 replies were received. The open public consultation was accompanied by a series of other tools to gather stakeholder views, including targeted consultations, a dedicated stakeholder webinar held on July 9 2020 that covered all aspects of the Strategy and a Roadmap consultation that received 114 contributions. This process ensured stakeholders' views were carefully considered and fed into the preparation of the Strategy.</p> |
|--|--|--|---|

#### External communication actions

| Output description  | Indicator   | Target   | Latest known results (situation on 31/12/2020)   |
|---|---|--|--|
| Webpage with online questionnaire on energy system integration strategy (PLAN/2020/6363)  | 14,274 page views   | Q2 2020  | Page views were 13251, slightly less than expected (8%).   |
| Publication of the roadmap for energy system integration strategy in "have-your-say" Commission's website for a 4-week public feedback (PLAN/2020/6363)           | Publication of online survey targeting 100 replies          | Q2 2020  | 156 replies received in addition of the 90 replies from the functional mailbox (246 in total).                   |
| Publication of the roadmap for hydrogen strategy in "have-your-say" Commission's website for 2-week public feedback (PLAN/2020/7835)                              | Publication of online survey targeting 100 replies          | Q2 2020  | 279 replies received   |
| Publication of the roadmap for revision of the 2018 Renewable Energy Directive in "have-your-say" Commission's website for 4-week public feedback (PLAN2020/7536) | Publication of online survey targeting over 100 submissions | Q3 2020  | 375 replies received   |
| 12-week public consultation on the revision of the 2018 Renewable Energy Directive in "have-your-say" Commission's website (PLAN2020/7536)                        | Publication of online survey targeting over 100 submissions | 12-week public consultation on the revision of the 2018 Renewable Energy Directive in "have-your-say" Commission's website (PLAN2020/7536) | Public consultation launched in November 2020, closed on 9 February 2021 with more than 30 000 replies received. |

#### Other important outputs

| Output description   | Indicator   | Target     | Latest known results (situation on 31/12/2020) |
|--|-------------|------------|--|
| EU-level assessment of NECPs (PLAN/2020/7598)                                    | Adoption    | Q3/Q4 2020 | Adopted  |
| Implementing Regulation on renewable energy financing mechanism (PLAN/2018/3383) | Adoption    | Q3 2020    | Adopted  |
| Commission report on energy prices and costs in Europe (PLAN/2020/7728)          | Adoption    | Q4 2020    | Adopted  |
| Administrative Agreements for  | Adoption of | Q2 2020    | The Empowerment Decision on the                |

|   |  |           |  |
|---|--|-----------|--|
| participation in the European Radiological Data Exchange Platform – EURDEP (PLAN/2020/6560)   | Empowerment Decision by the Commission |           | EURDEP Administrative Agreements was adopted on 08/04/2020.  |
| 2020 Annual Progress Report on Nuclear Decommissioning Assistance Programmes (PLAN/2019/5926)   | Adoption of the report                 | Q4 2020   | Postponed to Q1 2021 due to the postponement of monitoring actions in the COVID19 context, and to cover the full year 2020 in the report.                                  |
| Commission Implementing Decision on the 2020 financing decision for the Nuclear Decommissioning Assistance Programmes (PLAN/2019/5916)  | Adoption of the financing decision     | Q2 2020   | Financing decision adopted on 28/04/2020   |
| Establishment of the Decommissioning Funding Group (PLAN/2017/2006)   | Adoption of Commission Decision        | Q3 2020   | Postponed to Q2 2021 based on a revised adoption target.   |
| Revision of the Nuclear Safeguards Approach (IETS-II, CSWD) (PLAN/2016/431)   | Adoption                               | Q3 2020   | Postponed to Q2 2021 to be adopted as part of a wider policy package   |
| Delegated Regulation on cross-border renewables projects under CEF (PLAN/2018/3336)   | Adoption                               | Q3-4 2020 | Postponed to 2021 Q4 due to inter-institutional negotiations on the CEF Regulation still ongoing   |
| Implementing Regulation on operational guidance on biomass sustainability criteria (PLAN/2019/6112)   | Adoption                               | Q3 2020   | Postponed to Q2 2021 in order to be able to include the findings from the JRC report on the use of woody biomass for energy production in the EU (published January 2021). |
| Delegated Regulation on renewable fuels of non biological origin and recycled carbon fuels (PLAN/2019/6110) and (PLAN/2019/6111)  | Adoption                               | Q4 2020   | Postponed to Q2 2021 due to heavy workload linked with COVID-recovery plan and preparation of the RED II revision.   |
| Delegated Regulation on coprocessing biofuels (PLAN/2019/6113)  | Adoption                               | Q4 2020   | Postponed to Q2 2021 due to heavy workload linked with COVID-recovery plan and preparation of the RED II revision.   |
| Commission implementing decision on the selection and award of grants for actions contributing to Projects of Common Interest under the Connecting Europe Facility in the field of trans-European energy infrastructure (call for proposals in 2020) (PLAN/2019/6214) | Adoption                               | Q4 2020   | Adopted  |

|  |                          |  |                             |
|--|--------------------------|--|-----------------------------|
| <b>Specific objective 2:</b> Building, renovations and application of the Energy Efficiency first principle  |                          | Related to spending programme(s) Recovery and Resilience Facility, European Structural and Investment Funds, InvestEU, Horizon Europe, LIFE, European Energy Efficiency Fund |                             |
| <b>Result indicator:</b> Final energy consumption  |                          |  |                             |
| <b>Explanation:</b> Final energy consumption covers the total energy consumed by end users, such as households, industry and agriculture. It is the energy which reaches the final consumer's door and excludes that which is used by the energy sector itself. Expressed in million tonnes of oil equivalent (MTOE) |                          |  |                             |
| <b>Source of data:</b> Eurostat (Eurostat online source code: sgd_07_10)   |                          |  |                             |
| <b>Baseline</b>  | <b>Interim Milestone</b> | <b>Target</b>  | <b>Latest known results</b> |

|   |  |                                  |   |
|---|--|----------------------------------|---|
| (2017)  | (2020)   | (2030)                           | (2019)  |
| 988 MTOE (for EU27_2020)  | 959 MTOE (for EU27_2020)   | 846 MTOE (for EU27_2020)         | 983.6 MTOE (for EU27_2020)  |
| <b>Result indicator:</b> Final energy consumption in households by type of fuel   |  |                                  |   |
| <b>Explanation:</b> Final energy consumption in households covers the energy consumption of households (individual dwellings, apartments, etc.) for space heating, water heating, cooling, and cooking as well as electricity consumption by various electrical appliances. Expressed in thousand tonnes of oil equivalent (KTOE) |  |                                  |   |
| <b>Source of data:</b> Eurostat (Eurostat online source code: ten00125)   |  |                                  |   |
| <b>Baseline</b><br>(2017)   | <b>Interim Milestone</b><br>(2020)   | <b>Target</b><br>(2030)          | <b>Latest known results</b><br>(2018)   |
| 250.676,313 KTOE (for EU27_2020)  | 243.156,000 KTOE (for EU27_2020)   | 213.074,000 KTOE (for EU27_2020) | 240.103 KTOE (for EU27_2020)  |
| <b>Main outputs in 2020:</b>  |  |                                  |   |
| New policy initiatives  |  |                                  |   |
| <b>Output description</b>   | <b>Indicator</b>   | <b>Target</b>                    | <b>Latest known results (situation on 31/12/2020)</b>   |
| "Renovation wave" initiative for the building sector (PLAN/2020/6564)   | Adoption   | Q3 2020                          | Adopted   |
| Evaluations and fitness checks  |  |                                  |   |
| <b>Output description</b>   | <b>Indicator</b>   | <b>Target</b>                    | <b>Latest known results (situation on 31/12/2020)</b>   |
| Evaluation Roadmap/ inception impact assessment for the Energy Efficiency Directive   | Launching  | Q3 2020                          | The Commission started the evaluation process of the Energy Efficiency Directive in summer 2020 in compliance with the Better Regulation rules. The Roadmap (covering both evaluation and the impact assessment processes) was published on 3 August 2020 and was available for stakeholders' feedback until 21 September 2020. 189 contributions were received. Targeted stakeholder workshops and meetings were organised in the second half of 2020. |
| Public consultations  |  |                                  |   |
| <b>Output description</b>   | <b>Indicator</b>   | <b>Target</b>                    | <b>Latest known results (situation on 31/12/2020)</b>   |
| Stakeholders consultation (4 weeks) for the Renovation wave" initiative for the building sector in addition to the 4week feedback to the roadmap (PLAN/2020/6564) from 11.6 – 9.7.2020 in "Have your Say"   | 200 submissions<br>ENER news views is 2987   | Q2 2020                          | Synthesis report on the outcome of the public consultation published on the Renovation Wave <a href="#">webpage</a> .   |
| 4-week public feedback for IIAs for several review of product regulations (related to PLAN/2019/5563, 5387, 5322, 5329, 5479, 5480, 5366, 5367 + 2016/489) in "Have your Say".  | Publication of online survey targeting over 100 submissions  | Q3 2020                          | Postponed to Q3 2021 due to unforeseen circumstances  |
| 12-week public feedback for stakeholders consultation for several review of product regulations (related to PLAN/2019/5563, 5387, 5322, 5329, 5479, 5480, 5366, 5367 + 2016/489) in "Have your Say".  | Publication of online survey, targeting over 100 submissions<br>Communication to stakeholders groups and | Q4 2020                          | Postponed to Q4 2021 due to unforeseen circumstances.   |

|   |   |                      |   |
|---|---|----------------------|---|
|   | ENER news   |                      |   |
| 12-week public consultation on the EED Review (covering the evaluation and the impact assessment processes) | Publication of online survey targeting over 300 submissions | Q4 2020              | The Commission launched the open public consultation on 17 November 2020, which run until 9 February 2021. In total 344 replies received from wide range of stakeholder groups.   |
| <b>Other important outputs</b>  |   |                      |   |
| <b>Output description</b>   | <b>Indicator</b>  | <b>Target</b>        | <b>Latest known results (situation on 31/12/2020)</b>   |
| New Sustainable Energy Investment (SEI) Forums  | Launching   | Q1 2020              | The new Sustainable Energy Investment Forums contract, managed by EASME, started in 2020.   |
| 2019 Annual Progress report under Article 24(3) EED (PLAN/2019/5332)  | Adoption  | Q2 2020              | Report adopted on 20/07/2020  |
| Energy Efficiency First principle operationalisation (PLAN/2020/8009)                                       | Adoption  | Q4 2020 (with SoEnU) | Postponed to Q2 2021 to allow proper consideration of the support study that was finalised end of 2020 and sufficient time for better consultation with stakeholders.   |
| Energy Efficiency Financial Institutions Group, various working groups                                      | Launching   | Q4 2020              | In 2020, four new working groups were launched: Further improvements of energy efficiency in Industry, Development of new features and expanding the De-risking Energy Efficiency Platform (DEEP), EEFIG dissemination activities and stakeholder activation and Energy efficiency financing post 2020, in the framework of the next Multiannual Financial Framework (MFF) 2021-2027. |
| ELENA Contribution Agreement 2020   | Adoption  | Q4 2020              | Adopted in December 2020  |
| Ecodesign omnibus amendment of 2019 regulations (PLAN/2020/8133)  | Adoption  | Q4 2020              | Postponed to Q1 2021. Following positive reply from European Parliament and Council to agree on an early non-Objection, final procedural steps ongoing to have it published with target date 26.2.2021  |
| Energy labelling omnibus amendment of 2019 regulations (PLAN/2020/8135)                                     | Adoption  | Q4 2020              | Postponed to Q1 2021. Final procedural steps ongoing to have it published with target date 26.2.2021.   |

|   |                                    |   |                                       |
|---|------------------------------------|---|---------------------------------------|
| <b>Specific objective 3:</b> Mobilising research and fostering innovation   |                                    | Related to spending programme(s) Horizon Europe, Invest EU, Innovation Fund, LIFE, ITER |                                       |
| <b>Result indicator:</b> Annual publication of the “Clean Energy Transition – Technologies and Innovations Report”, an evidence based analysis of clean energy Research & Innovation priorities   |                                    |   |                                       |
| <b>Explanation:</b> One of the priorities is building a common ground of evidence to assess the technology and innovation needs for our 2030 and 2050 objectives, better prioritize the Research & Innovation objectives and, eventually, reduce the overall cost of the energy transformation. |                                    |   |                                       |
| <b>Source of data:</b> internal analysis and stakeholders consultation  |                                    |   |                                       |
| <b>Baseline</b><br>(2020)   | <b>Interim Milestone</b><br>annual | <b>Target</b><br>(2024)   | <b>Latest known results</b><br>(2020) |
| 1 report  | 1 report                           | 1 report  | 2020 report published on 14/10/2020   |
| <b>Result indicator:</b> Share of Horizon Europe funds allocated to the following research  |                                    |   |                                       |

activities: renewable energy and Carbon Capture, Utilisation and Storage (CC(U)S), buildings & industry, smart grids, energy storage, smart cities and market uptake of energy innovation activities

**Explanation:** budget allocated to clean energy projects

**Source of data:** MFF and Horizon Europe programme

| Baseline<br>(2021)         | Interim Milestone<br>(2023)   | Target<br>(2024)  | Latest known results<br>(2020)   |
|----------------------------|---|---|--|
| Horizon Europe allocations | Share of the energy funds allocated to Cluster 5 (Energy, Climate and Mobility) | Share of the energy funds allocated to Cluster 5 (Energy, Climate and Mobility) | Around EUR 7 billion are earmarked under Horizon Europe for clean energy projects in the period 2021-2027. |

**Result indicator:** Clean energy Research & Innovation projects implemented at transnational level to reach the agreed targets under the European Strategic Energy Technology Plan (SET Plan) in Implementation Plans

**Explanation:** The European Strategic Energy Technology Plan (SET Plan) is a framework to coordinate Research & Innovation actions on clean energy technologies at national and European level. 13 Implementation Plans have been developed, combined with agreed targets to reach.

**Source of data:** SETIS reporting and monitoring system

| Baseline<br>(2016-19) | Interim Milestone<br>(2022) | Target<br>(2024)      | Latest known results<br>(2020)   |
|-----------------------|-----------------------------|-----------------------|--|
| 312 projects launched | 400 projects launched       | 450 projects launched | The SETIS annual monitoring report highlights that there has been an increasing number of activities having projects ongoing, jumping from 46% in 2019 to 74% in 2020. |

**Result indicator:** An investment alliance for clean energy transition to boost private investments in R&I and deployment

**Explanation:** 80% of Research & Innovation funding comes from the private sector, therefore it is crucial for policies to orientate private investments toward climate neutral solutions. As we are keen to support the commitments and initiatives from the private sector to complement those by the public sector, a European alliance of companies and investors willing to increase their level of Research & Innovation spending in clean energy technologies or to deploy available solutions in order to reduce their own carbon footprint will be established.

**Source of data:** DG ENER, IRENA, Green Recovery call to action.

| Baseline<br>(2021) | Interim Milestone<br>(2023) | Target<br>(2024) | Latest known results<br>(2020)  |
|--------------------|-----------------------------|------------------|---|
| 50                 | 200                         | 250              | Preparation is ongoing. The Joint Research Centre (JRC) will finalise a feasibility study of the initiative, proposing a number of options for implementation. A call for tender to set up the initiative will be launched in the first half of 2021, with a possible formal kick-off of the initiative at COP26. |

**Result indicator:** Strategic Agenda for Medical Ionising Radiation Applications (SAMIRA)

**Explanation:** This indicator measures the progress towards establishing and implementing an EU action plan on medical applications of nuclear and radiation technology

**Source of data:** Progress reporting to be decided at the time of meeting the interim milestone

| Baseline<br>(2019)  | Interim Milestone<br>(2020)                       | Target<br>(2024)                             | Latest known results<br>(2020)   |
|---|---|--|--|
| Preparatory work conducted within the Commission's SAMIRA Inter-Service Working | Finalisation of the action plan by the Commission | Implementation in the relevant EU programmes | The SAMIRA initiative was adopted on 5 February 2021 as a contribution to the "Europe's Beating Cancer Plan" |

|  |   |                         |  |
|--|---|-------------------------|--|
| Group  |   |                         |  |
| <p><b>Result indicator:</b> Percentage of completion of International Thermonuclear Experimental Reactor (ITER) construction until “First Plasma” (First Experiments)</p> <p><b>Explanation:</b> This indicator measures the progress of the preparatory construction and installation works of the fusion reactor to be ready for the First Plasma at the end of 2025</p> <p><b>Source of data:</b> Bimonthly reports to the ITER Council</p> |   |                         |  |
| <b>Baseline</b><br>(2019)  | <b>Interim Milestone</b><br>(2022)  | <b>Target</b><br>(2024) | <b>Latest known results</b><br>(2020)  |
| 68.7%  | 86% <sup>3</sup>  | 95%                     | 71.1%  |
| <b>Main outputs in 2020:</b>   |   |                         |  |
| New policy initiatives   |   |                         |  |
| <b>Output description</b>  | <b>Indicator</b>  | <b>Target</b>           | <b>Latest known results (situation on 31/12/2020)</b>  |
| Clean Energy Transition – Technologies and Innovations Report (PLAN/2020/7104)   | Publication   | Q4 2020                 | Published on 14/10/2020  |
| External communication actions   |   |                         |  |
| <b>Output description</b>  | <b>Indicator</b>  | <b>Target</b>           | <b>Latest known results (situation on 31/12/2020)</b>  |
| SET Plan annual conference   | Number of participants for the overall event (objective: 500 participants) and per each session; SET Plan member states representation (objective: eastern and western parity); gender figures participation (objective: gender parity); the balance between industry, research, financial community and governmental representatives; activity on social media (tags, tweets, re-tweets) | Q4 2020                 | The 14 <sup>th</sup> SET Plan conference was held virtually for the first time under the auspices of the German Presidency of the EU. Three input papers on the SET Plan contribution to the main 2020 energy policies were prepared by the IWGs and discussed at the conference. The total number of participants was 596 in Day 1 and 572 in Day 2. The Ministerial session welcomed Ministers from Germany, Portugal, Croatia, Belgium as well as Commissioner Simson. Across the sessions, both gender, geographical and organisational balance have been sought, ensuring a wide and inclusive representation of stakeholders. The conference has been publicised on the SET Plan Twitter account (managed by JRC), on ENER account as well as on the Commissioner account. |
| Other important outputs  |   |                         |  |
| <b>Output description</b>  | <b>Indicator</b>  | <b>Target</b>           | <b>Latest known results (situation on 31/12/2020)</b>  |
| Strategic Plan of Horizon Europe – Cluster 5   | Publication   | Q3 2020                 | Publication postponed to Q1 2021 due to the delays on obtaining political agreement on the Multi-Annual Financial Framework 2021-27.   |
| European Green Deal mega call  | Adoption by Member States of the Horizon 2020 Work Programme. Selection of implementing entities.   | Q2 2020                 | Call launched in September 2020.   |

<sup>3</sup> These figures are estimates based on the current situation of manufacturing and construction, and they are depending on the adoption of the Commission’s 2018 proposal for continuation of EU financial support to the ITER project under the next MFF (COM/2018/445 final).

|  |  |                     |   |
|--|--|---------------------|---|
|  | Inception reports submitted by implementing entities.      |                     |   |
| Competitiveness Progress Report (under Governance regulation)                                      | Publication  | Q4 2020             | Published on 14/10/2020.  |
| Design of the Clean Energy Transition co-funded partnership  | Publication of the final proposal and Strategic R&I Agenda | Q3 2020             | The final version of the Strategic Research and Innovation (R&I) Agenda of the Clean Energy Transition Partnership was published on 23 November 2020 during a SET Plan conference side event.   |
| Contribution to the design of Mission Innovation 2.0   | New roadmap  | Q4 2020             | DG ENER has been supporting DG RTD in the shape of Mission Innovation 2.0, especially in the definition of the new missions to be launched in June 2021 at MI6. Particular attention has been put on the mission on hydrogen, which will complement the initiative on hydrogen led by DG ENER under the Clean Energy Ministerial. |
| Joint Declaration between EURATOM and Japan for the continuation of the Broader Approach Agreement | Signature of Joint Declaration                             | Q1 2020 (completed) | The Joint Declaration was signed on 2 March 2020 at the JA-EU ceremony at the premises of the Commission.   |
| SAMIRA: Strategic Agenda for Medical Ionising Radiation Applications (PLAN/2020/6922)              | Finalisation by the Commission                             | Q4 2020             | The SAMIRA initiative was adopted in February 2021 due to alignment with the "Europe's Beating Cancer Plan" Communication.  |

| <b>Specific objective 4:</b> Involving the public and all stakeholders and ensuring a Just transition   |                   | Related to spending programme(s) Recovery and Resilience Facility, Just Transition Mechanism |               |   |
|---|-------------------|--|---------------|---|
| <b>Result indicator:</b> Local authorities are committed to the Covenant of Mayors initiative   |                   |  |               |   |
| <b>Explanation:</b> The indicator measures the impact of local authorities that have committed to meeting or exceeding the EU headline targets for GHG emission reductions, climate change adaptation and clean energy access. It covers the numbers of signatories, monitored energy consumptions reductions (vs baseline emission inventories in TWh) and annual monitored increase of local energy production from renewable sources (in TWh) compared to baseline year. |                   |  |               |   |
| <b>Source of data:</b> Covenant of Mayors, JRC  |                   |  |               |   |
| Baseline (year)   | Interim Milestone |  | Target (2024) | Latest known results (2020)   |
|   | (year)            | (milestone)  |               |   |
| (2019) Signatories  | 2022              | 11,000   | 13000         | On track. Number of signatories is 10,035 in the EU and 10,420 including the UK, NO and CH. For consumption reduction and renewable energy production, figures for 2020 will only be available in late 2021/early 2020, as it is based on self-reporting from cities. |
| (2017) consumption reduction  | 2020              | 946 TWh  | 1198 TWh      |   |
| (2017) renewable energy   | 2020              | 232 TWh  | 511 TWh       |   |
| <b>Result indicator:</b> Adoption, implementation and revision of just transition plans under the Just Transition Fund  |                   |  |               |   |
| <b>Explanation:</b> The indicator measures the progress achieved in the drafting, adoption, implementation and revision of just transition plans under the Just Transition Fund in coal, peat and oil shale, which will closely involve local stakeholders in beneficiary regions.  |                   |  |               |   |

| Source of data: DG ENER and DG REGIO   |  |   |  |
|--|--|---|--|
| Baseline (2020)  | Interim Milestone (2021)   | Target (2024)   | Latest known results (2020)  |
| Preparatory work conducted in view of adopting the just transition plans by Q1 2021. | 100% of just transition plans are adopted and implementation started in all coal, peat and oil shale beneficiary regions | 100% of just transition plans updated based on NECP revision and other developments                 | Too early to report, as just transition plans are being developed at present.  |
| <b>Main outputs in 2020:</b>   |  |   |  |
| Other important outputs  |  |   |  |
| Output description   | Indicator  | Target  | Latest known results (situation on 31/12/2020)   |
| Just Transition Fund (REGIO in the lead)   | Adoption   | Adopted on 14 January 2020 - COM(2020) 22 final   | Adopted  |
| Smart Cities Marketplace   | Creation   | Q2 2020   | Created  |
| Energy Poverty Guidance (PLAN/2020/7988)   | Publication  | Q2 2020   | Published on 27/10/2020  |
| Covenant of Mayors   | Signature of new contract  | Signed by Q2 2020   | Signed on 30/06/2020   |
| Platform for Coal Regions in Transition – Platform meetings                          | Number of meetings organised   | At least 2 meetings with over 250 participants  | 2 meetings organised, with over 1,000 participants in each.  |
| Platform for Coal Regions in Transition – START programme                            | Number of technical assistance programme started   | At least 3 regions with a signed 'service level agreement' and activities that begun on the ground. | Service level agreement signed in Ireland, Spain, Czechia and Poland. START programme ended in Ireland and nearing competition in Spain. |
| Platform for Coal Regions in Transition – Country teams                              | Number of meetings organised   | At least 3 meetings organised with 3 different countries  | No meetings were organised in 2020 due to the COVID-19 pandemic and ongoing JTF negotiations. The process is expected to resume in 2021. |
| European Energy Youth Network  | Launch of the network  | Q4 2020   |  |
| EU Energy Poverty Observatory  | Signature of new contract  | Q3 2020   | Signed on 18/12/2020   |
| Just Transition Platform (REGIO in the lead)   | Creation   | Q2 2020   | Created  |
| Business transition initiative – pilot   | Signature  | Q3 2020   | Pilot mapping & scenario study (JRC) signed in May, draft final report in December 2020.   |



## Specific objective 5: Acting as global leader in energy

### Result indicator: Modernisation of the Energy Community

**Explanation:** The EU and Energy Community Contracting Parties are currently in the process of modernizing the Energy Community Treaty in view of bringing the relevant legislation in Energy Community Contracting Parties closer to the EU acquis.

**Source of data:** Conclusions of the Energy Community Ministerial Council, Reports from Council Energy Working Party meetings, Commission Decisions on Proposals the Council, Decisions of the Council and the European Parliament

| Baseline<br>(2020)   | Interim Milestone<br>(2021)   | Target<br>(2024)   | Latest known results<br>(2020)  |
|--|---|--|---|
| Progress towards completion of Energy Community modernisation negotiations | Adoption by the Energy Community Contracting Parties of the EU 2030 Targets | 2030 Targets implemented and enforced by the Energy Community Contracting Parties in order to progress towards 2030 Targets and advance towards decarbonisation in line with the EU objectives | The Ministerial Council of the Energy Community on 17 December 2020, while acknowledging the progress made, could not reach consensus on a stable Energy Community Treaty amendment text. |

### Result indicator: Implementation of the Intergovernmental Agreement (IGA) Decision

**Explanation:** In line with the Intergovernmental Agreement (IGA) Decision, the Commission examines the international agreements in the field of energy before they are signed by member states in order to ensure that they are in line with the EU acquis.

**Source of data:** Commission Decisions on the (i) assessment of IGAs notified to the Commission ex-ante or ex-post, (ii) reporting to EU institutions, (iii) optional model clauses and guidance to Member States; Reports from negotiation rounds with Commission as an observer

| Baseline<br>(2020)  | Interim Milestone<br>(2020)   | Target<br>(2024)  | Latest known results<br>(2020)  |
|---|---|---|---|
| Assessment on an ongoing basis of draft Intergovernmental Agreements received from EU member states | Commission decisions on individual draft Intergovernmental Agreements adopted in a timely manner - advising member states on how to ensure compliance with EU acquis, if required | IGAs in the field of energy signed by EU Member States compliant with EU acquis | Draft Intergovernmental Agreements (IGAs) notified to the Commission were assessed in accordance with the IGA Decision and Member States were informed accordingly. |

### Result indicator: Energy Charter Treaty (ECT) Modernisation

**Explanation:** The EU seeks to modernise the provisions of the Energy Charter Treaty (ECT) so that it takes account of sustainable development and climate goals, as well as modern standards of investment protection and investor-to-state dispute settlement. The objective of the modernised Energy Charter Treaty should be to facilitate investment in the energy sector in a sustainable way, provide for legal certainty and ensure a high level of investment protection

**Source of data:** Council mandate for the negotiation, meeting reports and Energy Charter Conference, DG TRADE website on the EU proposal for modernising Energy Charter Treaty

| Baseline<br>(2020)  | Interim Milestone<br>(2022)   | Target<br>(2024)   | Latest known results<br>(2020)  |
|---|---|--|---|
| Completion of initial negotiation rounds based on the EU text proposals<br>Progress report on the ECT Modernisation | Make decisive progress in the Energy Charter Treaty modernisation negotiation | Finalisation of the Energy Charter Treaty modernisation negotiations | The negotiations for the modernisation of the Energy Charter Treaty have started in July 2020 and already 3 rounds have taken place so far. |

### Result indicator: Continued follow-up of nuclear safety and conduct of stress tests in third

countries

**Explanation:** It is necessary to promote the EU's nuclear safety standards internationally. To date, six countries from the broader region (Armenia, Belarus, Iran, Switzerland, Turkey, and Ukraine) have or are currently engaging in the EU's stress test process, carried out in conjunction with the European Nuclear Safety Regulators Group (ENSREG). Specifically, the objective concerns organization of ENSREG peer review of national stress test reports and national stress test action plans.

**Source of data:** European Nuclear Safety Regulators Group (ENSREG)<sup>4</sup>

| Baseline<br>(2020)  | Interim Milestone<br>(2022)  | Target<br>(2024)  | Latest known results<br>(2020)  |
|---|--|---|---|
| Progressing stress test process in neighbouring countries | <ul style="list-style-type: none"> <li>- Peer reviews of Turkey's and Iran's national stress test reports completed;</li> <li>- Peer review of implementation of Belarus's stress test national action plan complete;</li> <li>- If necessary, preparation of further follow-up peer reviews.</li> </ul> | <ul style="list-style-type: none"> <li>- Peer reviews of implementation of Turkey's and Iran's national action plans underway;</li> <li>- Other peer reviews of neighbouring countries' nuclear power projects to be organised as necessary.</li> </ul> | ENSREG set up and appointed a Board for Stress Tests in third countries in 2020, in order to manage the conduct of stress tests peer reviews in third countries consistently. |

**Result indicator:** Global Covenant of Mayors for Climate and Energy

**Explanation:** The indicator reflects the growth of Global Covenant, an instrument to promote EU energy transition policies and business to European Neighbourhood, Africa, Asia and Americas.

**Source of data:** Global Covenant of Mayors<sup>5</sup>

| Baseline<br>(2019) | Interim Milestone<br>(2022) | Target<br>(2024) | Latest known results<br>(2020)  |
|--------------------|-----------------------------|------------------|---|
| 10239              | 13000                       | 16000            | The second phase of the initiative launched, contract signed in October 2020 for the new Global Secretariat. New contract signed also for Asia. Overall membership around 10,550. |

**Main outputs in 2020:**

Other important outputs

| Output description                               | Indicator  | Target          | Latest known results<br>(situation on 31/12/2020)   |
|--|--|-----------------|---|
| Cooperation on hydrogen between the EU and Japan | Memorandum of Cooperation adopted                    | Q3 2020         | Postponed to Q4 2021 due to COVID-19 pandemic. Japanese and EU leaders decided to postpone the signature of a bilateral Memorandum of Cooperation on Hydrogen to an opportunity when a physical meeting will be possible (e.g. at the 4th Hydrogen Energy Ministerial conference in Tokyo in autumn). |
| Energy Charter Treaty Modernisation process      | Adoption of EU text proposals<br>Negotiations rounds | Q3 2020<br>2020 | Adopted<br>3 rounds in 2020   |
| Energy Community Modernisation process           | Finalisation of modernisation negotiations           | by end 2020     | The Ministerial Council of the Energy Community on 17 December 2020, while acknowledging the progress made, could not reach consensus on a stable Energy Community Treaty amendment text. The adoption has been postponed to 2021.  |

<sup>4</sup> www.ensreg.eu

<sup>5</sup> www.globalcovenantofmayors.org

|  |   |  |   |
|--|---|--|---|
| Initiative for Coal Regions in Transition in the Western Balkans and Ukraine   | Launch of the initiative  | Launch by end of 2020                                  | Initiative launched.  |
| Global Covenant of Mayors for Climate and Energy 2nd phase   | Signature of contract for new Secretariat, Membership development   | Signed by end of 2020<br><br>11000 by end of 2020      | Contract signed.<br><br>10550 in 2020.  |
| Peer review of implementation of Belarus's stress test national action plan  | Follow-up mission(s) organised<br><br>Post-mission report drafted   | Q3 2020<br><br>Q4 2020                                 | Belarus gave its agreement to the peer review process in June 2020. The process is well under way and a preliminary report is scheduled to be issued in February 2021; a final report will be issued once COVID-19 conditions permit a full peer review mission.  |
| Preparation for peer review of Turkey's Akkuyu stress test report  | Written replies to consolidated peer review questions received from Turkey<br>Pre-mission draft report prepared | Q3 2020<br><br>Q4 2020                                 | Preparations for the stress test peer review of Turkey's Akkuyu nuclear power plant were not launched due to the delay in the implementation of the ongoing peer review in Belarus, the COVID-19 pandemic, and the tensions in the overall EU relationship with Turkey ; ENSREG decided to reschedule the launch of the exercise in 2021. |
| Notification by Euratom of the laws giving effect to the Convention on the Physical Protection of Nuclear Material (PLAN/2020/6798)  | Notification to the IAEA prior to the 2021 review conference  | Q4 2020  | The inter-service consultation on the draft Information by Euratom was carried out in Q4 2020 and the document was submitted to Member States for comments by mid-January 2021. The file for the written procedure is in preparation, and the Information Note will be sent to IAEA's Secretariat in Q1 2021.                             |
| Euratom-US cooperation agreement on the peaceful uses of nuclear energy – Modification of Annex A (PLAN/2020/6736)   | Notification to the US  | Q3 2020  | The notification was transmitted to the US on 21/08/2020.<br>To be noted that a further notification is required with regard to the UK and is in preparation for adoption in early 2021.  |
| Euratom Report for the 7th Review Meeting of Contracting Parties to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (PLAN/2019/6052) | Adoption of the report  | Q3 2020  | The report was adopted and submitted on time to the IAEA's Secretariat.   |
| Extension of the ECURIE system to the Republic of Belarus (PLAN/2020/7336) and to the Republic of Bosnia and Herzegovina (PLAN/2020/6740)  | Adoption of the decision on extension   | Q4 2020 (Belarus) and D3 2020 (Bosnia and Herzegovina) | Belarus: a technical seminar with Belarus was held on 8 July 2020; discussions with Belarus authorities are ongoing pending commitment from the Belarusian side.<br><br>Bosnia and Herzegovina: the Inter-service consultation closed on 21.12.2020.  |

## ANNEX 3: Draft annual accounts and financial reports

AAR 2020 Version 1

### Annex 3 Financial Reports - DG ENER - Financial Year 2020

**Table 1 : Commitments**

**Table 2 : Payments**

**Table 3 : Commitments to be settled**

**Table 4 : Balance Sheet**

**Table 5 : Statement of Financial Performance**

**Table 5 Bis: Off Balance Sheet**

**Table 6 : Average Payment Times**

**Table 7 : Income**

**Table 8 : Recovery of undue Payments**

**Table 9 : Ageing Balance of Recovery Orders**

**Table 10 : Waivers of Recovery Orders**

**Table 11 : Negotiated Procedures**

**Table 12 : Summary of Procedures**

**Table 13 : Building Contracts**

**Table 14 : Contracts declared Secret**

**Table 15 : FPA duration exceeds 4 years**

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**Additional comments**

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*

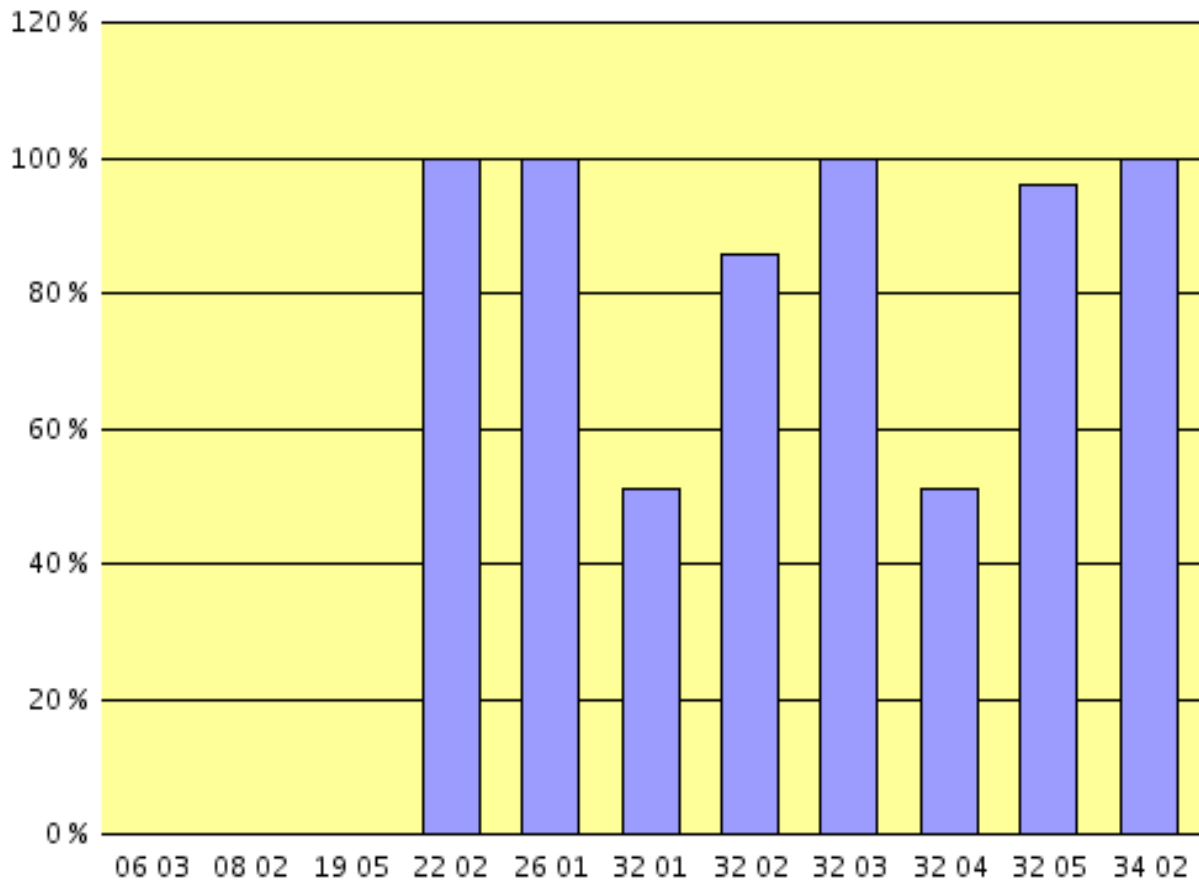
| <b>TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2020 (in Mio €) for DG ENER</b> |       |   |                                      |                  |                 |
|---|-------|---|--------------------------------------|------------------|-----------------|
|   |       |   | Commitment appropriations authorised | Commitments made | %               |
|   |       |   | 1                                    | 2                | 3=2/1           |
| <b>Title 06 Mobility and transport</b>  |       |   |                                      |                  |                 |
| 06  | 06 03 | Horizon 2020 - Research and innovation related to transport                 | 0.00                                 | 0.00             | 0.00 %          |
| <b>Total Title 06</b>   |       |   | <b>0.00</b>                          | <b>0.00</b>      | <b>0.00 %</b>   |
| <b>Title 08 Research and innovation</b>   |       |   |                                      |                  |                 |
| 08  | 08 02 | Horizon 2020 - Research   | 0.00                                 | 0.00             | 0.00 %          |
| <b>Total Title 08</b>   |       |   | <b>0.00</b>                          | <b>0.00</b>      | <b>0.00 %</b>   |
| <b>Title 19 Foreign policy instruments</b>  |       |   |                                      |                  |                 |
| 19  | 19 05 | Cooperation with third countries under the Partnership Instrument (PI)      | 0.00                                 | 0.00             | 0.00 %          |
| <b>Total Title 19</b>   |       |   | <b>0.00</b>                          | <b>0.00</b>      | <b>0.00 %</b>   |
| <b>Title 22 Neighbourhood and enlargement negotiations</b>                          |       |   |                                      |                  |                 |
| 22  | 22 02 | Enlargement process and strategy  | 4.56                                 | 4.56             | 100.00 %        |
| <b>Total Title 22</b>   |       |   | <b>4.56</b>                          | <b>4.56</b>      | <b>100.00 %</b> |
| <b>Title 26 Commission's administration</b>   |       |   |                                      |                  |                 |
| 26  | 26 01 | Administrative expenditure of the 'Commission's administration' policy area | 0.14                                 | 0.14             | 100.00 %        |
| <b>Total Title 26</b>   |       |   | <b>0.14</b>                          | <b>0.14</b>      | <b>100.00 %</b> |
| <b>Title 32 Energy</b>  |       |   |                                      |                  |                 |
| 32  | 32 01 | Administrative expenditure in the 'Energy' policy area                      | 2.20                                 | 1.12             | 51.08 %         |
|   | 32 02 | Conventional and renewable energy   | 58.17                                | 49.86            | 85.72 %         |
|   | 32 03 | Nuclear energy  | 163.89                               | 163.69           | 99.88 %         |
|   | 32 04 | Horizon 2020 - Research and innovation related to energy                    | 75.55                                | 38.67            | 51.19 %         |
|   | 32 05 | ITER  | 406.50                               | 390.34           | 96.03 %         |
| <b>Total Title 32</b>   |       |   | <b>706.30</b>                        | <b>643.69</b>    | <b>91.14 %</b>  |
| <b>Title 34 Climate action</b>  |       |   |                                      |                  |                 |
| 34  | 34 02 | Climate action at Union and international level                             | 0.50                                 | 0.50             | 100.00 %        |
| <b>Total Title 34</b>   |       |   | <b>0.50</b>                          | <b>0.50</b>      | <b>100.00 %</b> |
| <b>Total DG ENER</b>  |       |   | <b>711.50</b>                        | <b>648.89</b>    | <b>91.20 %</b>  |

\* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**% Outturn on Commitment Appropriations in 2020 for DG ENER**



Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

| <b>TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2020 (in Mio €) for DG ENER</b> |       |   |  |                      |                |
|--|-------|---|--|----------------------|----------------|
|  |       |   | <b>Payment appropriations authorised *</b> | <b>Payments made</b> | <b>%</b>       |
|  |       |   | <b>1</b>                                   | <b>2</b>             | <b>3=2/1</b>   |
| <b>Title 06 Mobility and transport</b>   |       |   |  |                      |                |
| 06   | 06 03 | Horizon 2020 - Research and innovation related to transport                 | 0.07                                       | 0.07                 | 100.00 %       |
| <b>Total Title 06</b>  |       |   | <b>0.07</b>                                | <b>0.07</b>          | <b>100.00%</b> |
| <b>Title 08 Research and innovation</b>  |       |   |  |                      |                |
| 08   | 08 02 | Horizon 2020 - Research   | 0.00                                       |                      |                |
| <b>Total Title 08</b>  |       |   | <b>0.00</b>                                |                      |                |
| <b>Title 19 Foreign policy instruments</b>                                       |       |   |  |                      |                |
| 19   | 19 05 | Cooperation with third countries under the Partnership Instrument (PI)      | 0.95                                       | 0.95                 | 100.00 %       |
| <b>Total Title 19</b>  |       |   | <b>0.95</b>                                | <b>0.95</b>          | <b>100.00%</b> |
| <b>Title 22 Neighbourhood and enlargement negotiations</b>                       |       |   |  |                      |                |
| 22   | 22 02 | Enlargement process and strategy  | 4.56                                       | 4.56                 | 100.00 %       |
| <b>Total Title 22</b>  |       |   | <b>4.56</b>                                | <b>4.56</b>          | <b>100.00%</b> |
| <b>Title 26 Commission's administration</b>                                      |       |   |  |                      |                |
| 26   | 26 01 | Administrative expenditure of the 'Commission's administration' policy area | 0.57                                       | 0.15                 | 25.67 %        |
| <b>Total Title 26</b>  |       |   | <b>0.57</b>                                | <b>0.15</b>          | <b>25.67%</b>  |
| <b>Title 32 Energy</b>   |       |   |  |                      |                |
| 32   | 32 01 | Administrative expenditure in the 'Energy' policy area                      | 3.40                                       | 1.11                 | 32.65 %        |
|  | 32 02 | Conventional and renewable energy   | 69.50                                      | 57.84                | 83.22 %        |
|  | 32 03 | Nuclear energy  | 132.64                                     | 132.28               | 99.72 %        |
|  | 32 04 | Horizon 2020 - Research and innovation related to energy                    | 118.87                                     | 33.86                | 28.49 %        |
|  | 32 05 | ITER  | 677.88                                     | 633.59               | 93.47 %        |
| <b>Total Title 32</b>  |       |   | <b>1,002.29</b>                            | <b>858.68</b>        | <b>85.67%</b>  |
| <b>Title 34 Climate action</b>   |       |   |  |                      |                |
| 34   | 34 02 | Climate action at Union and international level                             | 0.50                                       | 0.50                 | 100.00 %       |
| <b>Total Title 34</b>  |       |   | <b>0.50</b>                                | <b>0.50</b>          | <b>100.00%</b> |
| <b>Total DG ENER</b>   |       |   | <b>1,008.94</b>                            | <b>864.91</b>        | <b>85.72 %</b> |

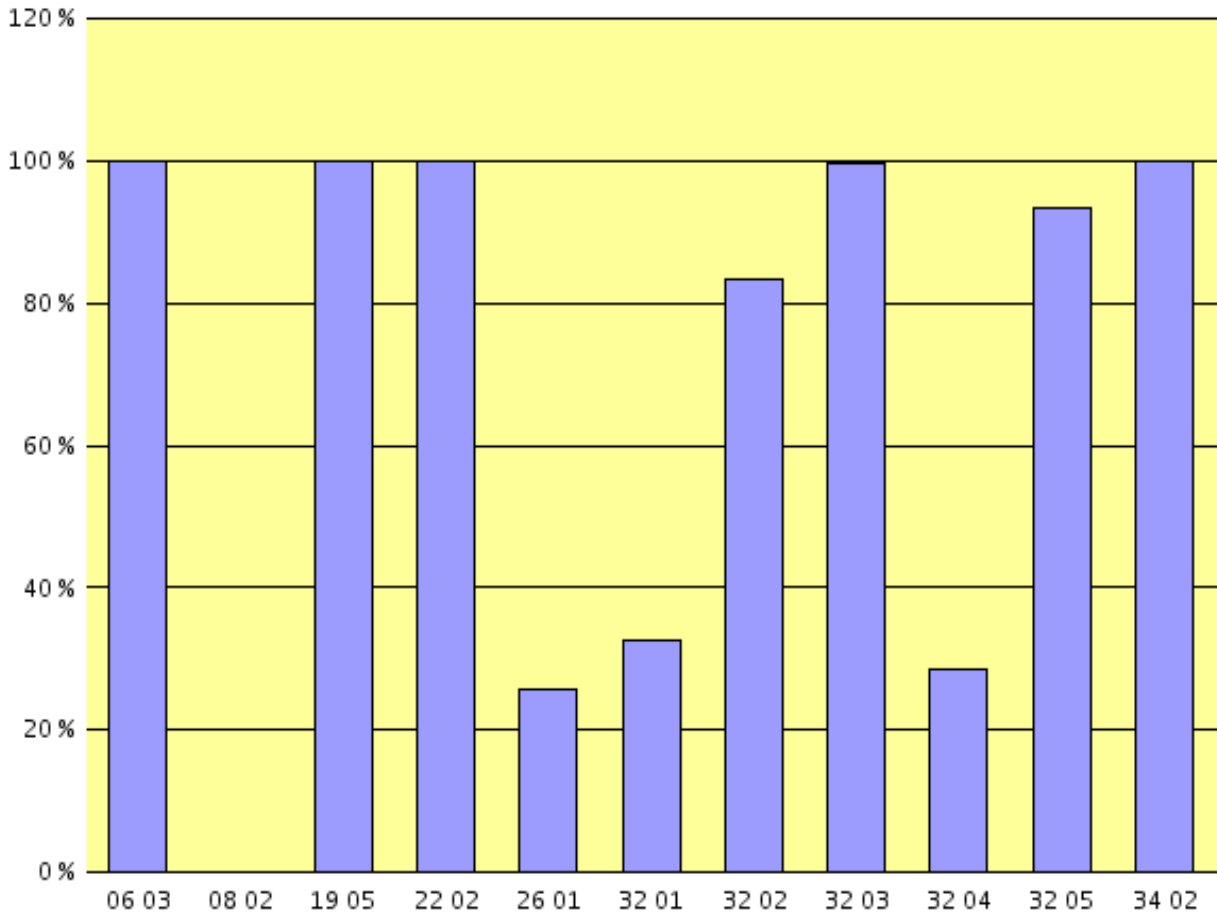
\* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021



**% Outturn on Payment Appropriations in 2020 for DG ENER**



Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |   |                           |             |             |                 |   |  |  |
|---|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter   |       |   | Commitments to be settled |             |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |   | Commitments               | Payments    | RAL         | % to be settled |   |  |  |
|   |       |   | 1                         | 2           | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 06  | 06 03 | Horizon 2020 - Research and innovation related to transport | 0.00                      | 0.00        | 0.00        | 0.00%           | 0.00  | 0.00   | 0.07   |
| <b>Total Title 06</b>   |       |   | <b>0.00</b>               | <b>0.00</b> | <b>0.00</b> | <b>0.00%</b>    | <b>0.00</b>   | <b>0.00</b>  | <b>0.07</b>  |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |                         |                           |          |             |                 |   |  |  |
|---|-------|-------------------------|---------------------------|----------|-------------|-----------------|---|--|--|
| Chapter   |       |                         | Commitments to be settled |          |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |                         | Commitments               | Payments | RAL         | % to be settled |   |  |  |
|   |       |                         | 1                         | 2        | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 08  | 08 02 | Horizon 2020 - Research | 0.00                      |          | 0.00        | 0.00%           | 1.84  | 1.84   | 1.84   |
| <b>Total Title 08</b>   |       |                         | <b>0.00</b>               |          | <b>0.00</b> | <b>0.00%</b>    | <b>1.84</b>   | <b>1.84</b>  | <b>1.84</b>  |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |  |                           |             |             |                 |   |  |  |
|---|-------|--|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter   |       |  | Commitments to be settled |             |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |  | Commitments               | Payments    | RAL         | % to be settled |   |  |  |
|   |       |  | 1                         | 2           | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 19  | 19 05 | Cooperation with third countries under the Partnership Instrument (PI) | 0.00                      | 0.00        | 0.00        | 0.00%           | 2.12  | 2.12   | 3.07   |
| <b>Total Title 19</b>   |       |  | <b>0.00</b>               | <b>0.00</b> | <b>0.00</b> | <b>0.00%</b>    | <b>2.12</b>   | <b>2.12</b>  | <b>3.07</b>  |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 15/02/2021

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |                                  |                           |             |             |                 |   |  |  |
|---|-------|----------------------------------|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter   |       |                                  | Commitments to be settled |             |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |                                  | Commitments               | Payments    | RAL         | % to be settled |   |  |  |
|   |       |                                  | 1                         | 2           | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 22  | 22 02 | Enlargement process and strategy | 4.56                      | 4.56        | 0.00        | 0.00%           | 0.00  | 0.00   | 0.00   |
| <b>Total Title 22</b>   |       |                                  | <b>4.56</b>               | <b>4.56</b> | <b>0.00</b> | <b>0.00%</b>    | <b>0.00</b>   | <b>0.00</b>  | <b>0.00</b>  |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |   |                           |             |             |                 |   |  |  |
|---|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter   |       |   | Commitments to be settled |             |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |   | Commitments               | Payments    | RAL         | % to be settled |   |  |  |
|   |       |   | 1                         | 2           | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 26  | 26 01 | Administrative expenditure of the 'Commission's administration' policy area | 0.14                      | 0.10        | 0.04        | 30.48%          | 0.00  | 0.04   | 0.14   |
| <b>Total Title 26</b>   |       |   | <b>0.14</b>               | <b>0.10</b> | <b>0.04</b> | <b>30.48%</b>   | <b>0.00</b>   | <b>0.04</b>  | <b>0.14</b>  |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |  |                           |              |               |                 |   |  |  |
|---|-------|--|---------------------------|--------------|---------------|-----------------|---|--|--|
| Chapter   |       |  | Commitments to be settled |              |               |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |  | Commitments               | Payments     | RAL           | % to be settled |   |  |  |
|   |       |  | 1                         | 2            | 3=1-2         | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 32  | 32 01 | Administrative expenditure in the 'Energy' policy area   | 1.12                      | 0.30         | 0.82          | 73.09%          | 0.00  | 0.82   | 1.07   |
|   | 32 02 | Conventional and renewable energy                        | 49.86                     | 18.34        | 31.52         | 63.22%          | 106.68  | 138.20   | 194.74   |
|   | 32 03 | Nuclear energy   | 163.69                    | 5.76         | 157.94        | 96.48%          | 479.38  | 637.31   | 608.90   |
|   | 32 04 | Horizon 2020 - Research and innovation related to energy | 38.67                     | 1.72         | 36.95         | 95.54%          | 121.38  | 158.33   | 156.37   |
|   | 32 05 | ITER   | 390.34                    | 53.85        | 336.49        | 86.21%          | 724.89  | 1,061.38   | 1,304.64   |
| <b>Total Title 32</b>   |       |  | <b>643.69</b>             | <b>79.97</b> | <b>563.72</b> | <b>87.58%</b>   | <b>1,432.32</b>   | <b>1,996.05</b>  | <b>2,265.72</b>  |

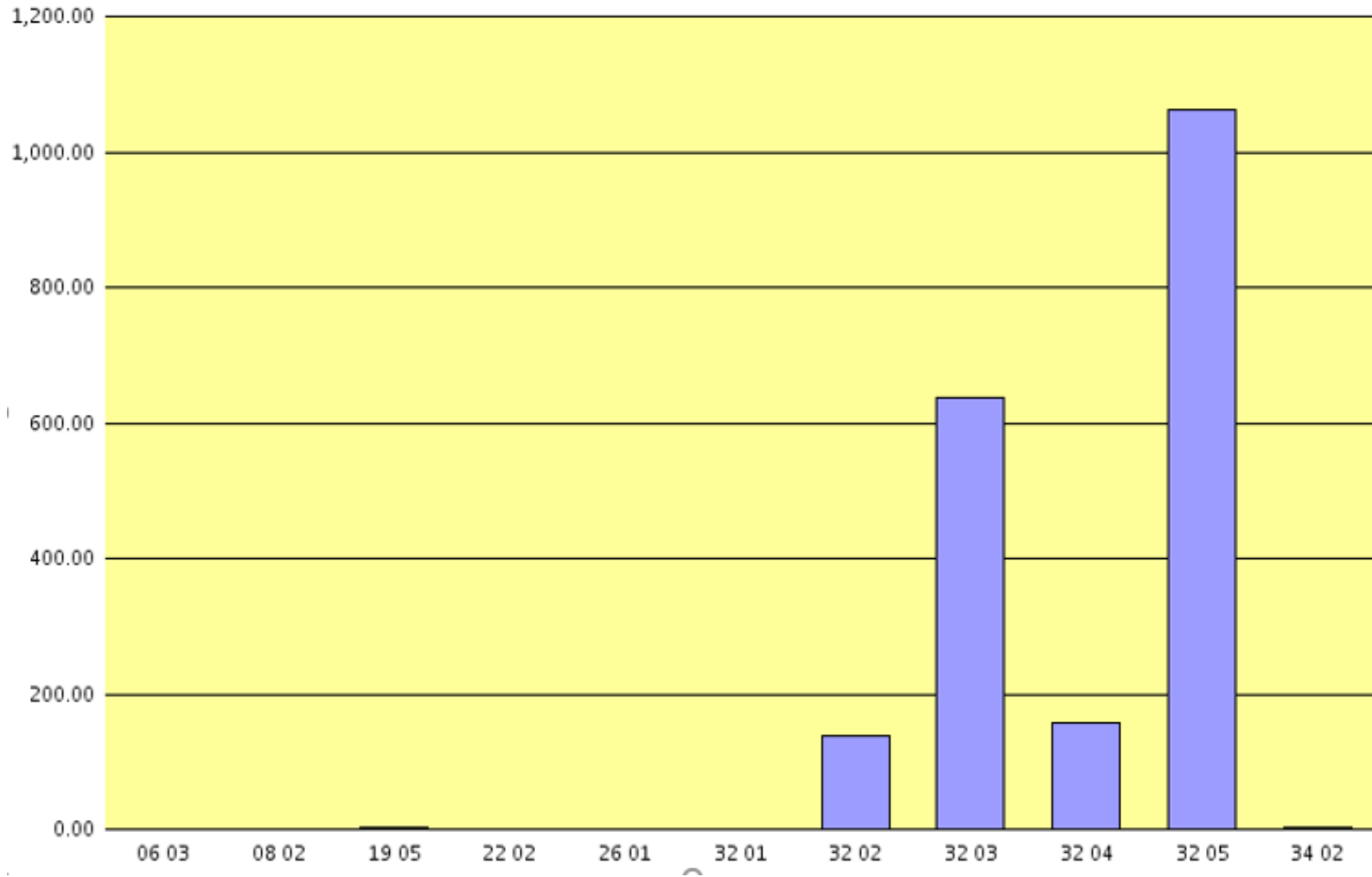
| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG ENER |       |   |                           |             |             |                 |   |  |  |
|---|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter   |       |   | Commitments to be settled |             |             |                 | Commitments to be settled from financial years previous to 2019 | Total of commitments to be settled at end of financial year 2020 | Total of commitments to be settled at end of financial year 2019 |
|   |       |   | Commitments               | Payments    | RAL         | % to be settled |   |  |  |
|   |       |   | 1                         | 2           | 3=1-2       | 4=1-2/1         | 5   | 6=3+5  | 7  |
| 34  | 34 02 | Climate action at Union and international level | 0.50                      | 0.00        | 0.50        | 100.00%         | 2.74  | 3.24   | 3.24   |
| <b>Total Title 34</b>   |       |   | <b>0.50</b>               | <b>0.00</b> | <b>0.50</b> | <b>100.00%</b>  | <b>2.74</b>   | <b>3.24</b>  | <b>3.24</b>  |

|                          |  |  |               |              |               |                |                |                |                |
|--------------------------|--|--|---------------|--------------|---------------|----------------|----------------|----------------|----------------|
| <b>Total for DG ENER</b> |  |  | <b>648.89</b> | <b>84.63</b> | <b>564.27</b> | <b>86.96 %</b> | <b>1439.03</b> | <b>2003.30</b> | <b>2274.09</b> |
|--------------------------|--|--|---------------|--------------|---------------|----------------|----------------|----------------|----------------|

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**Breakdown of Commitments Remaining to be Settled (in Mio EUR) at 31/12/2020 for DG ENER**



Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 4 : BALANCE SHEET for DG ENER**

| <b>BALANCE SHEET</b>                           | <b>2020</b>           | <b>2019</b>           |
|--|-----------------------|-----------------------|
| <b>A.I. NON CURRENT ASSETS</b>                 | <b>542,186,426.15</b> | <b>514,142,082.52</b> |
| A.I.1. Intangible Assets                       | 133,735.72            | 728,924.30            |
| A.I.2. Property, Plant and Equipment           | 6,212,358.75          | 6,372,660.99          |
| A.I.3. Invstmnts Accntd For Using Equity Meth  | 0.00                  | 0.00                  |
| A.I.4. Non-Current Financial Assets            | 204,683,539.83        | 184,141,867.13        |
| A.I.5. Non-Current Pre-Financing               | 331,156,791.85        | 322,898,630.10        |
| <b>A.II. CURRENT ASSETS</b>                    | <b>290,113,825.52</b> | <b>387,834,992.99</b> |
| A.II.1. Current Financial Assets               | 0.00                  | 20,552,076.94         |
| A.II.2. Current Pre-Financing                  | 272,071,792.02        | 347,137,344.45        |
| A.II.3. Curr Exch Receiv & Non-Ex Recoverables | 18,042,033.52         | 20,115,958.88         |
| A.II.6. Cash and Cash Equivalents              | -0.02                 | 29,612.72             |
| <b>ASSETS</b>                                  | <b>832,300,251.67</b> | <b>901,977,075.51</b> |
| <b>P.III. NET ASSETS/LIABILITIES</b>           | <b>-7,822,252.61</b>  | <b>-8,168,948.87</b>  |
| P.III.1. Reserves                              | -7,822,252.61         | -8,168,948.87         |
| <b>P.II. CURRENT LIABILITIES</b>               | <b>-76,028,515.40</b> | <b>-70,053,180.38</b> |
| P.II.4. Current Payables                       | -6,116,353.97         | -10,212,812.63        |
| P.II.5. Current Accrued Charges & Defrd Income | -69,912,161.43        | -59,840,367.75        |
| <b>LIABILITIES</b>                             | <b>-83,850,768.01</b> | <b>-78,222,129.25</b> |
|  |                       |                       |
| <b>NET ASSETS (ASSETS less LIABILITIES)</b>    | <b>748,449,483.66</b> | <b>823,754,946.26</b> |
|  |                       |                       |
| P.III.2. Accumulated Surplus/Deficit           | 5,009,621,564.48      | 4,149,028,969.62      |
|  |                       |                       |
| Non-allocated central (surplus)/deficit*       | -5,758,071,048.14     | -4,972,783,915.88     |
|  |                       |                       |
| <b>TOTAL DG ENER</b>                           | <b>0.00</b>           | <b>0.00</b>           |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG ENER**

| <b>STATEMENT OF FINANCIAL PERFORMANCE</b>    | <b>2020</b>           | <b>2019</b>           |
|--|-----------------------|-----------------------|
| II.1 REVENUES                                | 555,588.08            | 1,512,974.09          |
| II.1.1. NON-EXCHANGE REVENUES                | -2,238,852.99         | -1,079,753.37         |
| II.1.1.5. RECOVERY OF EXPENSES               | -2,228,619.58         | -995,156.50           |
| II.1.1.7. OTHER NON-EXCHANGE REVENUES        | -10,233.41            | -84,596.87            |
| II.1.2. EXCHANGE REVENUES                    | 2,794,441.07          | 2,592,727.46          |
| II.1.2.1. FINANCIAL INCOME                   | -1,148,334.14         | -922,137.89           |
| II.1.2.2. OTHER EXCHANGE REVENUE             | 3,942,775.21          | 3,514,865.35          |
| II.2. EXPENSES                               | 924,323,288.57        | 859,079,620.77        |
| II.2. EXPENSES                               | 924,323,288.57        | 859,079,620.77        |
| II.2.10. OTHER EXPENSES                      | 9,413,039.22          | 10,148,898.57         |
| II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)   | 101,510,846.15        | 65,525,935.34         |
| II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM) | 649,454,191.48        | 584,378,387.76        |
| II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)  | 116,943,497.97        | 147,695,918.30        |
| II.2.5. EXP IMPL BY OTHER ENTITIES (IM)      | 47,457,591.57         | 51,718,913.16         |
| II.2.6. STAFF AND PENSION COSTS              | -470,580.00           | -419,800.00           |
| II.2.8. FINANCE COSTS                        | 14,702.18             | 31,367.64             |
| <b>STATEMENT OF FINANCIAL PERFORMANCE</b>    | <b>924,878,876.65</b> | <b>860,592,594.86</b> |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 5bis : OFF BALANCE SHEET for DG ENER**

| <b>OFF BALANCE</b>                         | <b>2020</b>       | <b>2019</b>       |
|--|-------------------|-------------------|
| OB.1. Contingent Assets                    | 19,012,364.90     | 19,322,433.42     |
| GR for pre-financing                       | 19,012,364.90     | 19,322,433.42     |
| OB.2. Contingent Liabilities               | -318,973,678.08   | -408,262,677.83   |
| OB.2.1. Guarantees given for EU FI         | -9,277,109.08     | -98,566,108.83    |
| OB.2.7. CL Legal cases OTHER               | -309,696,569.00   | -309,696,569.00   |
| OB.3. Other Significant Disclosures        | -1,924,191,691.07 | -2,204,228,403.59 |
| OB.3.2. Comm against app. not yet consumed | -1,924,191,691.07 | -2,204,228,403.59 |
| OB.4. Balancing Accounts                   | 2,224,153,004.25  | 2,593,168,648.00  |
| OB.4. Balancing Accounts                   | 2,224,153,004.25  | 2,593,168,648.00  |
| <b>OFF BALANCE</b>                         | <b>0.00</b>       | <b>0.00</b>       |

*Explanatory Notes (facultative):*

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It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021



**TABLE 6: AVERAGE PAYMENT TIMES in 2020 for ENER**

| <b>Legal Times</b>          |                          |                                   |            |                              |                      |            |                              |                      |            |
|-----------------------------|--------------------------|-----------------------------------|------------|------------------------------|----------------------|------------|------------------------------|----------------------|------------|
| Maximum Payment Time (Days) | Total Number of Payments | Nbr of Payments within Time Limit | Percentage | Average Payment Times (Days) | Nbr of Late Payments | Percentage | Average Payment Times (Days) | Late Payments Amount | Percentage |
| 30                          | 752                      | 729                               | 96.94 %    | 15.78                        | 23                   | 3.06 %     | 42.48                        | 352,035.55           | 0. %       |
| 45                          | 14                       | 13                                | 92.86 %    | 23.08                        | 1                    | 7.14 %     | 52.00                        | 14,464.00            | 3. %       |
| 60                          | 228                      | 222                               | 97.37 %    | 31.64                        | 6                    | 2.63 %     | 71.33                        | 410,950.35           | 1. %       |
| 90                          | 24                       | 23                                | 95.83 %    | 55.74                        | 1                    | 4.17 %     | 91.00                        | 422,352.50           | 3. %       |

|                                   |              |            |                |              |           |               |              |                     |             |
|-----------------------------------|--------------|------------|----------------|--------------|-----------|---------------|--------------|---------------------|-------------|
| <b>Total Number of Payments</b>   | <b>1018</b>  | <b>987</b> | <b>96.95 %</b> |              | <b>31</b> | <b>3.05 %</b> |              | <b>1,199,802.40</b> | <b>0. %</b> |
| <b>Average Net Payment Time</b>   | <b>21.27</b> |            |                | <b>20.37</b> |           |               | <b>49.94</b> |                     |             |
| <b>Average Gross Payment Time</b> | <b>24.95</b> |            |                | <b>23.03</b> |           |               | <b>85.94</b> |                     |             |

| <b>Suspensions</b>                      |                                 |                              |                   |                          |                              |                   |                   |
|---|---------------------------------|------------------------------|-------------------|--------------------------|------------------------------|-------------------|-------------------|
| Average Report Approval Suspension Days | Average Payment Suspension Days | Number of Suspended Payments | % of Total Number | Total Number of Payments | Amount of Suspended Payments | % of Total Amount | Total Paid Amount |
| 3                                       | 37                              | 101                          | 9.92 %            | 1018                     | 21,980,155.60                | 2.56 %            | 859,956,193.76    |

| <b>Late Interest paid in 2020</b> |            |  |               |
|-----------------------------------|------------|--|---------------|
| DG                                | GL Account | Description                                | Amount (Eur)  |
| ENER                              | 65010100   | Interest on late payment of charges New FR | 488.66        |
|                                   |            |  | <b>488.66</b> |

**NB: Table 6 only contains payments relevant for the time statistics. Please consult its exact scope in the AAR Annex3 BO User Guide ([https://myintracomm.ec.europa.eu/budgweb/EN/abac/dwh/Pages/its-030-10-20\\_documentation.aspx](https://myintracomm.ec.europa.eu/budgweb/EN/abac/dwh/Pages/its-030-10-20_documentation.aspx)).**

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 7 : SITUATION ON REVENUE AND INCOME in 2020 for DG ENER**

| Chapter              |  | Revenue and income recognized |                      |                      | Revenue and income cashed from |                     |                      | Outstanding balance  |
|----------------------|--|-------------------------------|----------------------|----------------------|--------------------------------|---------------------|----------------------|----------------------|
|                      |  | Current year RO               | Carried over RO      | Total                | Current Year RO                | Carried over RO     | Total                |                      |
|                      |  | 1                             | 2                    | 3=1+2                | 4                              | 5                   | 6=4+5                |                      |
| 64                   | CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS | 2,042,124.08                  | 0.00                 | 2,042,124.08         | 2,042,124.08                   | 0.00                | 2,042,124.08         | 0.00                 |
| 66                   | OTHER CONTRIBUTIONS AND REFUNDS          | 12,618,499.74                 | 18,304,159.91        | 30,922,659.65        | 9,970,422.44                   | 3,147,323.18        | 13,117,745.62        | 17,804,914.03        |
| 90                   | MISCELLANEOUS REVENUE                    | 50,728.61                     | 175,866.93           | 226,595.54           | 49,577.71                      | 13,216.57           | 62,794.28            | 163,801.26           |
| <b>Total DG ENER</b> |  | <b>14,711,352.43</b>          | <b>18,480,026.84</b> | <b>33,191,379.27</b> | <b>12,062,124.23</b>           | <b>3,160,539.75</b> | <b>15,222,663.98</b> | <b>17,968,715.29</b> |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 8 : RECOVERY OF PAYMENTS in 2020 for DG ENER  
(Number of Recovery Contexts and corresponding Transaction Amount)**

| INCOME BUDGET<br>RECOVERY<br>ORDERS ISSUED<br>IN 2020<br><br>Year of Origin<br>(commitment) | Irregularity |                   | Total undue payments<br>recovered |                   | Total transactions in<br>recovery context<br>(incl. non-qualified) |                      | % Qualified/Total RC |              |
|---|--------------|-------------------|-----------------------------------|-------------------|--|----------------------|----------------------|--------------|
|   | Nbr          | RO Amount         | Nbr                               | RO Amount         | Nbr  | RO Amount            | Nbr                  | RO Amount    |
| 2009  | 1            | 8,125.81          | 1                                 | 8,125.81          | 2  | 521,556.45           | 50.00%               | 1.56%        |
| 2010  | 2            | 49,022.21         | 2                                 | 49,022.21         | 2  | 49,022.21            | 100.00%              | 100.00%      |
| 2011  | 2            | 381,199.00        | 2                                 | 381,199.00        | 5  | 4,916,418.65         | 40.00%               | 7.75%        |
| 2012  | 1            | 8,212.85          | 1                                 | 8,212.85          | 2  | 191,668.96           | 50.00%               | 4.28%        |
| 2013  | 3            | 9,946.77          | 3                                 | 9,946.77          | 6  | 1,086,341.94         | 50.00%               | 0.92%        |
| 2014  | 1            | 9,177.65          | 1                                 | 9,177.65          | 4  | 4,713,917.90         | 25.00%               | 0.19%        |
| 2017  |              |                   |                                   |                   | 2  | 20,138.04            |                      |              |
| 2018  |              |                   |                                   |                   | 1  | 17,193.76            |                      |              |
| 2019  |              |                   |                                   |                   | 5  | 1,126,438.17         |                      |              |
| No Link   |              |                   |                                   |                   | 2  | 10,233.41            |                      |              |
| <b>Sub-Total</b>  | <b>10</b>    | <b>465,684.29</b> | <b>10</b>                         | <b>465,684.29</b> | <b>31</b>  | <b>12,652,929.49</b> | <b>32.26%</b>        | <b>3.68%</b> |

| EXPENSES<br>BUDGET             | Irregularity |                     | OLAF Notified |        | Total undue payments<br>recovered |                     | Total transactions in<br>recovery context<br>(incl. non-qualified) |                     | % Qualified/Total RC |               |
|--------------------------------|--------------|---------------------|---------------|--------|-----------------------------------|---------------------|--|---------------------|----------------------|---------------|
|                                | Nbr          | Amount              | Nbr           | Amount | Nbr                               | Amount              | Nbr  | Amount              | Nbr                  | Amount        |
| INCOME LINES IN<br>INVOICES    | 6            | 1,321,131.95        |               |        | 6                                 | 1,321,131.95        | 10   | 2,125,901.36        | 60.00%               | 62.14%        |
| NON ELIGIBLE IN<br>COST CLAIMS | 16           | 5,112,107.72        |               |        | 16                                | 5,112,107.72        | 20   | 7,095,776.85        | 80.00%               | 72.04%        |
| CREDIT NOTES                   | 30           | 278,751.79          |               |        | 30                                | 278,751.79          | 41   | 362,154.19          | 73.17%               | 76.97%        |
| <b>Sub-Total</b>               | <b>52</b>    | <b>6,711,991.46</b> |               |        | <b>52</b>                         | <b>6,711,991.46</b> | <b>71</b>  | <b>9,583,832.40</b> | <b>73.24%</b>        | <b>70.03%</b> |

|                    |           |                     |  |  |           |                     |            |                      |               |               |
|--------------------|-----------|---------------------|--|--|-----------|---------------------|------------|----------------------|---------------|---------------|
| <b>GRAND TOTAL</b> | <b>62</b> | <b>7,177,675.75</b> |  |  | <b>62</b> | <b>7,177,675.75</b> | <b>102</b> | <b>22,236,761.89</b> | <b>60.78%</b> | <b>32.28%</b> |
|--------------------|-----------|---------------------|--|--|-----------|---------------------|------------|----------------------|---------------|---------------|

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2020 for DG ENER**

|      | Number at<br>01/01/2020 | Number at<br>31/12/2020 | Evolution     | Open Amount<br>(Eur) at<br>01/01/2020 | Open Amount<br>(Eur) at<br>31/12/2020 | Evolution      |
|------|-------------------------|-------------------------|---------------|---------------------------------------|---------------------------------------|----------------|
| 2011 | 1                       | 1                       | 0.00 %        | 379,208.55                            | 379,208.55                            | 0.00 %         |
| 2014 | 7                       | 7                       | 0.00 %        | 1,926,254.07                          | 1,926,254.07                          | 0.00 %         |
| 2015 | 1                       | 1                       | 0.00 %        | 1,027,913.46                          | 1,027,913.46                          | 0.00 %         |
| 2016 | 2                       | 1                       | -50.00 %      | 219,168.38                            | 201,833.74                            | -7.91 %        |
| 2017 | 5                       | 3                       | -40.00 %      | 1,024,232.76                          | 836,246.82                            | -18.35 %       |
| 2018 | 6                       | 6                       | 0.00 %        | 2,906,267.36                          | 2,906,267.36                          | 0.00 %         |
| 2019 | 6                       | 4                       | -33.33 %      | 11,256,876.61                         | 8,301,657.44                          | -26.25 %       |
| 2020 |                         | 6                       |               |                                       | 2,649,228.20                          |                |
|      | <b>28</b>               | <b>29</b>               | <b>3.57 %</b> | <b>18,739,921.19</b>                  | <b>18,228,609.64</b>                  | <b>-2.73 %</b> |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 10 :Recovery Order Waivers >= 60 000 € in 2020 for DG ENER**

|   | <b>Waiver Central Key</b> | <b>Linked RO Central Key</b> | <b>RO Accepted Amount (Eur)</b> | <b>LE Account Group</b> | <b>Commission Decision</b> | <b>Comments</b> |
|---|---------------------------|------------------------------|---------------------------------|-------------------------|----------------------------|-----------------|
| 0 | 3233200200                | 3241716309                   | -132,165.71                     | Private Companies       |                            |                 |

|                      |                    |
|----------------------|--------------------|
| <b>Total DG ENER</b> | <b>-132,165.71</b> |
|----------------------|--------------------|

|                             |          |
|-----------------------------|----------|
| <b>Number of RO waivers</b> | <b>1</b> |
|-----------------------------|----------|

There are 2 waivers below 60 000 € for a total amount of -30,551.21

*The waiver concerns a FP7 project and follows the adoption of the written procedure PE/2020/8595 on 03/12/2020 (cote: C(2020)9610)*

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 25/03/2021

**TABLE 11 : Negotiated Procedures in 2020 for DG ENER**

**Internal Procedures > € 60,000**

| <b>Negotiated Procedure Legal base</b>   | <b>Number of Procedures</b> | <b>Amount (€)</b>   |
|--|-----------------------------|---------------------|
| Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market | 1                           | 1,580,000.00        |
| <b>Total</b>   | <b>1</b>                    | <b>1,580,000.00</b> |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*

**TABLE 12 : Summary of Procedures in 2020 for DG ENER**

**Internal Procedures > € 60,000**

| <b>Procedure Legal base</b>                                     | <b>Number of Procedures</b> | <b>Amount (€)</b>    |
|---|-----------------------------|----------------------|
| Negotiated procedure middle value contract (Annex 1 - 14.2)     | 7                           | 892,990.00           |
| Negotiated procedure without prior publication (Annex 1 - 11.1) | 1                           | 1,580,000.00         |
| Open procedure (FR 164 (1)(a))                                  | 22                          | 25,826,518.04        |
| <b>Total</b>  | <b>30</b>                   | <b>28,299,508.04</b> |

**Additional Comments:**

The one case of Negotiated Procedure without prior publication concerns a case of captive market in the field of Nuclear Energy

**TABLE 13 : BUILDING CONTRACTS in 2020 for DG ENER**

| <b>Legal Base</b> | <b>Procedure subject</b> | <b>Contract Number</b> | <b>Contractor Name</b> | <b>Contract Subject</b> | <b>Amount (€)</b> |
|-------------------|--------------------------|------------------------|------------------------|-------------------------|-------------------|
|                   |                          |                        |                        |                         |                   |
|                   |                          |                        |                        |                         |                   |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*



**TABLE 14 : CONTRACTS DECLARED SECRET in 2020 for DG ENER**

| <b>Legal Base</b> | <b>Procedure subject</b> | <b>LC Date</b> | <b>Contract Number</b> | <b>Contractor Name</b> | <b>Contract Subject</b> | <b>Amount (€)</b> |
|-------------------|--------------------------|----------------|------------------------|------------------------|-------------------------|-------------------|
|                   |                          |                |                        |                        |                         |                   |
|                   |                          |                |                        |                        |                         |                   |

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*

**TABLE 15 : FPA duration exceeds 4 years - DG**

*None FPA (if any) exceeds 4 years*

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*

**TABLE 16 : Commitments co-delegation type 3 in 2020 for DG ENER**

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

*Refresh date : 25/03/2021*

## ANNEX 4: Financial Scorecard

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2020, 6 standard financial indicators are presented below, each with its objective, category, definition, and result for the Commission service and for the EC as a whole (for benchmarking purposes)<sup>6</sup>:

- Commitment Appropriations (CA) Implementation
- CA Forecast Implementation
- Payment Appropriations (PA) Implementation
- PA Forecast Implementation
- Global Commitment Absorption
- Timely Payments

For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator's value and the target is colour coded as follows:

- 100 – >95% of the target: dark green
- 95 – >90% of the target: light green
- 90 – >85% of the target: yellow
- 85 – >80% of the target: light red
- 80 – 0% of the target: dark red

The Commission services are invited to provide commentary behind each indicator's result in the dedicated boxes below as this can help the reader to understand the Commission's service context. In cases when the indicator's value achieves 80% or less of the target, the comment becomes mandatory.

---

<sup>6</sup> If the EC service did not perform any transaction in the area measured by the indicator or the information is not available in the central financial system, the indicator is not calculated (i.e. displayed as "-") in this Annex.

|                   |  |
|-------------------|--|
| <b>Indicator</b>  | <b>CA Implementation</b>   |
| <b>Category</b>   | Efficiency Controls / Budget   |
| <b>Objective</b>  | Ensure efficient use of commitment appropriations  |
| <b>Result</b>     | <p>DG ENER achieved <b>100%</b> compared to the EC result of <b>99%</b></p> <p>0%      20%      40%      60%      80%      100%</p> <p>EC (99%)<br/>100%</p>   |
| <b>Comment</b>    | N/A  |
| <b>Definition</b> | <p><b>Formula:</b> Value A / Value B</p> <ul style="list-style-type: none"> <li>- Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (Eur)</li> <li>- Value B: Credit Accepted Com Amount (Eur)</li> </ul> <p><b>Scope:</b></p> <p>Commitments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> <li>- Internal assigned revenue in first year (C4)</li> <li>- Internal assigned revenue from lettings and sale of buildings and lands (CL)</li> <li>- Repaid advances (structural funds) (CG)</li> <li>- External assigned revenue except for EFTA (FCA, FRT, PO, RO, TCA, TFS, TFC)</li> </ul> |

|                   |   |
|-------------------|---|
| <b>Indicator</b>  | <b>PA Implementation</b>  |
| <b>Category</b>   | Efficiency Controls / Budget  |
| <b>Objective</b>  | Ensure efficient use of payment appropriations  |
| <b>Result</b>     | <p>DG ENER achieved <b>99%</b> compared to the EC result of <b>99%</b></p>  |
| <b>Comment</b>    | N/A   |
| <b>Definition</b> | <p><b>Formula:</b> Value A / Value B</p> <ul style="list-style-type: none"> <li>- Value A: Payment Accepted Amount (Eur)</li> <li>- Value B: Credit Accepted Pay Amount (Eur)</li> </ul> <p><b>Scope:</b></p> <p>Payments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> <li>- Internal assigned revenue in first year (C4)</li> <li>- Internal assigned revenue from lettings and sale of buildings and lands (CL)</li> <li>- Repaid advances (structural funds) (C6)</li> <li>- External assigned revenue except for EFTA (FCA, FRT, PO, RO, TCA, TF5, TFC)</li> <li>- Payments stemming from C1, C5, E0 outstanding commitments on the non-staff budget positions that will be carried-forward as C8 to the next financial year</li> </ul> |

|                   |  |
|-------------------|--|
| <b>Indicator</b>  | <b>CA Forecast Implementation</b>  |
| <b>Category</b>   | Efficiency Controls / Budget   |
| <b>Objective</b>  | Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year  |
| <b>Result</b>     | <p>DG ENER achieved <b>80%</b> compared to the EC result of <b>98%</b></p> <p>0%      20%      40%      60%      80%      100%</p> <p>80%      EC (98%)</p>  |
| <b>Comment</b>    | The level of the indicator reflects the lower than anticipated commitments in H2020 and in the Energy Projects to aid Recovery programmes. The level of implementation of commitments (committed vs budget) is substantially higher, at 91% (vs 86% in 2019)   |
| <b>Definition</b> | <p><b>Formula:</b> <math>Value A / Value B^{*,**}</math></p> <ul style="list-style-type: none"> <li>- Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (Eur)</li> <li>- Value B: Commitment Forecast Amount (Eur)</li> </ul> <p><i>*if Value A / Value B between 100 and 200% then the result indicator will be equal to <math>1 - (ABS(Value B - Value A) / Value B)</math></i></p> <p><i>**if Value A / Value B &gt; 200 % then the result indicator will be equal to 0%</i></p> <p><b>Scope:</b></p> <ul style="list-style-type: none"> <li>- Commitments on all relevant Fund Sources</li> <li>- Commitment Forecast Amount (Eur) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)</li> </ul> |

|                   |  |
|-------------------|--|
| <b>Indicator</b>  | <b>PA Forecast Implementation</b>  |
| <b>Category</b>   | Efficiency Controls / Budget   |
| <b>Objective</b>  | Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year  |
| <b>Result</b>     | <p>DG ENER achieved <b>93%</b> compared to the EC result of <b>99%</b></p> <p>0%                      20%                      40%                      60%                      80%                      100%</p> <p>EC (99%)<br/>93%</p>   |
| <b>Comment</b>    | N/A  |
| <b>Definition</b> | <p><b>Formula:</b> <math>Value A / Value B^{**}</math></p> <ul style="list-style-type: none"> <li>- Value A: Payment Accepted Amount (Eur)</li> <li>- Value B: Payment Forecast Amount (Eur)</li> </ul> <p><i>*if Value A / Value B between 100 and 200% then the result indicator will be equal to <math>1 - (ABS(Value B - Value A) / Value B)</math></i></p> <p><i>**if Value A / Value B &gt; 200 % then the result indicator will be equal to 0%</i></p> <p><b>Scope:</b></p> <ul style="list-style-type: none"> <li>- Payments on all relevant Fund Sources</li> <li>- Payment Forecast Amount (Eur) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)</li> </ul> |



|                   |   |
|-------------------|---|
| <b>Indicator</b>  | <b>Global Commitment Absorption</b>   |
| <b>Category</b>   | Efficiency Controls / Absorption  |
| <b>Objective</b>  | Ensure efficient use of already earmarked commitment appropriations (at L1 level)   |
| <b>Result</b>     | <p>DG ENER achieved <b>95%</b> compared to the EC result of <b>98%</b></p> <p>0%      20%      40%      60%      80%      100%</p> <p>EC (98%)<br/>95%</p>  |
| <b>Comment</b>    | N/A   |
| <b>Definition</b> | <p><b>Formula:</b></p> <ul style="list-style-type: none"> <li>- Value A: Com L1 Consumption amount (Eur)</li> <li>- Value B: Com L1 Initial amount (Eur) + Com L1 Complementary Amount (Eur) + (Com L1 Decommitment Amount (Eur) on all Fund Sources except for C8 and C9)</li> </ul> <p><b>Scope:</b></p> <ul style="list-style-type: none"> <li>- Com L1 with FDC ILC date from 01/01 to 31/12 of the current year</li> <li>- No movements to the Com L1 Consumption amount (Eur) after the FDC ILC date is taken into account (Generally decommitments of L2 which decrease the Com L1 consumption)</li> </ul> <p><b>Remark:</b> Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.</p> |

|                   |   |
|-------------------|---|
| <b>Indicator</b>  | <b>Timely Payments</b>  |
| <b>Category</b>   | Efficiency Controls / Timeliness  |
| <b>Objective</b>  | Ensure efficient processing of payments within the legal deadlines  |
| <b>Result</b>     | <p>DG ENER achieved <b>100%</b> compared to the EC result of <b>99%</b></p> <p>0%                      20%                      40%                      60%                      80%                      100%</p> <p>EC (99%)<br/>100%</p>  |
| <b>Comment</b>    | In 2020, DG ENER made 1018 payments. Despite the constant attention to payment delays and robust monitoring controls, 31 mostly low value payments were late. On average, these payments were late by 12 days.  |
| <b>Definition</b> | <p><b>Formula:</b> Value A / Value B</p> <ul style="list-style-type: none"> <li>- Value A: Payment Accepted Amount (Eur) in time <ul style="list-style-type: none"> <li>o In Time: Payment Bank Value Date &lt;= Payment legal deadline</li> </ul> </li> <li>- Value B: Payment Accepted Amount (Eur)</li> </ul> <p><b>Scope:</b></p> <ul style="list-style-type: none"> <li>- Payments made in the current year</li> <li>- Payments valid for payment statistics (DWH Flag "Payment Time Status OK?" = "Y")</li> </ul> |

## ANNEX 5: Materiality criteria

The overall control objective is to ensure that the residual error rate affecting the relevant expenditure of 2020 remains below 2%.

### Research framework programmes

#### Common aspects

The assessment of the effectiveness of the different programmes' control system is based mainly, but not exclusively, on ex-post audits' results. The effectiveness is expressed in terms of detected and residual error rate, calculated on a representative sample.

#### *Assessment of the effectiveness of controls*

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the Commission, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting:

- Errors detected corrected as a result of the implementation of audit conclusions.
- Errors corrected as a result of the extension of audit results to non-audited contracts with the same beneficiary.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$\text{ResER}\% = \frac{(\text{RepER}\% * (P - A)) - (\text{RepERsys}\% * E)}{P}$$

where:

**ResER%** residual error rate, expressed as a percentage.

**RepER%** representative error rate, or error rate detected in the common representative sample, expressed as a percentage. The RepER% is composed of complementary portions reflecting the proportion of negative systematic and non-systematic errors detected. This rate is the same for all implementing entities, without prejudice to possibly individual detected error rates.

**RepERsys%** portion of the RepER% representing negative systematic errors, (expressed as a percentage). The RepERsys% is the same for all entities and it is calculated from the same set of results as the RepER%.

**P** total requested EC contribution (€) in the auditable population (i.e. all paid financial statements).

- A** total requested EC contribution (€) as approved by financial officers of all audited financial statements. This will be collected from audit results.
- E** total non-audited requested EC contribution (€) of all audited beneficiaries.

The Common Representative Sample (CRS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General (or Director for the Executive Agencies) must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of FP7/H2020. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

If the CRS results are not used as the basis for calculating the residual error rate this must be clearly disclosed in the AAR, along with details of why and how the final judgement was made.

In case a calculation of the residual error rate based on a representative sample is not possible for a framework programme for reasons not involving control deficiencies,<sup>7</sup> the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

### *Multiannual approach*

The Commission's central services' guidance relating to the quantitative materiality threshold refers to a percentage of the authorised payments of the reporting year of the ABB expenditure. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

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<sup>7</sup> Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

In addition, basing materiality solely on ABB expenditure for one year may not provide the most appropriate basis for judgements, as ABB expenditure often includes significant levels of pre-financing expenditure (e.g. during the initial years of a new generation of programmes), as well as reimbursements (interim and final payments) based on cost claims that 'clear' those pre-financings. Pre-financing expenditure is very low risk, being paid automatically after the signing of the contract with the beneficiary.

Notwithstanding the multiannual span of their control strategy, the Director-Generals of the Research DGs (and the Directors of ERCEA, REA, and, for H2020, EASME and INEA) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen.

In view of the crucial role of ex-post audits defined in the respective common audit strategies, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

### *Adequacy of the audit scope*

The quantity of the (cumulative) audit effort carried out until the end of each year is to be measured by the actual volume of audits completed. The data is to be shown per year and cumulated, in line with the current AAR presentation of error rates. The multiannual planning and results should be reported in sufficient detail to allow the reader to form an opinion on whether the strategy is on course as foreseen.

The Director-General should form a qualitative opinion to determine whether deviations from the multiannual plan are of such significance that they seriously endanger the achievement of the internal control objective. In such case, she or he would be expected to qualify his/her annual statement of assurance with a reservation.

### **2020 Revised Methodology for the calculation of the error rate for H2020**

The European Court of Auditors observed in its 2018 and 2019 Annual Reports that the error rate of Horizon 2020 was understated because the "ex-post audits aim for maximum coverage of the accepted costs, but rarely cover all the costs. The error rate is calculated as a share of all the accepted costs, instead of the amount actually audited. This means that the denominator in the error calculation is higher, so the error rate is understated. In case the errors found are of a systemic nature, the error is extrapolated which partially

compensates for the above-mentioned understatement. However, since extrapolation is not performed for non-systemic errors, the overall error rate is nevertheless understated. The understatement of the error rate cannot be quantified. It is, then, impossible to determine whether the impact of this understatement is significant”.

In response to this observation, in 2020 the Commission re-defined its methodology for calculating the Horizon 2020 error rate. In order to quantify any potential understatement mentioned by the Court, the Commission applied a new methodology for all audits closed as from 01 January 2020. The main change in the methodology is that, the denominator used in the error calculation is the sum of costs actually audited and not the sum of all accepted costs.

The additional 0.41 % (calculated on 790 H2020 audit participations by difference with the previous methodology) has been used to top up the detected error rate for 2020 calculated according to the methodology used in the past.

#### IAS limited review on the 2020 error rate calculation for H2020

The IAS has carried out a limited review on the methodology for calculation of the error rates of H2020 in year 2020. The preliminary findings of this limited review confirmed that there is no weakness in the calculation of the detected error rate and that the impact of these findings on the accuracy of the calculation of the residual error rate is minor. The final recommendations of this limited review will be implemented in the AAR 2021.

#### *Research Framework Programmes - Specific aspects*

The control system of each framework programme is designed in order to achieve the operational and financial control objectives set in their respective legislative base and legal framework. If the effectiveness of those control systems does not reach the expected level, a reservation must be issued in the annual activity report and corrective measures should be taken.

Each programme having a different control system, the following section details the considerations leading to the establishment of their respective materiality threshold and the conclusions to draw with regard to the declaration of assurance.

#### *Seventh Framework programme*

For FP7 programme, the general control objective, following the standard quantitative materiality threshold proposed in the Standing Instructions for AAR, is to ensure that the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the programmes' management cycle.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

## H2020 Framework Programme

The Commission's proposal for the Regulation establishing H2020 framework programme<sup>8</sup> states that

*It remains the ultimate objective of the Commission to achieve a residual error rate of less than 2% of total expenditure over the lifetime of the programme, and to that end, it has introduced a number of simplification measures. However, other objectives such as the attractiveness and the success of the EU research policy, international competitiveness, scientific excellence and in particular, the costs of controls need to be considered.*

*Taking these elements in balance, it is proposed that the Directorates General charged with the implementation of the research and innovation budget will establish a cost-effective internal control system that will give reasonable assurance that the risk of error over the course of the multiannual expenditure period is, on an annual basis, within a range of 2-5 %, with the ultimate aim to achieve a residual level of error as close as possible to 2 % at the closure of the multi-annual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.*

Further, it explains also that

*H2020 introduces a significant number of important simplification measures that will lower the error rate in all the categories of error. However, [...] the continuation of a funding model based on the reimbursement of actual costs is the favoured option. A systematic resort to output based funding, flat rates or lump sums appears premature at this stage [...]. Retaining a system based on the reimbursement of actual costs does however mean that errors will continue to occur.*

*An analysis of errors identified during audits of FP7 suggests that around 25-35 % of them would be avoided by the simplification measures proposed. The error rate can then be expected to fall by 1.5 %, i.e. from close to 5 % to around 3.5 %, a figure that is referred to in the Commission Communication striking the right balance between the administrative costs of control and the risk of error.*

*The Commission considers therefore that, for research spending under H2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.*

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<sup>8</sup> COM(2011) 809/3 Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 – the Framework programme for Research and Innovation (2014-2020), see point 2.2, pp 98-102.

In summary, the control system established for H2020 is designed to achieve a control result in a range of 2-5% detected error rate, which should be as close as possible to 2%, after corrections. Consequently, this range has been considered in the legislation as the control objective set for the framework programme.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

## EEPR

The reasoning explained for research programmes applies as well for EEPR.

Because of their multiannual nature, the effectiveness of the control strategy for the EEPR programmes can only be fully measured and assessed at the final stages in the life programmes, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

The general control objective for EEPR, following the standard quantitative materiality threshold proposed in the AAR instructions, is to ensure that **the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the management cycles**. The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

## Particularities for EEPR

As regards more specifically the EEPR programme, qualitative criteria have also been assessed to consider a potential reputational reservation:

- the nature and scope of the weakness;
- the duration of the weakness;
- the existence of compensatory measures (mitigating controls which reduce the impact of the weakness);
- the existence of effective remedial actions to correct the deficiencies (action plans and financial corrections).



Besides, it has to be noted that in addition to the results of DG ENER's own ex-post audits, the calculation of the error rates for EEPR also takes into account the audit results from ECA audits, if not complemented by a own audit and only for the amounts confirmed by DG ENER's analysis of ECA's findings<sup>9</sup>.

## Effectiveness of controls

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the EC, detected by ex-post audits, measured with respect to the amounts claimed.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting the errors detected corrected as a result of the implementation of audit conclusions.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$ResER\% = \frac{\left( (P - A2) \times \left( \frac{Err}{A2} \right) \right) + NonImpErr}{P}$$

where:

|                  |  |
|------------------|--|
| <b>ResER%</b>    | residual error rate, expressed as a percentage.  |
| <b>P</b>         | Total aggregated amount in € of EC share of all cost claims approved   |
| <b>A1</b>        | Total audited EC contribution amount from own audits + Non-audited part of EC contribution of audited companies with no or positive adjustment(s) + Total EC contribution from ECA audits not included in own audits, expressed in € |
| <b>A2</b>        | Total EC share of audited cost statements, expressed in €  |
| <b>Err</b>       | Total amount (€) of negative adjustments as a result of audits   |
| <b>NonImpErr</b> | Total EC share of audit adjustments (only results in favour of the Commission) not implemented (recovery, offsetting or forecast of revenue) by 1Q2021.  |

<sup>9</sup> This is in line with DG BUDG guidance on the calculation of error rates ([\myintracomm.ec.europa.eu@SSL\DavWWWRoot\budgweb\EN\replaar\Documents\additional-guidance-error-rates.doc](mailto:myintracomm.ec.europa.eu@SSL\DavWWWRoot\budgweb\EN\replaar\Documents\additional-guidance-error-rates.doc)), when the DG's audit strategy aims for an exhaustive 100% coverage of its entire programme population.

Note that results of audits for which the contradictory procedure with the beneficiary is still ongoing because of a contestation of the findings, are not been taken into account in the calculation of the detected error rate.

If the residual error rate is not (yet) below 2% at the end of a reporting year within the programme's management lifecycle, a reservation must be considered.

### **Other directly managed expenditure**

The assessment of the effectiveness of the different programmes' control system is based on ex-ante and, when available, on ex-post audits' results. The effectiveness is expressed in terms of detected and residual error rate, calculated from the best available estimates.

The type of controls deployed is aligned with the risk profile of the expenditure component. Service contracts, reimbursement of experts and administrative expenditure are considered as low risk regarding legality and regularity. Moreover, the individual amounts are relatively limited. Nuclear safeguards procurements are highly specific. Therefore, there might be no available ex-post audit results available as the costs of such controls would exceed the potential benefits. However, this expenditure remains subject to extensive ex-ante controls.

For other operational grants (i.e. CEF Programme support actions), the audit coverage is determined in function of the risk associated with the expenditure. Given the limited size of these actions, the calculation of the residual error rate based on a representative sample is not possible. The consequences are therefore assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information, including the detected error rate. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas.

### **De minimis threshold for financial reservation**

Since 2019<sup>10</sup>, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

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<sup>10</sup> Agreement of the Corporate Management Board of 30 April 2019.

## ANNEX 6: Relevant Control System(s) for budget implementation (RCSs)

### RCS 1) Grants under direct management – FP7 and Horizon 2020

Stage 1: Ex-ante controls

Effectiveness, efficiency and qualitative benefits are detailed per stages A to D.

Economy and quantitative benefits are calculated overall for the ex-ante controls and detailed at the end of Stage 1.

#### A - Preparation, adoption and publication of the Annual Work Programme and Calls for proposals

**Main internal control objectives:** Ensuring that the Commission selects the proposals that contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality and regularity); Prevention of fraud (anti-fraud strategy)

| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|--|--|--|
| The work programme and subsequent calls for proposals do not adequately reflect the policy objectives & priorities, are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals. | 1) For H2020 implementation, DG RTD centralises the budget planning and the monitoring with inputs / validation from all DGs<br>2) Harmonised planning procedures, guidance and IT tools within the Research Family DGs<br>3) Hierarchical validation of the work programme and call for proposals within the DG. Inter-service consultation includes all relevant services<br>4) Adoption by the Commission | <b>Coverage / Frequency:</b> 100%<br><b>Depth:</b><br>Thoroughly review at all levels, including for operational and legal aspects | <b>Effectiveness:</b><br>The work programme is adopted by the Commission in time to allow implementation of the programmes. Success ratios in terms of budget implementation: commitments implemented / commitments allocated. |

#### B - Selecting and awarding: Evaluation, ranking and selection of proposals

**Main internal control objectives:** Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected; Compliance with legal base; Prevention of fraud

| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|--|--|--|
| <p>The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, the policy objectives, priorities and/or the essential eligibility, selection and award criteria.</p> <p>There is a conflict of interest of the expert evaluators that influences the result of the evaluation and selection.</p> | <p>1) Procedure for selecting and appointing expert evaluators includes background &amp; conflict of interest checks</p> <p>2) All proposals assessed by multiple independent experts; harmonization of results</p> <p>3) An IT system supporting the evaluation stage and allowing the monitoring of the process</p> <p>4) Validation by the AOSD of ranked list of proposals / opinion of advisory bodies / comitology / inter-service consultation (as needed)</p> <p>5) Adoption by the Commission / publication</p> <p>6) Redress procedure for beneficiaries</p> | <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- 100% experts vetted for technical expertise and independence</li> <li>- 100% of proposals evaluated by 3 evaluators</li> <li>- 100% of selected proposals are reviewed by AOSD</li> <li>- 100% of contested decisions are analysed by redress committee</li> </ul> <p><b>Frequency:</b> once for each call, except establishing the reserve list of experts</p> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- nr. of redress requests</li> <li>- % of number of (successful) redress challenges upheld</li> <li>- nr. of Col cases detected</li> </ul> <p><b>Efficiency Indicators:</b></p> <p>% of Time-To-Inform</p> |

## C - Contracting

**Main internal control objectives:** : Ensuring that the most promising projects for meeting the policy objectives are among the proposals contracted; SFM (optimal allocation of the budget available); Compliance; Prevention of fraud

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|---|--|---|--|
| <p>The selected beneficiaries lack the operational and/or financial capacity to successfully carry out the actions as per their proposal.</p> <p>Procedures do not comply with regulatory framework.</p> <p>The evaluation stage hasn't detected a potentially fraudulent proposal/beneficiary.</p> | <p>1) Validation of beneficiaries' financial and operational capacity</p> <p>2) Systematic checks on operational and legal aspects performed before signature of the GA*</p> <p>3) Risk assessment and risk based checks before the grant agreement signature and reinforced monitoring flagging if necessary</p> <p>4) Ad hoc anti-fraud checks for riskier beneficiaries</p> <p>5) Mandatory payments to the Participant Guarantee Fund.</p> <p>* This control is carried out by the REA for all Research family DGs</p> | <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- 100% of the selected beneficiaries for financial/operational checks</li> <li>- risk-based checks according to risk assessment criteria</li> <li>- fraud checks according for risk criteria</li> </ul> <p><b>Depth</b></p> <p>Differentiated, according to type of beneficiary (e.g. SMEs, joint-ventures) and/or modalities (e.g. substantial subcontracting) and/or total value of the grant.</p> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- % of projects / grants completed</li> <li>- nr. of fraud cases detected</li> </ul> <p><b>Efficiency Indicators:</b></p> <ul style="list-style-type: none"> <li>- % of Time-to-grant on time</li> </ul> |

## D - Monitoring the implementation

**Main internal control objectives:** ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions; ensuring that the related financial operations comply with regulatory and contractual provisions; prevention of fraud; ensuring appropriate accounting of the operations

| Main risks  | Mitigating controls   | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|---|---|---|---|
| <p>The actions foreseen are not carried out in accordance with the grant agreement (for example deliverables, open access to results and publications...)</p> <p>The amounts paid exceed what is due in accordance with the applicable contractual and regulatory provisions.</p> <p>The cost claims are irregular or fraudulent.</p> | <ol style="list-style-type: none"> <li>1) Kick-off meetings and launch events involving the beneficiaries in order to avoid project management and reporting errors</li> <li>2) Effective external communication / guidance to beneficiaries</li> <li>3) Anti-fraud awareness raising &amp; training for project officers</li> <li>4) Operational and financial verification in accordance with the financial circuits</li> <li>5) Operational authorisation by the Authorising Officer</li> <li>6) For selected projects / beneficiaries:               <ul style="list-style-type: none"> <li>- Enhanced ex-ante controls</li> <li>- Selection and appointment of expert for scientific reviews of intermediate and/or final reporting</li> <li>- On-site verification visits</li> </ul> </li> <li>7) In case of irregularities:               <ul style="list-style-type: none"> <li>- Suspension/interruption of payments</li> <li>- Penalties or liquidated damages</li> <li>- Referring grant/beneficiary to OLAF</li> </ul> </li> <li>8) Audit certificates required for beneficiaries claiming more than EUR 375.000</li> </ol> | <p><b>Coverage / Frequency:</b></p> <ul style="list-style-type: none"> <li>- 100% of the payments for ex-ante checks</li> <li>- ex-post checks according to Research Audit Strategy &amp; AFS</li> </ul> <p><b>Depth:</b></p> <ul style="list-style-type: none"> <li>- ex-ante controls: per Manual of Procedures</li> <li>- detailed ex-ante / ex-post checks for risk criteria: red flags, suspicions raised by POs, audit results, EDES, individual or "population" risk assessment</li> </ul> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- % error rate</li> </ul> <p><b>Efficiency:</b></p> <ul style="list-style-type: none"> <li>- Time-to-pay: % of payments made on time</li> </ul> |

### **Overall economy indicators for ex-ante control**

- a. Estimation of cost of staff involved in the ex-ante checks
  - Programme management and monitoring
  - Financial management
  - Budget and accounting
  - General Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management
  - Anti-fraud
  - Development and support of IT systems linked to managing funding programmes

- b. Estimation of other costs linked to ex-ante checks
  - Cost of experts
  - Costs of the relevant share of the IT external contracts of CSC (via DG RTD)

Stage 2: Ex post controls

Effectiveness, efficiency and qualitative benefits are detailed per stages A to D.

Economy is calculated overall for the ex-post controls and detailed at the end of paragraph 2.

**E - Reviews, audits and monitoring**

**Main internal control objectives:** Measuring the level of error in the population after ex-ante controls have been undertaken; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls; identifying possible systemic weaknesses in the ex-ante controls, or weaknesses in the rules

| Main risks  | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|---|--|--|
| <p>The ex-post controls fail to detect and correct erroneous payments or attempted fraud to an extent going beyond a tolerable rate of error.</p> <p>Lack of efficiency or coordination: multiple audits on the same beneficiary/same programme that leads to high administrative burden on beneficiaries</p> | <p>1) As of 2014, a common ex-post control strategy exists for the entire Research family, implemented by the Common Support Center of DG RTD.</p> <p>2) The CSC performs ex-post audits on a representative sample of operations for all Research DGs</p> <p>3) DG RTD provides a centralized calculation of the level of error in the population after ex-ante controls have been performed</p> <p>4) additional risk-based samples</p> <p>5) when relevant, joint audits with the Court of Auditors.</p> <p>6) In case of confirmed systemic errors: extrapolation of corrections to non-audited participations of the audited beneficiary</p> | <p><b>Coverage / Frequency:</b></p> <ul style="list-style-type: none"> <li>- Sampling per Common Representative Sample (CRS)</li> <li>- Risk criteria determines additional audits</li> </ul> <p><b>Depth:</b> according to common audit ex-post methodology</p> | <p><b>Effectiveness:</b></p> <p>Audit coverage: number of audits finalised vs planned &amp; value coverage</p> <p>Representative / detected / residual error rate</p> <p><b>Efficiency:</b></p> <p>Cost of control of ex-post audits/value of grants in audit coverage</p> <p><b>Economy</b></p> <p>Cost of controls relative to expenditure</p> |

**F - Corrections**

**Main internal control objectives:** Ensuring that the results from the ex-post controls, including corrections from financial audits, lead to effective recoveries; ensuring appropriate accounting of the recoveries made.

| Main risks   | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|--|--|---|---|
| The errors, irregularities and cases of fraud detected are not addressed or not addressed in a timely manner | 1) Systematic registration of audit / control results to be implemented and actual implementation<br>2) Validation of recovery in accordance with financial circuits<br>3) Authorisation of recovery/waiving of recovery by AO<br>4) Regular follow up of reported fraud cases with OLAF<br>5) Monitoring of recoveries / AO approval for waiving recoveries | <b>Coverage:</b> 100% of final audit results with a financial impact<br><b>Depth:</b> Standardized in MoP | <b>Effectiveness:</b><br>- % of adjustments recovered / offset vs. total value of new adjustments<br>- Number/value/% of audit results pending implementation<br>- Number/value/% of audit results implemented<br><b>Efficiency:</b><br>- total (average) annual cost of implementing audit audits compared with benefits |

### **Overall economy indicators for ex-post control**

Estimation of cost of staff involved in the coordination and execution of the ex-post audit strategy and in the implementation of audits.  
 Costs of the appointment of audit firms and missions.

### ***RCS 2) Grants under direct management – EEPR and TEN-E***

Stage 1: Ex-ante controls

Effectiveness, efficiency and qualitative benefits are detailed per stages.

Economy and quantitative benefits are calculated overall for the ex-ante controls and detailed at the end of paragraph 1.

#### **A - Preparation, adoption and publication of the Annual Work Programme and Calls for proposals**

*No longer applicable*

#### **B - Selecting and awarding: Evaluation, ranking and selection of proposals**

*No longer applicable*

#### **C - Contracting**

**Main internal control objectives:** Ensuring that contract amendments are kept to the minimum to ensure the successful completion of projects in line with the original grant agreement

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|---|--|---|---|
| Without a robust and complete justification of the envisaged amendments, DG ENER may accept grant amendments that might call into question the decision awarding the grant or without respecting the principle of equal treatment | 1) Manual of Procedures provides clear criteria, roles and responsibilities for accepting and managing amendments<br>2) Operational / legal verification of necessity, legality and appropriateness<br>4) Clear documentation of amendments, including a workflow for approval | <b>Coverage:</b><br>- 100% of the contractual amendments are reviewed and approved<br><b>Depth:</b> similar for each modification | <b>Effectiveness:</b><br>% contract amendments validated by Legal Service<br>% contract amendments documented in ARES |

#### D - Monitoring the implementation

**Main internal control objectives:** ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions; ensuring that the related financial operations comply with regulatory and contractual provisions; prevention of fraud; ensuring appropriate accounting of the operations

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|---|--|---|---|
| <p>The actions foreseen are not, carried out in accordance with the deliverables, open access to results and publications...)</p> <p>The amounts paid exceed what is due in accordance with the applicable contractual and regulatory provisions.</p> <p>The cost claims are irregular or fraudulent.</p> | 1) Kick-off meetings and launch events involving the beneficiaries in order to avoid project management and reporting errors<br>2) Effective external communication / guidance to beneficiaries<br>3) Anti-fraud awareness raising & training for project officers<br>4) Operational and financial verification in accordance with the financial circuits<br>5) Operational authorisation by the Authorising Officer<br>6) For selected projects / beneficiaries:<br>- Enhanced ex-ante controls<br>- Selection and appointment of expert for scientific reviews of intermediate and/or final reporting<br>- On-site verification visits<br>7) In case of irregularities:<br>- Suspension/interruption of payments | <b>Coverage / Frequency:</b><br>- 100% of the payments<br>- risk-based selection subject to in-depth controls.<br><b>Depth:</b> depending on risk criteria<br>- Risk criteria: red flags, suspicions raised by POs, audit results, EDES, individual or "population" risk assessment | <b>Effectiveness:</b><br>% and value of reductions made to EU contribution paid out through the ex-ante desk checks / total value of EU contribution claimed<br><b>Efficiency:</b><br>Time-to-pay: % of payments made on time<br>Time-to pay: Average number days net/gross + suspension days |



| Main risks | Mitigating controls   | Coverage, frequency and depth | Effectiveness, efficiency, economy indicators |
|------------|---|-------------------------------|---|
|            | <ul style="list-style-type: none"> <li>- Penalties or liquidated damages</li> <li>- Referring grant/beneficiary to OLAF</li> <li>8) Audit certificates required for beneficiaries claiming more than EUR 375.000</li> </ul> |                               |   |

### **Overall economy indicators for ex-ante control**

Similar to RCS 1

- a. Estimation of cost of staff involved in the ex-ante checks
  - Programme management and monitoring
  - Financial management
  - Budget and accounting
  - General Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management
  - Anti-fraud
  - Development and support of IT systems linked to managing funding programmes
  
- b. Estimation of other costs linked to ex-ante checks
  - Cost of experts
  - Costs of the relevant share of the IT external contracts of CSC (via DG RTD)

Stage 2: Ex-post controls

Effectiveness, efficiency and qualitative benefits are detailed per stages.

Economy is calculated overall for the ex-post controls and detailed at the end of paragraph 2.

### **E - Reviews, audits and monitoring**

**Main control objectives:** Measuring the level of error in the population after ex-ante controls have been undertaken; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls; identifying possible systemic weaknesses in the ex-ante controls, or weaknesses in the rules.

| Main risks   | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|---|--|--|
| <p>The ex-post controls fail to detect and correct erroneous payments or attempted fraud to an extent going beyond a tolerable rate of error.</p> <p>Lack of consistency in the ex-post audit strategy.</p> <p>Lack of efficiency for absence of coordination: multiple audits on the same beneficiary/same programme that leads to high administrative burden on beneficiaries, diminish interest in later calls, reputational risk</p> | <p>1) Multi-annual ex-post audit planning based<br/>- on representative sample in line with programme lifecycle<br/>- risk analysis and risk based audits</p> <p>2) In case of fraud suspicion, referring the beneficiary or grant to OLAF.</p> | <p><b>Coverage / Frequency:</b><br/>- Audits on risk-based selection of projects, determined in accordance with risk criteria to maximise deterrent effect and prevention of fraud or serious error.</p> <p><b>Depth:</b> standard ex-post audit programme</p> | <p><b>Effectiveness:</b><br/>Audit coverage: number of audits finalised vs planned &amp; value coverage<br/>Representative / detected error rate.<br/>Residual error rate</p> <p><b>Efficiency:</b><br/>Cost of control of ex-post audits/value of grants in audit coverage</p> <p><b>Economy</b><br/>Cost of controls relative to expenditure</p> |

## F - Corrections

**Main control objectives:** Ensuring that the results from the ex-post controls, including corrections from financial audits, lead to effective recoveries; Ensuring appropriate accounting of the recoveries made

| Main risks  | Mitigating controls   | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|---|---|---|--|
| <p>The errors, irregularities and cases of fraud detected are not addressed or not addressed in a timely manner</p> | <p>1) Systematic registration of audit / control results to be implemented and actual implementation</p> <p>2) Validation of recovery in accordance with financial circuits</p> <p>3) Authorisation of recovery/waiving of recovery by AO</p> <p>4) Regular follow up of reported fraud cases with OLAF</p> <p>5) Monitoring of recoveries / AO approval for waiving recoveries</p> | <p><b>Coverage:</b> 100% of final audit results with a financial impact</p> <p><b>Depth:</b> All audit results are examined in-depth in making the final recoveries</p> | <p><b>Effectiveness:</b><br/>- % of adjustments recovered / offset vs. total value of new adjustments<br/>- Number/value/% of audit results pending implementation<br/>- Number/value/% of audit results implemented</p> <p><b>Efficiency:</b><br/>- total (average) annual cost of implementing audit audits compared with benefits</p> |

## **Overall economy indicators for ex-post control**

Estimation of cost of staff involved in the coordination and execution of the ex-post audit strategy and in the implementation of audits. Costs of the appointment of audit firms and missions.

### ***RCS 3) EURATOM contribution to ITER / F4E under indirect management***

This RCS covers the EURATOM contribution to the ITER project, entrusted to and implemented through the F4E JU<sup>11</sup>. Both entities were established before 2016; therefore this ICT focuses on monitoring, supervision and ex-post controls.

Stage 1: Ex-ante controls

#### **A – Establishment (or prolongation) of the mandate to the entrusted entity (“delegation act”/ “contribution agreement” / etc.)**

*Not applicable in 2020*

#### **B – Assessment of the entrusted entity’s financial and control framework (towards “budget autonomy”; “financial rules”)**

*Not applicable in 2020*

#### **C - Operations: monitoring, supervision, reporting**

**Main internal control objectives:** Ensuring that the Commission is fully and timely informed of any relevant management issues encountered by the entrusted entity, in order to possibly mitigate any potential financial and/or reputational impacts (legality and regularity, sound financial management, true and fair view reporting, anti-fraud strategy).

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<sup>11</sup> Fusion for Energy Joint Undertaking.

| Main risks  | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|---|--|--|
| <p><b>F4E Joint Undertaking</b></p> <p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner.</p> <p>DG ENER cannot exercise suitable supervision and intervene to ensure that issues are addressed in a timely manner</p> | <p><b>F4E Joint Undertaking</b></p> <p>1) DG ENER supervision strategy for F4E (supervision needs &amp; objectives, tools, working methods and procedures)</p> <p>2) Delegation Act / Administrative Agreement specifying the control, accounting, audit, publication etc. related requirements – incl. the modalities of reporting on relevant and reliable control results</p> <p>3) Reporting: F4E "Dash Board": information on progress of the EU contribution. Further revision to incorporate Key Performance Indicators and other elements from the supervision strategy.</p> <p>4) DG ENER Membership of F4E governance structure:</p> <ul style="list-style-type: none"> <li>- DG ENER representative in Governing Board, assisted notably by</li> <li>- the Administration and Management Committee, of which one member is EURATOM</li> <li>- the Audit Committee, of which one member is proposed by EURATOM</li> <li>- the Bureau</li> <li>- DG ENER membership in the steering committee for the annual F4E independent assessment</li> <li>- DG ENER also participates to the F4E Senior Management Meetings and has bilateral contacts with F4E Director</li> </ul> <p>5) Revised Administrative Arrangements &amp; Working Relations formalize the monitoring, reporting and supervision arrangements, including:</p> <ul style="list-style-type: none"> <li>- Regular coordination meetings at management level</li> <li>- Frequent contacts at working level and regular reporting on progress, budgetary, staffing and audit issues</li> <li>- Bilateral meetings when necessary</li> </ul> <p>6) Management review of the supervision results and if needed:</p> <ul style="list-style-type: none"> <li>- reinforced monitoring of operational and/or financial aspects of the entity</li> <li>- potential escalation of any major governance-related issues with entrusted entities</li> </ul> <p>7) Annual activity report based on BUDG guidance and template, submitted to DG ENER</p> | <p><b>Coverage &amp; Frequency:</b></p> <ul style="list-style-type: none"> <li>- Determined by delegation act / administrative agreement</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Annual reports on operation and budget implementation.</li> </ul> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Effective implementation of the governance mechanisms and reporting channels.</li> <li>- Number of serious issues arising not identified through standard reporting channels</li> <li>- Absence of ECA, discharge or IAS audit observations</li> </ul> <p><b>Economy</b></p> <p>Evolution of the cost of control at entity level</p> |
| <p><b>EURATOM obligations to ITER project</b></p> <p>If the ITER project supervision strategy is not comprehensive, DG ENER may not focus its activities</p>  | <p><b>EURATOM obligations to ITER project</b></p> <p>1) DG ENER supervision Strategy for the ITER project, defining supervision needs and objectives, Commission's strategy, supervision tools, key risks and key performance indicators.</p> <p>2) Management review of the implementation of supervision strategy (completeness, effectiveness) on the basis of indicators</p>  | <p><b>Coverage:</b> The elements taken into account for decisions taken in the Inter Council.</p> <p><b>Frequency:</b></p> <ul style="list-style-type: none"> <li>- as determined by ENER supervision strategy</li> </ul>  | <p><b>Effectiveness</b></p> <p>Strategy exists and is up to date</p> <p>Administrative arrangements are aligned with the strategy</p>  |

| Main risks                      | Mitigating controls   | Coverage, frequency and depth | Effectiveness, efficiency, economy indicators |
|---------------------------------|---|-------------------------------|---|
| on critical or high-risk areas. | 3) Participation in the ITER Council and its Advisory Bodies, including<br>- Chairing of ITER Management Advisory Committee (MAC)<br>- Chairing the Financial and Audit Board (FAB) |                               |   |

#### D - Commission contribution: payment or suspension/interruption.

**Main internal control objectives:** Ensuring that the Commission adequately assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution.

| Main risks   | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|---|--|--|
| Bad cash forecast leading to the Commission paying too much compared to the EE's needs | 1) Delegation Act/Administrative Agreement specifying the control, accounting, audit, publication etc. related requirements – including reporting<br>2) Management review of the supervision results.<br>3) Standard procedures for the validation of all payments and recovery of non-used operating budget subsidy<br>4) Good internal communication to ensure that issues are known and dealt with (see stage 3) | <b>Coverage:</b> 100% of the contribution payments<br><b>Frequency:</b> following the rhythm of the payments | <b>Effectiveness</b> : legality and regularity of payments made<br><b>Efficiency</b> :<br>Timely payment<br>Alignment of the evolution of the project with EU contributions made<br><b>Economy</b><br>Cost of control vs payments made |

Stage 2: Ex-post controls

#### F - Audit and evaluation, Discharge

**Main internal control objectives:** Ensuring that assurance building information on the entrusted entity's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 Internal Control Objectives (ICOs)).

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|--|--|--|
| <p>The Commission does not have sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity.</p> | <p><b>F4E Joint Undertaking</b></p> <ol style="list-style-type: none"> <li>1) Subject to audit by IAS and the Court of Auditors (yearly audit on the legality and regularity of the operations &amp; performance audits). DG ENER uses their reports, and the follow-up given to their recommendations by the JU, as an element of the supervision.</li> <li>2) Annual discharge report sent to the EP and the Council</li> <li>3) The Governing Board is assisted by an Audit Committee, in which one member is proposed by EURATOM.</li> <li>4) Commission's right to perform targeted financial and/or technical audits and on-the-spot checks on F4E beneficiaries and operations</li> <li>5) Ad hoc independent reviews on demand by the Governing Board or by the Commission itself, when additional independent analysis provided by a group of experts is deemed opportune for a specific issue</li> </ol> | <p><b>Coverage:</b> based on a sampling approach (e.g. random/representative, value-targeted, risk-based)</p> <p><b>Frequency:</b> according to F4E &amp; IAS internal audit planning / annual for DAS and external assessment</p> <p>The <b>depth</b> depends on the level of risks assessed.</p> | <p><b>Effectiveness:</b> Assurance being provided</p> <p><b>Efficiency:</b> cost of controls</p> |

#### **RCS 4) Nuclear Decommissioning Assistance Programmes under indirect entrusted management**

This RCS covers the delegation to EBRD<sup>12</sup>, CPMA<sup>13</sup> and SIEA<sup>14</sup> for the Nuclear Decommissioning Assistance Programmes in Bulgaria, Lithuania and Slovakia

Stage 1: Ex-ante controls

#### **A - Establishment / prolongation of the mandate to the entrusted entities**

**Main internal control objectives:** Ensuring that the legal framework for the management of the relevant funds is fully compliant and regular (legality and regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy).

<sup>12</sup> European Bank for Reconstruction and Development

<sup>13</sup> Central Project Management Agency (Lithuania)

<sup>14</sup> Slovak Innovation and Energy Agency (Slovakia)

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators   |
|--|--|--|---|
| <p>The establishment (or prolongation) of the mandate of the entrusted entity is affected by legal issues, which would undermine the legal basis for the management of the related EU funds (via that particular entity)</p> | <ol style="list-style-type: none"> <li>1) Pillar Assessments of delegated bodies (updated in 2015-2016)</li> <li>2) Framework Administrative &amp; Financial Agreement (FAFA) with EBRD; PAGoDA template</li> <li>3) DAs based on BUDG template incorporating lessons-learned on: <ul style="list-style-type: none"> <li>- Ex-post monitoring</li> <li>- key performance indicators</li> <li>- reporting and monitoring requirements</li> <li>- flat fee remuneration scheme</li> </ul> </li> <li>4) Hierarchical validation within the DG</li> <li>5) Inter-service consultation including all relevant DGs for all DAs. New delegation agreement signed with <ul style="list-style-type: none"> <li>- EBRD in December 2015</li> <li>- SIEA in September 2016</li> </ul> </li> <li>6) DAs cover clear reporting requirements and were prepared in line with new NDAP regulation and OLAF requirements</li> <li>7) Explicit allocation of responsibility to individual officials (reflected in job descriptions)</li> </ol> | <p><b>Coverage/Frequency:</b> 100%/ before signature – prolongation of delegation agreement</p> <p><b>Depth:</b> Determined by pillar assessment checklist &amp; other relevant guidance</p> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Performance of pillar assessments / validity of the PAs</li> <li>Adoption of the delegation acts</li> <li>Lack of ECA or discharge or IAS criticism</li> </ul> <p><b>Efficiency:</b> included in the efficiency of monitoring and supervision</p> |
| <p>Conflicts of interest could impair the management of EU funds by the entrusted entity.</p>  | <p><b>Controls by DG ENER</b></p> <ol style="list-style-type: none"> <li>1) Pillar assessment of internal control framework, incl. anti-fraud policy</li> <li>2) Provisions of the respective Delegation Agreements with EBRD (2015), CPMA (2015) and SIEA (2016)</li> <li>3) Regular assessment by DG ENER of the adequacy of control and anti-fraud strategies of implementing bodies</li> </ol> <p><b>As part of the pillar assessment, DG ENER evaluated the following controls put in place by the entrusted entities:</b></p> <ol style="list-style-type: none"> <li>4) EBRD governance framework <ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Prohibited Practices guidelines</li> <li>- Integrity Risk policy</li> <li>- Modification of IDSF rules, to align them with the predominant role</li> </ul> </li> </ol>   | <p><b>Coverage/Frequency:</b></p> <ul style="list-style-type: none"> <li>- all entities</li> </ul> <p><b>Depth:</b> case by case</p>   | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- No Col occurrences</li> <li>- Existence of antifraud Strategies and policies at entity level</li> <li>- No ECA or discharge or IAS criticism</li> <li>- Existence of the necessary provisions.</li> </ul>   |

| Main risks | Mitigating controls  | Coverage, frequency and depth | Effectiveness, efficiency, economy indicators |
|------------|--|-------------------------------|---|
|            | of the Commission as a donor.<br>5) CPMA's and SIEA's anti-fraud strategy and conflict of interest prevention policy |                               |   |

## B - Assessment of the entrusted entity's financial and control framework

**Main internal control objectives:** Ensuring that the entrusted entity is fully prepared to start/continue implementing the delegated funds autonomously with respect of all 5 Internal Control Objectives (*legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy*).

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|--|--|--|
| The financial and control framework deployed by the entrusted entity is not fully mature to guarantee achieving all 5 ICOs ( <i>legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy</i> ). | 1) Pillar assessment of entrusted entities before delegating funds: <ul style="list-style-type: none"> <li>- EBRD: completed in 2016</li> <li>- CPMA: reassessed in 2016</li> <li>- SIEA: completed in 2016</li> </ul> 2) Monitoring actions <ul style="list-style-type: none"> <li>- site visits</li> <li>- meetings of the Monitoring Committees (CPMA-SIEA / Assembly of Contributors (EBRD))</li> </ul> 3) Specific NDAP risk management plan<br>4) Specific NDAP Control strategy<br>5) Use of key performance indicators covering financial management | <b>Coverage/frequency:</b> 100% of entrusted entities<br>Frequency of monitoring actions/visits/meetings determined by DA and internal control strategy<br><b>Depth:</b> determined by the DA (reporting, monitoring meeting), risk management plan & control strategy | <b>Effectiveness:</b> <ul style="list-style-type: none"> <li>- validity of the pillar assessments / updates carried out</li> <li>- Existence of the necessary provisions.</li> <li>- Absence of ECA, discharge or IAS audit observations</li> <li>- timely delivery of monitoring reports, aligned with reporting criteria</li> </ul> <b>Economy:</b> control cost at entity level |

## C - Operations: monitoring, supervision, reporting

**Main internal control objectives:** Ensuring that the Commission is fully and timely informed of any relevant management issues encountered by the entrusted entity, in order to possibly mitigate any potential financial and/or reputational impacts (*legality & regularity, achievement of objectives, sound financial management, true and fair view reporting, anti-fraud strategy*).



| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators   |
|--|--|--|---|
| <p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner.</p> | <p>EBRD</p> <ol style="list-style-type: none"> <li>1) Joint management of multi-donor funds (as per fund rules) and EU Chair of the Assembly of Contributors</li> <li>2) EU representation within the EBRD Board of Directors</li> <li>3) Commission decision on procedures covering monitoring arrangements, evaluation and audit issues</li> <li>4) Daily project execution monitored by EBRD</li> <li>5) Programme monitoring Assemblies of Contributors (chaired by the Commission)</li> <li>6) Regular reports by beneficiaries and Member States on the progress <ul style="list-style-type: none"> <li>- Monitoring Committee analyses the report and takes corrective measures</li> </ul> </li> <li>7) Commission monitoring visits on-site. Corrective measures to ensure that objectives are met.</li> <li>8) Adoption of the Rules of Application covering <ul style="list-style-type: none"> <li>- detailed description of monitoring controls</li> <li>- introduction and assessment of key performance indicators</li> <li>- steering of the Member States towards use of an appropriate earned-value management (EVM) technique</li> </ul> </li> <li>9) Art. 60.5 report</li> </ol> | <p><b>Coverage:</b> 100% of projects</p> <p><b>Frequency &amp; Depth:</b></p> <ul style="list-style-type: none"> <li>- In accordance with Rules of application</li> <li>- Assembly of Contributors biannually</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Yearly report based on article 60.5 FR requirements</li> </ul> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Financial statements and Management reports of the multi-donor funds received , and provision of related assurance</li> <li>- timely organisation of the different governance meetings</li> <li>- Absence of ECA, discharge or IAS audit observations</li> </ul> <p><b>Efficiency</b></p> <p>earned value management synthetic indicator ( progress against schedule and budget)</p> <p><b>Economy</b></p> <p>overall supervision cost / budget entrusted to entity (%)</p> |
| <p>As above</p>  | <p><b>National Agencies</b></p> <ol style="list-style-type: none"> <li>1) Full state guarantee for implementation through certified agency</li> <li>2) Commission decision on procedures in place covering monitoring arrangements, evaluation and audit issues</li> <li>3) Daily project execution is monitored by the implementing bodies</li> <li>4) Programme monitoring through Monitoring Committees (MC) chaired by the Commission</li> <li>5) Biannual reports by the beneficiaries and the Member States on progress <ul style="list-style-type: none"> <li>- MC analyses the monitoring report and takes corrective measures</li> </ul> </li> <li>6) Monthly report by the entrusted entity.</li> <li>7) Commission monitoring visits on-site. Corrective measures to ensure that objectives are met.</li> <li>8) Adoption of the Rules of Application covering</li> </ol>   | <p><b>Coverage:</b> 100% of projects</p> <p><b>Frequency &amp; Depth:</b></p> <ul style="list-style-type: none"> <li>- In accordance with Rules of application</li> <li>- Assembly of Contributors biannually</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Yearly report based on article 60.5 FR requirements</li> </ul> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Monitoring reports received and analysed, reliability of the information provided</li> <li>- Financial statements and Management representations received / Assurance received</li> <li>- timely organisation of the different governance meetings</li> <li>- Absence of ECA, discharge or IAS audit observations</li> </ul> <p><b>Efficiency</b></p> <p>earned value management synthetic indicator ( progress against schedule and budget)</p>                            |

| Main risks | Mitigating controls  | Coverage, frequency and depth | Effectiveness, efficiency, economy indicators  |
|------------|--|-------------------------------|--|
|            | <ul style="list-style-type: none"> <li>- detailed description of monitoring controls</li> <li>- introduction and assessment of key performance indicators</li> <li>- steering of the Member States towards use of an appropriate earned-value management (EVM) technique</li> </ul> <p>9) Art. 60.5 report</p> |                               | <p><b>Economy:</b><br/>overall supervision cost / budget entrusted to entity (%)</p> |

### D - Commission contribution: payment or suspension/interruption

**Main internal control objectives:** Ensuring that the Commission adequately assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution. **This is very closely linked to stage 3 above.**

| Main risks   | Mitigating controls   | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|--|---|---|--|
| The Commission pays out the (next) contribution to the entrusted entity, while not being aware of the management issues that may lead to financial and/or reputational damage. | 1) Financial checks are performed based on the requests of the entrusted entities and on the operational controls performed by or on behalf of DG ENER  | <p><b>Coverage:</b> 100% of the contribution payments</p> <p><b>Frequency:</b> following the rhythm of the payments</p>   | <p><b>Effectiveness :</b> Payments made, existence of issues affecting legality and regularity</p> <p><b>Efficiency :</b> Timely payments</p> <p><b>Economy :</b> included in the cost of control vs funds entrusted indicator</p> |
| Due to the long term perspective of the programme and to the complex implementation setup, pre-financings may not be cleared timely  | <p>2) Specific financial checks performed when requests for payments are made by the implementing bodies, based on a six-months forecast of commitments.</p> <p>3) Periodic (at least yearly) accounting controls performed by the accounting correspondent</p> | <p><b>Coverage:</b> 100% of the contribution payments</p> <p><b>Frequency:</b> following the rhythm of the payments ( financial checks ) or the accounting schedule (accounting controls)</p> |  |
| Cash forecast process may not allow the Commission to pay the amounts that correspond to needs   | 4) Current setup of financial circuits prevents this risk as pre-financing are made based on actual commitments plan  | <p><b>Coverage:</b> 100% of the contribution payments</p>   |  |

Stage 2: Ex-post controls

## E - Audit and evaluation

**Main internal control objectives:** Ensuring that assurance building information on the entrusted entity’s activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|--|--|--|
| <p>The Commission has not received sufficient information from independent sources on the entrusted entity’s management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity.</p> | <p>The expenditure falls within the scope of the DAS and is audited by ECA annually, which is the main source of controls. In addition:</p> <ol style="list-style-type: none"> <li>1) Statement of assurance received from entrusted entities</li> <li>2) Audit opinions of the external auditors of the entrusted entities</li> <li>3) Financial audits carried out by an external audit company on selected NDAP projects</li> </ol> | <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- Audits based on a sampling approach (random/representative, value-targeted, risk-based)</li> </ul> <p><b>Frequency:</b> whenever necessary</p> <p>The <b>depth</b> depends on the level of risks assessed</p> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Assurance provided;</li> <li>- Absence of ECA, discharge or IAS audit observations</li> <li>- Reliability of the information received</li> </ul> |

### **RCS 5) Budgetary support to ACER regulatory agency (under indirect management)**

This RCS covers the annual subsidy provided to the decentralised agency ACER<sup>15</sup>. This entity was established before 2016; therefore this RCS focuses on monitoring and ex-post controls

Stage 1: Ex-ante controls

## **A – Establishment (or prolongation) of the mandate to the entrusted entity (“delegation act”/ “contribution agreement” / etc.)**

*Not applicable in 2019*

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<sup>15</sup> Agency for the Cooperation of Energy Regulators

## B – Assessment of the entrusted entity’s financial and control framework (towards “budget autonomy”; “financial rules”)

*Not applicable in 2019*

## C - Operations: monitoring, supervision, reporting

**Main internal control objectives:** Ensuring that the Commission is fully and timely informed of any relevant management issues encountered by the entrusted entity, in order to possibly mitigate any potential financial and/or reputational impacts (legality & regularity, sound financial management, true and fair view reporting, anti-fraud strategy).

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|--|--|--|
| <p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner, which may reflect negatively.</p> | <ol style="list-style-type: none"> <li>1) DG ENER supervision strategy for ACER (supervision needs &amp; objectives, tools, working methods and procedures)</li> <li>2) Revised Administrative Arrangements, integrating the Working Relations</li> <li>3) DG ENER participation in governance structure               <ul style="list-style-type: none"> <li>- membership of the Administrative Board</li> <li>- participation in ACER Senior Management Meetings</li> <li>- regular bilateral contacts with ACER Director</li> </ul> </li> <li>4) Operational monitoring:               <ul style="list-style-type: none"> <li>- Regular coordination meetings at management level</li> <li>- Frequent contacts at working level and regular reporting on progress, budgetary, staffing and audit issues</li> <li>- Bilateral meetings when necessary</li> </ul> </li> <li>5) Management review of the supervision results and if needed:               <ul style="list-style-type: none"> <li>- reinforced monitoring of operational and/or financial aspects of the entity</li> <li>- potential escalation of any major governance-related issues with entrusted entities</li> </ul> </li> <li>6) Annual activity report submitted to DG ENER</li> </ol> | <p><b>Coverage:</b> 100% of the entity monitored / supervised.</p> <p><b>Frequency:</b></p> <ul style="list-style-type: none"> <li>- Regular Board of Regulators and Administrative Board meetings;</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Annual reports on operation and budget implementation</li> </ul> | <p><b>Effectiveness:</b> Existence of serious issues affecting the assurance</p> <ul style="list-style-type: none"> <li>- Absence of ECA, discharge or IAS audit observations</li> </ul> |

## D - Commission contribution: payment or suspension/interruption.

**Main internal control objectives:** Ensuring that the Commission adequately assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution.

| Main risks   | Mitigating controls   | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|--|---|---|--|
| Bad cash forecast leading to the Commission paying too much compared to the EE's needs | <ol style="list-style-type: none"> <li>1) Delegation Act/Administrative Agreement specifying the control, accounting, audit, publication etc. related requirements – including reporting</li> <li>2) Management review of the supervision results.</li> <li>3) Standard procedures for the validation of all payments and recovery of non-used operating budget subsidy</li> <li>4) Good internal communication to ensure that issues are known and dealt with (see stage 3)</li> </ol> | <p><b>Coverage:</b> 100% of the contribution payments</p> <p><b>Frequency:</b> following the rhythm of the payments</p> | <p><b>Effectiveness :</b> existence or not of legality and regularity issues , effective payment of the Commission contribution</p> <p><b>Economy :</b> cost of control vs budgetary support</p> |

Stage 2: Ex-Post controls

## F - Audit and evaluation, Discharge

**Main internal control objectives:** Ensuring that assurance building information on the entrusted entity's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators         |
|---|--|--|---|
| The Commission does not have sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity. | <ol style="list-style-type: none"> <li>1) Subject to audit by the IAS and the ECA (annual DAS audit and performance audits)</li> <li>2) Annual discharge through Budgetary Authority</li> <li>3) Commission right to perform ad-hoc financial or technical audits / on-the-spot reviews</li> <li>4) Ad hoc independent reviews on demand by the Governing Board or by the Commission itself</li> </ol> | <p><b>Coverage:</b> As determined by audit bodies</p> <p><b>Frequency:</b> according to ACER &amp; IAS internal audit planning / annual for DAS and external assessment</p> <p>The <b>depth</b> depends on the level of risks assessed</p> | <p><b>Effectiveness:</b> Assurance being provided</p> |

## RCS 6) CEF Debt Instruments

This RCS covers the Financial Instruments (FIs) entrusted to the **European Investment Bank (EIB)** for the implementation of the Connecting Europe Facility Debt Instruments (CEF DI).

Stage 1: Ex-ante controls

### A - Set-up/design of the Financial Instrument and designation of International Financial Institution (IFI)

#### Main internal control objectives:

- Ensuring that the FI is adequate for meeting the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy).
- Ensuring that the most promising IFI is pre-determined or selected to ensure that the FI is implemented effectively and efficiently; Sound financial management; Legality and regularity; Fraud prevention and detection.

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|---|--|---|--|
| <p>The EIB does not have the experience and financial capacities as well as the administrative &amp; control capacities to ensure effective and sound implementation of the FI.</p> <p>The selection of the EIB is not in line with FR and its RAP criteria, especially 'alignment of interests' (FR art 140.2e).</p> | <p>1) The selection of the EIB as entrusted entity was:</p> <ul style="list-style-type: none"> <li>• In line with Art. 58.1(c)(iii) FR.</li> <li>• Explicitly indicated in the CEF Regulation as a potential entrusted entity. (recitals 41 and 50 and annex I, part III only)</li> </ul> <p>2) Ex-ante assessment of the EIB in accordance with articles 61(1) and 60(2) FR ('six pillar assessment') successfully carried out prior to the signature of the FAFA by DG ECFIN.</p> <p>3) Formal signature of Financial and Administrative Framework Agreement ("FAFA", responsibility of DG ECFIN)</p> <p>4) Periodic evaluations (see also Stage 3) of EIB operations</p> <p>5) Mid-term evaluation of CEF DI.</p> | <p><b>Coverage/Frequency for DA:</b><br/>once</p> <p><b>Depth:</b> In-depth control, full engagement of operational and financial unit resources.</p> | <p><b>Effectiveness:</b><br/>Where applicable, opinions by advisory or audit bodies (recommendations, actions taken).</p> <p><b>Economy</b> : costs vs. net assets managed</p>   |
| <p>The DA with the EIB is inadequate to cover operational and management risks</p>  | <p>1) The main principles of the DA are based on the FAFA.</p> <p>2) Draft DA was reviewed in inter-service consultation (including all relevant DGs, horizontal and operational).</p> <p>3) Hierarchical validation (incl. at DG level) of the delegation agreement (DA), formal adoption by Commission decision</p>  | <p><b>Coverage/Frequency:</b> 100% / once</p>   | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Findings in audit reports</li> <li>- Observations in the audit certificate supporting the financial statements and management representations</li> </ul> |

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators  |
|---|--|---|--|
|   | 4) Detailed provisions in DA with regards to: <ul style="list-style-type: none"> <li>Operational and policy objectives;</li> <li>Obligations and tasks of the Bank</li> <li>Governance provisions</li> <li>Operational and financial reporting obligations</li> <li>Control, monitoring and audit provisions</li> </ul>  |   |  |
| The Commission's interests are not protected by the DA, including <ul style="list-style-type: none"> <li>- the RSM (Risk-Sharing Mechanism) is too generous towards the EIB (unbalanced risks)</li> <li>- the fees paid to the EIB are not in line with the implementation of the FI</li> </ul> | 1) Alignment of interest is provided through: <ul style="list-style-type: none"> <li>Standardized risk-sharing model between EIB and Commission agreed in DA, in line with horizontal guidance from DG BUDG and ECFIN.</li> <li>A fee structure designed to compensate the EIB for the implementation of the financial instruments linked to the achievement of the policy objectives.</li> </ul> 2) Each agreement between EIB and beneficiaries covers control (e.g. audit rights of the EC) and reporting obligations | <b>Coverage/Frequency:</b> 100 % / once<br><b>Depth:</b> In-depth control, full engagement of operational and financial unit resources. | <b>Effectiveness:</b><br>Findings in audit reports<br>Observations in the audit certificate supporting the financial statements and management representations |

## B – Implementation of the FI, incl. commitments and payments

### Main internal control objectives:

- Ensuring that the funds allocation is optimal (best value for public money; effectiveness, economy, efficiency) to meet the policy objectives (effectiveness).
- Ensuring that the remuneration paid to the IFI is adequate (cost-effectiveness).
- Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy); Safeguarding of assets and information; Reliable reporting (true and fair view).

| Main risks  | Mitigating controls  | Coverage frequency and depth                                   | Effectiveness, efficiency, economy indicators           |
|---|--|--|---|
| <b>Final Recipients / Projects selected may not be eligible</b> | 1) Annual approval of CEF FI work programme by the CEF Coordination Committee.<br>2) Policy guidance, review of proposed pipeline of projects by CEF Steering Committee (chair ECFIN, with MOVE, ENER and CNECT) | <b>Coverage/Frequency:</b> 100% - all agreements signed by EIB | <b>Effectiveness:</b><br>- number of monitoring reports |

|  |   |  |   |
|--|---|--|---|
|  | 3) EIB applies evaluation and selection criteria and process set out in Annex 1 of DA   |  |   |
| <b>Undue or erroneous payments</b><br><b>Undue or erroneous recoveries/re-payments</b>                           | <p>1.a) Ex-ante by Commission: all payments made to EIB are subject to the normal financial circuit of DG ENER, including independent ex-ante verification.</p> <p>1.b) Ex-ante controls by EIB at ‘contracting’ stage – checks on eligibility, viability and relevance.</p> <p>2) Due diligence: The EIB has to</p> <ul style="list-style-type: none"> <li>- set up and operate an internal control system</li> <li>- apply effective and proportionate anti-fraud measures</li> <li>- carry out ex ante and ex post controls, including on-the-spot checks on representative and/or risk-based samples of transactions, in accordance with Annex 8 of DA</li> <li>- require the Final Recipients to repay any amount unduly paid</li> </ul> | <p><b>Coverage/Frequency:</b> Ex-ante verification of commitments: 100%</p> <p>Ex-ante verification of payments: 100%</p> <p>Verification of EIB transactions on sample checks</p> | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- number of erroneous operations</li> <li>- number of findings from external auditor</li> </ul> <p><b>Efficiency :</b></p> <p>Rate of recovery / % of corrections of errors</p> |
| <b>The remuneration or the reimbursement of any exceptional costs or additional tasks are unjustifiably high</b> | <p>1) Fees, any incentives and any exceptional costs are defined in the FAFA and the DA, including an overall cap.</p> <p>2) Reimbursement of cost for technical assistance and additional tasks defined in the FAFA and the DA.</p> <p>3) Review of the statement of expenses together with evidence provided by the EIB.</p>  | <p><b>Coverage:</b> 100% of fees and eligible expenses are verified before payment against contractual conditions and supporting documentation required under the DA</p>           | <p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- existence of documented checks</li> <li>- number of findings from external auditor</li> </ul>   |

Stage 2: Ex-post controls

## C – Monitoring and assurance building

### Main internal control objectives:

- Ensuring that assurance building information on the entrusted entity’s activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (Fraud prevention and detection).
- Ensuring that the (audit) results from the ex-post controls lead to assurance for the accountable AOD (5 ICOs).



| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|--|--|--|
| The actions supported do not reflect the policy objectives for the CEF DI   | 1) Commission Services monitor the implementation of the FI on the basis of a documented approach.<br>2) The Commission has several monitoring instruments that include: <ul style="list-style-type: none"> <li>• the CEF FI Steering Committee</li> <li>• review of the pipeline of projects</li> <li>• operational reports</li> <li>• financial statements</li> <li>• risk and performance reports</li> <li>• pipeline reports</li> <li>• summary of audits and controls carried out during the reporting year</li> </ul> 3) Interim and ex-post evaluations are carried by EIB and Commission services. | <b>Coverage/Frequency:</b> as per documented control approach.<br>Steering Committee: at least 2x/year.<br>Operational reports 2x/year<br>Financial statements: monthly.<br>Risk and performance reports: quarterly.   | <b>Effectiveness:</b> on the basis of success ratios and KPIs defined for CEF policy objectives: <ul style="list-style-type: none"> <li>- leverage</li> <li>- co-risk taking</li> <li>- number of FRs supported by the Financial Instrument</li> <li>- disbursement rate</li> </ul> <b>Economy:</b> <ul style="list-style-type: none"> <li>- Total cost of monitoring and supervision by DG staff over value delegated</li> <li>- Management fees over value of budget delegated to EIB</li> </ul> |
| Internal control weaknesses, irregularities, errors and fraud are not detected and corrected by the entrusted entities, resulting in that the EU funds are not achieving the policy objectives and are in non-compliance with applicable regulations. | 1) EIB maintains internal control system and applies anti-fraud measures.<br>2) EIB annual report is audited by independent auditor, which covers the internal control system.<br>3) The Commission carries out controls and monitoring by means of: <ul style="list-style-type: none"> <li>- participation in the Steering Committee;</li> <li>- the financial statements provided by the Bank;</li> <li>- representative and/or risk-based on-the-spot checks on the final recipients.</li> </ul>  | <b>Coverage:</b> 100% of the portfolio.<br><b>Depth:</b> depends on risk criteria such as past experience with the IFI, complexity or lack of experience on the area of financed actions or the management modalities. | <b>Effectiveness:</b> <ol style="list-style-type: none"> <li>1) Existence of EIB policies to prevent and deter fraud</li> <li>2) absence of qualification on the grounds in the auditor's opinion</li> <li>3) Assurance being provided</li> <li>4) Analysis of 'issues' reported in management declarations</li> <li>5) Number of cases submitted to OLAF.</li> </ol>  |

### **RCS 7) Supervision of executive agencies**

The ICT covers the operating (administrative) budget provided to the executive agencies INEA and EASME. DG ENER is not the lead DG for these two executive agencies.

Stage 1: Ex-ante controls

#### **A – Establishment (or prolongation) of the mandate to the entrusted entity ('delegation act' or 'contribution agreement')**

**Main internal control objectives:** Ensuring that the legal framework for the management of the relevant funds is fully compliant and regular (legality & regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy) and gives all the references necessary for a smooth running of the new entity.

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators                                 |
|--|--|--|---|
| The establishment (or prolongation) act of the mandate of the entrusted entity is affected by legal issues, which would undermine the legal basis for the management of the related EU funds (via that particular entity). | <ol style="list-style-type: none"> <li>1) Ex-ante evaluation of the entity</li> <li>2) Widespread consultation, with internal and external stakeholders</li> <li>3) Hierarchical validation within the authorising department of mandate, covering modalities of cooperation, supervision and reporting.</li> <li>4) Inter-service consultation, including all relevant DGs</li> <li>5) Mandate adopted by the Commission.</li> <li>6) Allocation of supervision responsibility within the DG</li> </ol> | <p><b>Coverage/Frequency:</b><br/>100%/once and partial for amendments or extensions.</p> <p><b>Depth:</b> Checklist includes a list of the requirements of the regulatory provisions to be complied</p> | <p><b>Effectiveness:</b><br/>Nr. of IAS, ECA, OLAF or discharge criticism</p> |

## B – Assessment and supervision of the entrusted entity's financial and control framework

**Main internal control objectives:** Ensuring that the entrusted entity is fully prepared to start/continue implementing the delegated funds autonomously with respect of all 5 Internal Control Objectives (*legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy*).

| Main risks   | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|--|--|--|
| The financial and control framework deployed by the entrusted entity is not fully mature to guarantee achieving all 5 ICOs | <ol style="list-style-type: none"> <li>1) DG internal or independent external ex-ante assessment before granting budget autonomy</li> <li>2) Hierarchical validation within the authorising department;</li> <li>3) Use of Model-or Framework- financial rules (MFF or FFF);</li> <li>4) Requiring justification and prior consent for any deviating financial rules;</li> <li>5) Standard business processes and IT tools;</li> <li>6) Secondment and selection of key staff of entrusted entities</li> <li>7) Review of audit reports (IAS, ECA).</li> </ol> | <p><b>Coverage/frequency:</b> 100% of entrusted entities/once at the beginning and partial (problem focussed) for amendments or work arrangements.</p> <p><b>Depth:</b> determined after considering the type / nature of the entrusted entity, its form and/or the value of the budget concerned.</p> | <p><b>Effectiveness:</b><br/>Nr. of IAS, ECA, OLAF or discharge criticism<br/>Number of recommendations to EE as result of ex-ante or later assessment</p> |

## C – Operations: monitoring, supervision, reporting

**Main internal control objectives:** Ensuring that the Commission is fully and timely informed of any relevant management issues encountered by the entrusted entity, in order to possibly mitigate any potential financial and/or reputational impacts (legality & regularity, achievement of objectives, sound financial management, true and fair view reporting, anti-fraud strategy).

| Main risks  | Mitigating controls  | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators   |
|---|--|--|---|
| <p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner.</p> <p>Inconsistent application of supervision/control arrangements within different EEs</p> | <p>1) Monitoring is based on into the Memorandum of Understanding The MoA specifies the modalities and procedures of governance and control by Parent DGs, covering the implementation of both operational and operating budget, including:</p> <ul style="list-style-type: none"> <li>• DG ENER representation in Steering Committee;</li> <li>• Liaison meetings at hierarchical level;</li> <li>• Ad hoc meetings and regular contacts at working level;</li> <li>• Quarterly operational reports from the agency;</li> <li>• Regular updates on the achievements of the delegated programmes' objectives;</li> <li>• Budgetary control via commitment and payment appropriations process;</li> <li>• Formal opinion and consultation on key documents (annual work programme and the annual activity report)</li> </ul> <p>2) Review of</p> <ul style="list-style-type: none"> <li>• Annual Activity Report of INEA and EASME</li> <li>• Audit reports of the IAS and ECA</li> </ul> | <p><b>Coverage:</b> as determined by the MoA</p> <p><b>Frequency:</b> as determined in the MoA</p> | <p><b>Effectiveness:</b></p> <p>Nr. of critical / very important IAS and ECA recommendations issued to INEA / EASME</p> <p>Nr. of discharge criticism issued to INEA / EASME</p> <p><b>Economy</b></p> <p>Overall supervision cost per (type of) entrusted entity / total budget entrusted (%)</p> <p>Ratio FTEs/funds entrusted.</p> |

## D – Commission contribution: payment or suspension/interruption

**Main internal control objectives:** Ensuring that the Commission adequately assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution. **This is very closely linked to stage 3 above.**

| Main risks  | Mitigating controls | Coverage, frequency and depth | Effectiveness, efficiency, economy indicators |
|---|---------------------|-------------------------------|---|
| The Commission pays out the (next) contribution to the entrusted entity, while not being aware of the management issues that may lead to financial and/or reputational damage.<br>Bad cash forecast leading to the Commission paying too much compared to the entity's needs. | See stage C         | See stage C                   | See stage C                                   |

Stage 2: Ex-post controls

## E – Audit and evaluation,

**Main internal control objectives:** Ensuring that assurance building information on the entrusted entity's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

| Main risks  | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|---|---|--|--|
| The Commission has not received sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity – which may reflect negatively on the Commission's governance reputation and quality of accountability reporting. | <ol style="list-style-type: none"> <li>1) Delegation Act specifying audit rights by the Internal Audit Service of the Commission and by the European Court of Auditors</li> <li>2) Analysis of audit reports as an element of the supervision of these bodies</li> <li>3) Interim evaluations by independent experts of achievement of policy objectives</li> <li>4) Follow-up of actions taken by the agency through the supervisory controls</li> </ol> | <p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- Audits performed on sample as needed (e.g. random/representative, value targeted, risk based)</li> <li>- evaluation covers all programmes entrusted</li> </ul> <p><b>Frequency:</b></p> <ul style="list-style-type: none"> <li>- audits – determined by audit bodies</li> <li>- evaluations – determined in legal base</li> <li>- annual ECA report on JUs</li> </ul> <p><b>Depth</b> depends on the type of entity and the level of risks assessed</p> | <p><b>Effectiveness:</b> Assurance being provided (via management /audit reporting)</p> <ul style="list-style-type: none"> <li>- residual error rate reported for programmes managed by entrusted entity</li> <li>- number of serious IAS and ECA findings of control failures.</li> </ul> |

## **RCS 8) Non-Expenditure Items (Safeguarding of Assets and Information) – EURATOM Safeguards**

This RCS covers the assets & information managed by DG ENER for the discharge of EURATOM Safeguards obligations

Stage 1 - Ex-ante controls

**A – Recognition: establishment of the Commission's rights**

**Main internal control objectives:** Ensuring that the Commission establishes its assets ownership and liabilities correctly and sets up its management reporting and information security; Compliance (legality & regularity); Sound Financial Management (effectiveness, efficiency, cost-effectiveness); Prevention of fraud (anti-fraud strategy); Safeguarding Assets and Information (incl. accounting); Reliable Reporting (true and fair view).

| Main risks   | Mitigating controls   | Coverage, frequency and depth  | Effectiveness, efficiency, economy indicators  |
|--|---|--|--|
| <p>Recognition* of assets, liabilities are not done at the right moment (e.g. when they become due, when the ownership is transferred, when they become certain) or not for the right amount</p> <p>* For information security : The level sensitivity of the information is not adequately recognized</p> | <p><b>Assets &amp; liabilities:</b></p> <ol style="list-style-type: none"> <li>1) Hierarchical validation of the operation with legal &amp; financial circuits, within the authorising department</li> <li>2) Maintenance of the inventory and information flow into ABAC</li> <li>3) Conservative/prudent valuation &amp; depreciation policy</li> </ol> <p><b>Information security</b></p> <ol style="list-style-type: none"> <li>4) Establishment of IT and information security 'culture' and strategy</li> <li>5) Accurate / complete identification of information assets, data sources, protection needs, ownership and formal assignment of data sensitivity levels in line with legal base (EURATOM Treaty)</li> </ol> | <p><b>Coverage / Frequency:</b> 100%</p> <p><b>Intensity / Depth:</b> For riskier operations, ex-ante in-depth verification; e.g. :</p> <ul style="list-style-type: none"> <li>• application of IT Security Governance rules, via LISO</li> </ul> <p><b>Coverage / Frequency:</b></p> <p>100%</p> <p><b>Intensity / Depth:</b></p> <p>All networks and information systems</p> | <p><b>Effectiveness:</b></p> <p>Number of control failures; value of the rights concerned and of resulting liabilities</p> |

**B – Protection: recording, follow-up and accounting of the Commission's rights**

**Main internal control objectives:** Ensuring that the Commission registers and protects its assets ownership and liabilities correctly, reports transparently and protects its information security; Compliance (legality & regularity); Sound Financial Management (effectiveness, efficiency, cost-effectiveness); Prevention of fraud (anti-fraud strategy); Safeguarding Assets and Information (incl. accounting); Reliable Reporting (true and fair view).

| Main risks  | Mitigating controls   | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|---|---|---|---|
| <p>The implementation of applicable rules* entails weaknesses, which lead to the Commission's legal rights, assets ownerships, liabilities or information security not being duly protected and/or registered and/or reliably reported</p> <p>EU accounting rules are not respected</p> <p>* for information security: sensitive information is 'lost' (abused, made public) or its integrity breached (data altered)</p> | <p><b>(In)tangible assets and inventories</b></p> <p>1) clear procurement, accounting, inspection, depreciation and disinvestment rules; EU accounting rules &amp; manual</p>   | <p><b>Depth:</b></p> <ul style="list-style-type: none"> <li>- Value-differentiated PP procedures;</li> <li>- use- and value-differentiated physical assets accounting rules and inventory checks (inspection planning)</li> <li>- inventory checks vary subject to the nature of the assets)</li> </ul> | <p><b>Effectiveness:</b></p> <p>Number of assets registered and accounted for.</p> <p>Existence of reputational events due to weak information security</p> <p>Number of internal and external auditors findings about incorrect registration of items</p> <p><b>Economy</b></p> <p>Cost of control / net value of assets</p> |
|   | <p><b>Information &amp; IT security</b></p> <p>2) Formal policies and procedures on data protection, management of sensitive information, security of IT systems etc.</p> <p>3) Information security markings applied to all information (paper or electronic)</p> <p>4) A separate IT system, including a segregated network, for handling sensitive information</p> | <p><b>Frequency:</b> security rules and culture to be adjusted in view of latest technical developments and 'possibilities'</p>   | <p><b>Effectiveness:</b> Reputational events during the reporting year linked to issues of data protection and/or sensitive information</p> <p><b>Economy</b></p> <p>Cost of control</p>  |

## C - Exercising the Commission's rights

**Main internal control objectives:** Ensuring that the Commission is able to exercise its assets ownership correctly and provides reliable reporting on these and maintains its information security; Compliance (legality and regularity); Sound Financial Management (effectiveness, efficiency, cost-effectiveness); Prevention of fraud (anti-fraud strategy); Safeguarding Assets and Information (incl. accounting); Reliable Reporting (true and fair view).

| Main risks  | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators                                 |
|---|--|---|---|
| The operations (or equivalent*) embed weaknesses that would undermine the Commission's execution, assets ownerships or the reliability of its reporting or its maintenance of information security. | <b>(In)tangible assets and inventories</b><br>* Three years inventory checks rule (RAP 250)<br>* formal procedure for disposal of assets (RAP 251-253) | <b>Coverage and frequency:</b><br>Value-differentiated publication procedures | <b>Effectiveness:</b><br>Value corrected<br>Value of "losses" and impairments |
|   | <b>Information &amp; IT security</b><br>2) internal rules on data protection, sensitive info, IT systems,  | <b>Coverage and frequency:</b><br>Continuous controls                         |   |

Stage 2: Ex-post controls

#### D - Ex-Post controls: supervision monitoring, reviews, audits

**Main internal control objectives:** Measuring the effectiveness of ex-ante controls; detect and correct any negligence, error, irregularity, loss or fraud remaining undetected after the implementation ex-ante controls (legality and regularity; anti-fraud strategy; reliable reporting; safeguarding assets and information); addressing systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); Ensuring that the appropriate corrections are being made).

| Main risks   | Mitigating controls  | Coverage, frequency and depth   | Effectiveness, efficiency, economy indicators   |
|--|--|---|---|
| The ex-ante controls fail to prevent, detect and correct negligence, irregularities, errors, losses or attempted fraud | <b>Assets</b><br>1) operational monitoring ( including assets on distant sites)<br>2) If needed: refer to OLAF | <b>Coverage:</b><br>Operational monitoring covers the entire extent of the assets under management, if needed using a sampling approach.<br><b>Validation of accounts:</b> at least once a year.<br><b>Depth:</b> desk review of all underlying elements and documents. | <b>Effectiveness:</b><br>Number of controls performed<br>Number of supervisory control failures<br>Residual value of the assets corresponding to the errors |

## **ANNEX 7: Specific annex related to "Financial Management"<sup>16</sup>**

### **2.1.1 Control results**

#### *2.1.1.1 Control effectiveness*

##### **A) Legality and regularity of the transactions**

The present section distinguishes, on one side, the controls exerted over the main programmes directly managed by DG ENER and on the other, the controls exerted over the budget entrusted to other entities.

##### **i) Direct management**

This section provides details on the control effectiveness for the program under direct management that had the highest payments in 2020 – EEPR. In addition, during 2020 there were insignificant payments related to FP7 grants of EUR 6.7 million which represent 0.78% of the total payments made by DG ENER for the year. Insignificant payments for H2020 of EUR 5.6 million were also made in 2020, representing 0.65% of the total payments. Due to the limited amounts of both FP7 and H2020 payments, these programmes will not be covered in detail in this AAR. Moreover, there is no reservation introduced on FP7, based on the de minimis rule<sup>17</sup> as in 2020 the overall FP7 payments are only 0.78% of the total payments of DG ENER for 2020, with a financial impact of EUR 1.58 million.

DG ENER uses internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

### **The Seventh Research Framework Programme (FP7) and Horizon 2020 Programme (H2020)**

For FP7 the evaluation of the calls for proposals and contracting were completed before January 2015. Concerning H2020, the remaining projects of this type were transferred to INEA in 2018. Therefore this AAR focuses on the ex-ante monitoring of the execution of the projects and the ex-post control of payments.

- **Ex-ante monitoring and checks**

This stage concerns the management of the project and the grant agreement and comprises the technical monitoring and also ex-ante checks of participants' cost claims. The

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<sup>16</sup> This annex covers the control results in view of reporting and assessing the elements, which support the assurance and provides details on AAR Section 2.1.1 Control Results. Therefore, the structure of this Annex follows the structure and numbering of the main AAR Section 2.1.1 for consistency reasons.

<sup>17</sup> As from 2019, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.



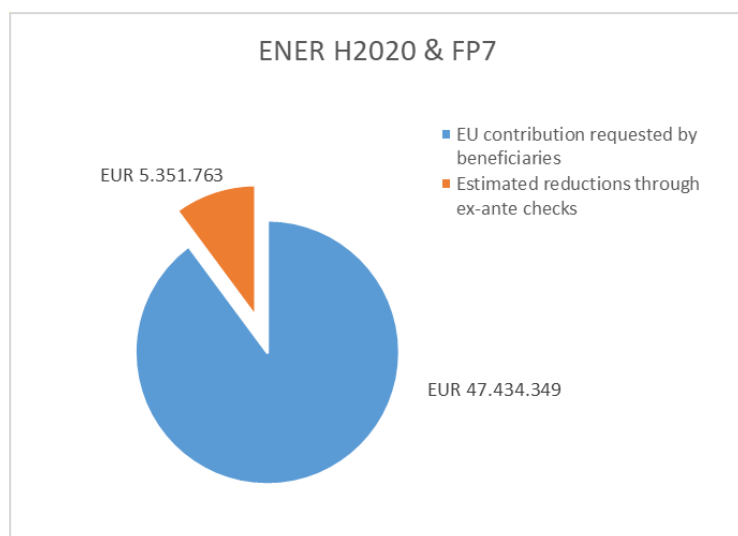
purpose of these ex-ante checks is to ensure that the transactions authorised are in compliance with the applicable rules.

Every cost claim over EUR 375 000 is accompanied by a certificate on the financial statement (CFS), issued by a qualified auditor or a Certified Public Official.

### **Control effectiveness**

The chart below outlines the reductions made to the EU contribution claimed by grant beneficiaries. Ex-ante checks prevented the payment of around EUR 5.35 million, representing about 11.3% of the requested EU contribution. The main errors detected in cost claims concerned inconsistencies between the information supplied by grant beneficiaries and that included in the audit certificate when submitted (amount of costs, methods of calculation, periods, etc.), audit certificates incomplete, missing or not provided by a qualified auditor, arithmetical errors, costs incurred outside the eligibility period or not covered by the legal basis.

### **Effectiveness of ex-ante checks: reductions to the requested EU contribution<sup>18</sup>**



- [Ex-post controls and recoveries](#)

This stage includes the ex-post audits as well as the recovery of any amounts found to have been paid in excess of the amount due.

### **↳ Common ex-post audit strategy of the Research Directorates General**

The ex-post control for grant management is largely centralised in the Common Implementation Centre (CIC), in particular in the Common Audit Service (CAS) for the whole Research and Innovation Family.

<sup>18</sup> Audit results implementation and budget capping not included.

Since 2007, the Research Family of DGs and Executive Agencies have adopted a common audit strategy intended to ensure the legality and regularity of expenditure on a multi-annual basis, including detection and correction of systematic errors. The audits examine only interim and final claims by beneficiaries. Transactions relating to pre-financing are not included in the population subject to audit.

For H2020 CAS undertakes all audits (representative and complementary), including those concerning the Executive Agencies and the Joint Undertakings. This is a major step forward in ensuring a harmonised approach and minimising the audit burden on beneficiaries. CAS applied this process to FP7, in the framework of which, it carried out audits for the DGs funding research grants. When relevant, CAS executed audits jointly with ECA.

The main indicators on legality and regularity<sup>19</sup> of EU Framework Programmes for Research and Innovation are:

**Representative detected error rate**, based on errors detected by ex-post audits on a Common Representative Sample (CRS) of cost claims across the Research and Innovation Family of DGs.<sup>20</sup>

**Cumulative residual error rate**, which is the extrapolated level of error after corrective measures have been implemented by the Commission services following the audits, accumulated on a multi-annual basis.

Due to its multi-annual nature, the effectiveness of the control strategy of the Research and Innovation Family of DGs can be measured and assessed fully only in the final stages of the EU Framework Programme for Research and Innovation, once the ex-post control strategy has been fully implemented and systematic errors have been detected and corrected.

The general objective of this control system are:

- for FP7 (2007-2013) - to ensure that the cumulative residual error rate does not exceed 2% by the end of the Framework Programme's management cycle.
- for H2020 is to obtain a cumulative residual error rate within a range of 2-5 % aiming to be as close as possible to 2%, without necessarily expecting it to be lower than 2%.

Progress against these objectives is assessed annually based on the results of the implementation of the ex-post audit strategy and taking into account the frequency and importance of the detected errors along with cost-benefit considerations regarding the effort and resources needed to detect and correct the errors.

As a result of the COVID-19 pandemic crisis and related travel limitations during 2020, the Common Audit Service (CAS) – in line with the instructions of the Commission – had to

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<sup>19</sup> These indicators are described in point 1.1 of annex 4.

<sup>20</sup> DG AGRI, DG CNECT, DG DEFIS, DG EAC, EASME, DG MOVE-ENER, ERC, DG GROW, DG HOME, INEA, JRC, REA and DG R&I.

postpone on-the-spot missions until further notice. To minimise the impact of COVID-19 on the implementation of the audit campaign, the CAS converted traditional in-house audit assignments into desk audits, in line with international best practice and auditing standards. Regarding outsourced audits, the CAS instructed the audit firms to perform remotely the maximum possible amount of audit tests while complementing those with on-the-spot audit missions once travel restrictions were eased.

Despite travel restrictions, and other objective challenges due to the pandemic, the CAS reached the remarkable result of finalising in 2020, audits on 790 participations corresponding to the 94% of the planned target.

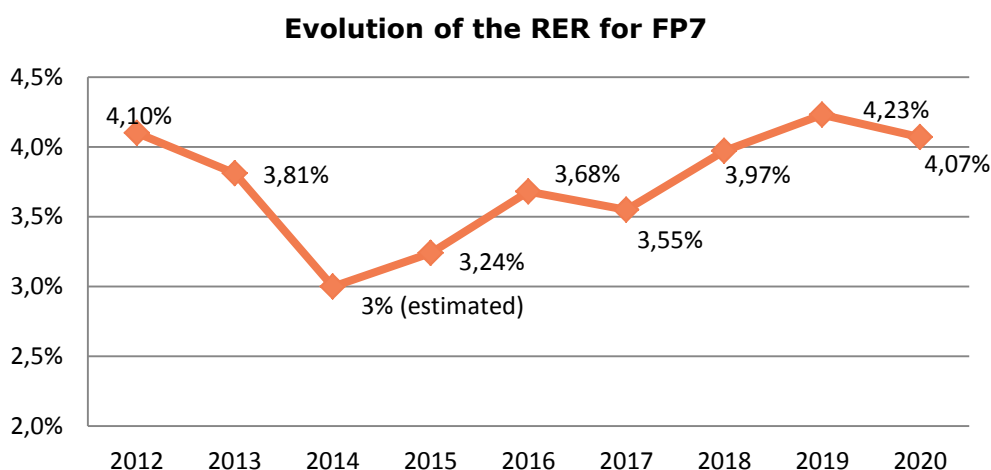
|   | FP7 ex-post audits | H2020 ex-post audits |
|---|--------------------|----------------------|
| <b>Representative detected error rate</b>         | 5.45%              | 2.95%                |
| <b>Cumulative residual error rate for DG ENER</b> | 4.07%              | 2.80%                |

- [Results of FP7 programme ex-post audits](#)

The error rates based on the audit work for FP7 for DG ENER on 31 December 2020<sup>21</sup> were:

- Representative detected error rate<sup>22</sup>: 5.45%<sup>23</sup>
- Cumulative residual error rate: 4.07% for DG ENER

These results are in line with the conclusions presented in the 2019 AAR. The target cumulative residual error rate of 2% has not been attained. Nevertheless, the lessons learned from the FP7's audits contributed significantly to the development of the improved Horizon 2020 control framework.



- [Results of H2020 ex-post audits](#)

In year 2020 the Commission re-defined its methodology for calculating the H2020 error rates in line with ECA's observations in its 2018 and 2019 Annual Reports. The

<sup>21</sup> The last CRS for FP7 was launched in 2016. With only one CRS item remaining open, the audit strategy for FP7 is now considered to be fully implemented.

<sup>22</sup> Calculated on a multi-annual basis.

<sup>23</sup> Based on 480 completed audit results (out of a total of 481).

methodology applied is described in annex 5 'Materiality criteria'. As of January 2020, the application of the revised methodology on 790 samples resulted in an error rate higher, on average, by 0.41 % in comparison to the error rate calculated by applying the methodology used in the past on the same 790 samples. Consequently, the detected error rate for 2020 calculated according to the methodology used in the past has been corrected by adding 0.41%. This results in the following error rates for H2020<sup>24</sup> on 31 December 2020:

- Representative detected error rate: 2.95%<sup>25</sup>,
- Cumulative residual error rate for the Research and Innovation Family DGs: 2.16% (2.80% for DG ENER).

The error rates presented above should be treated with caution. Since not all results of the three CRS are available yet, the error rate is not fully representative of the expenditure being controlled. Moreover, the nature of expenditure in the first years of the programme may not be totally representative of the expenditure across the whole period.

Since H2020 is a multi-annual programme, the error rates, and especially the residual error rate, should be considered within a time perspective. Specifically, the cleansing effect of audits will tend to increase the difference between the representative detected error rate and the cumulative residual error rate, with the latter finishing at a lower value.

As was the case last year, there is evidence that the simplifications introduced in H2020, along with the ever-increasing experience acquired by the major beneficiaries, affect positively the number and level of errors. However, beneficiaries still make errors, sometimes because they lack a thorough understanding of the rules, sometimes because they do not respect them.

Given the results of the audit campaign up until 2020, and the observations made by ECA in its 2018 and 2019 Annual Reports, the CIC, in close cooperation with DG BUDG, SecGen and the IAS, are defining actions aiming at reducing further the multiannual error rate of H2020, and paving the way for a simpler and, to the furthest extent possible, an error free Horizon Europe. Actions include further simplification, increased use of simplified forms of funding (including lump sums), focused communication campaigns to more "error-prone" types of beneficiaries with higher than average error rates, such as SMEs and newcomers, and enhanced training to internal project officers and External Audit Firms performing audits on behalf of the Commission. By focusing on the most common errors, these events will be short and simple, reaching more participants and achieving higher impact.

In the context of further reducing the error rates, the CIC will examine the existing tools for ex-ante controls. The CIC will carry out a consultation with the stakeholders in order to collect their views on what improvements should be developed in the grant management

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<sup>24</sup> The H2020 audit campaign started in 2016. At this stage, three CRSs with a total of 467 expected results have been selected. By the end of 2020, cost claims amounting to EUR 24.3 billion have been submitted by the beneficiaries to the services. In addition to the CRSs, Common Risk Samples and Additional Samples have also been selected. The total of all samples represents 4 047 participations. The audits of 2 906 participations were finalised by 31/12/2020 (out of which 790 in 2020). This sampling accommodates special needs of certain stakeholders with regard to audit coverage and selection method. In addition, top-ups, which are participations of selected beneficiaries and which are added to the selected participations, are included in the total participations selected.

<sup>25</sup> Based on the 334 representative results out of the 467 expected in the three Common Representative Samples.

risk module or via additional business activity monitoring reports. It should be noted that although the start of the implementation of these actions will be immediate, their positive effect in the form of reduction in the multiannual error rate may take time to materialise.

In conclusion, DG ENER considers that the 2020 cumulative residual error rate for H2020 will fall within the target range established in the Financial Statement<sup>26</sup>, and therefore a reservation is not necessary for the H2020 expenditure.

### ↳ **Implementation of audit results**

In total, over the period 2010-2020, the results of the FP7 audits relate to 223 participations. All of them have been implemented, for a total of EUR 5.07 million in favour of the Commission. About EUR 2.27 million were implemented through offsetting from subsequent payments. The remaining EUR 2.80 million were implemented through recovery orders. Up to 2020, there were no audits carried out on H2020 grants.

### ↳ **Implementation of extrapolated audit results**

The extrapolation process allows correcting systemic errors of a beneficiary detected by an audit in all its ongoing participations. These corrections stem from audits made by DG ENER or other DGs in the research family where systematic errors were found. No such cases related to DG ENER were found in 2020.

As can be seen from the table below, by the end of 2020, 182 such participations were found: the beneficiaries were asked to rectify the errors in DG ENER projects and to submit revised costs statements. From the 98 participations concerned by systematic errors, 58 participations have been corrected, of which 51 in favour of the EC.

The Commission closely monitors the implementation of extrapolation cases. It is not unexpected to have open cases at this stage as there might be 18 months before new declarations are received from beneficiaries.

### **Implementation of extrapolation of FP7 audit results (2010-2020)**

| Participations with expected systematic errors | Participations without systematic errors | Implemented cases |             |                       |             | Participations to be implemented <sup>27</sup> |
|--|--|-------------------|-------------|-----------------------|-------------|--|
|  |  | In favour of EC   |             | In favour beneficiary |             |  |
|  |  | Number            | Value (EUR) | Number                | Value (EUR) |  |
| 182  | 84                                       | 51                | -1 443 918  | 4                     | 91 493      | 40   |

<sup>26</sup> The legislative financial statement accompanying the Commission's proposal for the Horizon 2020 regulation states: "The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a **range between 2-5%** is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research projects. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, corrections and recovery measures will have been taken into account is to achieve a level **as close as possible to 2%**."

<sup>27</sup> Cases to be implemented are those for which the Commission has written to the beneficiaries requesting them to submit revised cost statements to correct the systematic issues detected.

By the end of 2020, EUR 6.51 million were recovered following audits implementation and extrapolation of FP7.

### ↳ **Liquidated damages**

Liquidated damages are due where a beneficiary has overstated expenses and has in consequence received unjustified EU contribution. Liquidated damages will only be applied where the unjustified contribution exceeds 2% of the total contribution claimed and accepted for the given period(s) ('de minimis' rule corresponding to the materiality level of ECA).

- By the end of 2020 DG ENER identified liquidated damages for 82 cases under FP7;
- Debit notes were already issued for 64 cases for a total amount of EUR 542 033;
- For 13 cases the amounts due were below the threshold of EUR 200, so they were not recovered;
- Five cases with identified liquidated damages in 2015 were cancelled in 2016 and 2017 because further to information received from the beneficiaries the ineligible amounts were adjusted and liquidated damages were no longer applicable.

### **The European Energy Programme for Recovery (EEPR)**

EEPR was designed to inject significant sums into the EU economy quickly in order to stimulate the EU recovery out of recession, while at the same time contributing to the goals of the European energy policy.

Given that this programme is now in its final stage, this AAR focuses on the ex-ante monitoring of the execution of the projects and the ex-post control of payments.

In 2020, payments made in this context amounted to EUR 30.16 million, equal to 3.5% of the total payments made by DG ENER in 2020.

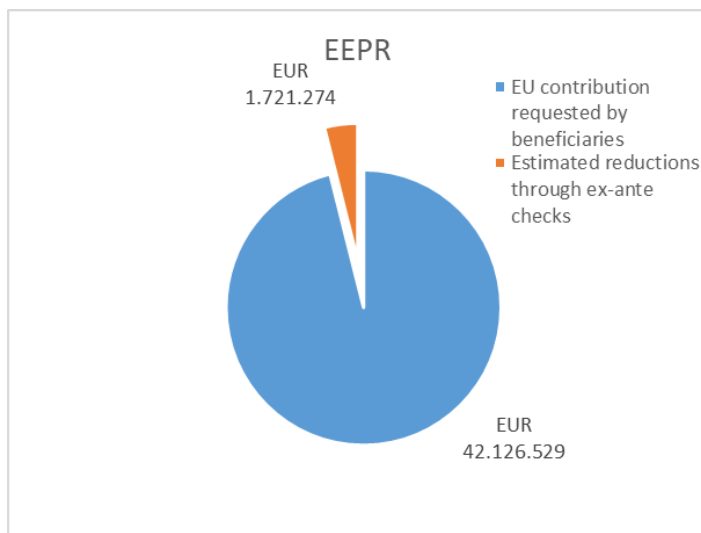
- **Ex-ante monitoring and checks**

The management of the project and the grant agreement comprises the technical monitoring (with the help of independent technical experts) of the grant agreements /decisions over its lifetime, and ex-ante checks of participants' cost claims. These ex-ante checks also include audit certificates on cost statements established by external auditors, when required by the grant agreement or decision, and the processing of transactions through Commission's financial circuits to ensure that the transactions authorised are in compliance with the applicable rules.

As a result of ECA's findings related to errors in public procurements awarded by beneficiaries of EEPR grants, DG ENER has ensured that checks on procurements are made before the payments.

The chart below outlines the reductions made to the EU contribution claimed by grant beneficiaries. Ex-ante checks have prevented the payment of around EUR 1.72 million, which is around 4.1% of the requested EU contribution.

## Impact of ex-ante checks: reductions to the requested EU contribution<sup>28</sup>



- Ex-post controls and recoveries
  - EEPR audits carried out by DG ENER

The final stage in the EEPR control strategy includes the ex-post audits as well as the recovery of any amounts found to have been paid in excess after ex-post controls.

The audit coverage foreseen in the DG ENER 2020 audit work programmer for EEPR is to attempt to reach a coverage of 100% of projects and beneficiaries. However the possibility to carry out on the spot audits was constrained due to the emergence of the pandemic. As of 31 December 2020, two audits were ongoing, which were performed remotely due to the COVID-19 crisis.

Since the start of the programme, 86 audits were completed by the end of 2020. The total amount paid to the audited projects is slightly above EUR 2 billion, although – as noted below – the audits do not always cover the entire EU contribution paid. Corrections made amount to EUR 18.6 million.

### ↳ EEPR audits carried out by the European Court of Auditors (ECA)

ECA analyses the EEPR payments as part of their work on the annual 'Statement of Assurance' (DAS). By the end of 2020, ECA had performed 25 audits on EEPR beneficiaries representing a total EC share audited of EUR 544.65 million. Part of the EC share audited by the ECA has been subject to an audit by DG ENER, so the amount taken into account as EC share audited by ECA alone is EUR 342.21 million.

### ↳ Combined results of all EEPR audits

The cumulative value at payment of the projects audited by DG ENER and by ECA audits reached EUR 2.4 billion and represents 93.2% of all payments. The findings amount to a

<sup>28</sup> Audit results implementation and budget capping not included.

total of negative adjustments of EUR 26.39 million, which gives a detected error rate of – 1.67%.

However it should be noted that as a result of the recommendation 5.3 from ECA’s Annual Report for 2018 (see details above in section “Results of H2020 ex-post audits) DG ENER adapted the methodology used for the calculation of the EEPR error rate to consider the actually audited share of the total amount, which is estimated at 60% of the total cumulative value of projects audited.

↳ Calculation of the residual error rate (RER)<sup>29</sup>

To take into account the potential risk of errors by EEPR beneficiaries of not respecting public procurement rules when subcontracting, DG ENER has been applying strengthened ex-ante and ex-post controls:

- Ex-ante: internal checks on public procurement are carried out before payments are made to beneficiaries;
- Ex-post: high audit coverage.

As a result of the above mentioned approach, the RER remains below the materiality threshold of 2% and corresponds to 0.80% for 2020, as detailed in the table below.

**Calculation of the residual error rate for EEPR**

|   |               |
|---|---------------|
| Total EEPR contribution (P)   | 2 571 908 648 |
| Total amount of EC contribution of audited projects (A1)  | 2 396 289 676 |
| Total amount of actual audit coverage (A2 = A1 x 60%) <sup>30</sup>                                   | 1 578 412 397 |
| Total amount of negative adjustments (Err) <sup>31</sup>  | –26 387 293   |
| Total EC share of audit adjustments in EUR <sup>32</sup> not implemented by Q1 2020 (NonImpErr)       | –4 080 997    |
| $\text{Residual Error rate \%} = \frac{((P - A2) \times \left(\frac{Err}{A2}\right)) + NonImpErr}{P}$ |               |
| <b>Residual error rate</b>  | <b>0.80%</b>  |

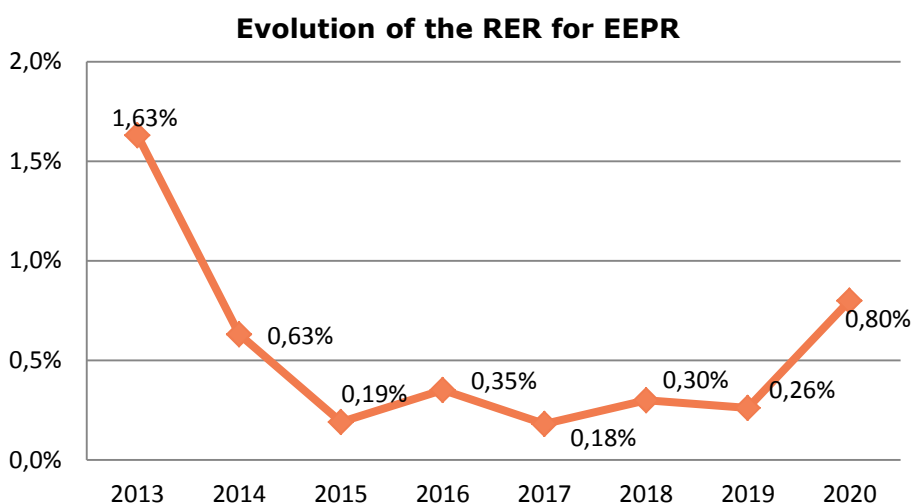
<sup>29</sup> More information on the materiality criteria is outlined in Annex 5.

<sup>30</sup> The difference between the amounts of EU contribution indicated under (A2) and (A1) results from the fact that the ex-post audits do not cover 100% of expenses. The coverage is estimated to be 60%.

<sup>31</sup> This is the EU contribution directly resulting from the ineligible costs identified by the auditors and it may differ from the adjustments actually implemented (for instance due to budget limitations, to technical evaluations modifying the adjustments, or to additional eligibility-proving documents being provided during the contradictory procedure with the beneficiaries).

<sup>32</sup> Only errors in favour of the Commission.





The increase of the RER in 2020 is due to the change of methodology as the amount considered as “free of errors” is now limited to the amounts actually audited. The new value can be considered as conservative as the audited part of the EU contributions was focussed on the higher risks type of costs whereas the non audited part of the EU contributions also includes lower risk expenditure. Using a formula equivalent to that used in 2019, the RER would have returned a value of 0.27%.

Given the evolution of audit results, the high audit coverage achieved since 2013 and the fact that the residual error rate remains well below the materiality limit (2%), it is possible to conclude that the EEPR expenditure managed by DG ENER is free from material error.

#### ↳ Implementation of audit results

By the end of 2020, the adjustments have been finalised for 114 participations, of which:

- 43 with adjustments in favour of the Commission (EUR 19 59 million);
- 5 with adjustments in favour of the beneficiary (EUR 0.17 million);
- 2 with adjustments in favour of the beneficiary but for which the audits were closed with no financial impact due to the fact that costs had to be limited to the budgeted costs foreseen in the contracts;
- 64 with no adjustment.

#### Cross sub-delegations

DG ENER has cross sub-delegated some of activities to the Service for Foreign Policy Instruments (FPI), in order to arrange the provision of certain operations more efficiently<sup>33</sup>. The committed amount in 2020 was EUR 3.5 million of which no payments have been made so far. Being a Commission service itself, the AOD of the cross-delegated service is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements.

<sup>33</sup> The purpose of the contract is to strengthen the coherence and the impact of the Global Covenant of Mayors for Climate and Energy initiative through providing support to the existing Global Secretariat of the initiative

The cross sub-delegation agreement requires the AOD of the concerned DGs to report on the use of these appropriations. In her report for the year 2020, the AOD of FPI did not communicate any events, control results or issues which could have a material impact on assurance.

## ii) Indirect Management and Direct management by other services

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other Commission DGs and entrusted entities distinct from the Commission, i.e.:

- Co-delegations;
- The INEA and EASME Executive Agencies;
- The European Bank for Reconstruction and Development and the National Agencies SIEA and CPMA (for Nuclear Decommissioning Assistance);
- The F4E Joint Undertaking;
- The ACER Decentralised Agency.

For all these cases, DG ENER's supervision arrangements are based on the principle of controlling 'with' the relevant entity. For details, please refer to Annex 6, section on indirect management.

### Co-delegations

The Commission may delegate powers concerning a given budget line to one or more authorising officers by delegation. In other words, various AODs are responsible for the same item of expenditure, but each one for a specific type of transaction.

In 2020, there were not payments made through co-delegations by DG ENER.

### EASME

The Executive Agency for Small and Medium-sized Enterprises (EASME) replaced and succeeded the Executive Agency for Competitiveness and Innovation (EACI) and was established for the period 1 January 2014 to 31 December 2024<sup>34</sup>.

Its mandate includes the management of funding actions related to the activities of seven DGs (GROW, RTD, ENV, CLIMA, MARE, CONNECT and ENER). In the field of energy, these actions contribute to:

- The Framework Programme for Research and Innovation 2014-2020 (Horizon 2020) - parts of 'Part II – Industrial Leadership' and 'Part III Societal challenges';
- The Competitiveness and Innovation Programme 2007-2013.

DG ENER defines the policy, the strategic objectives and the priority areas of action while EASME manages the entire project lifecycle, communicates and interacts with beneficiaries

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<sup>34</sup> Commission Implementing Decision 2013/771/EU, repealing Commission Decisions 2004/20/EC and 2007/372/EC.

and gives key feedback to DG ENER. DG ENER is responsible for devising and implementing supervision and monitoring strategy towards EASME.

The external evaluation on the operation of the Agency<sup>35</sup>, found that, in the period 2014 – 2016 EASME took on board progressively all the tasks and responsibilities delegated to it. The Agency operated according to the legal framework governing it, although some mechanisms for the functioning of the Agency still had to be put in place. Overall, the evaluation showed that the Agency was to varying degrees effective in achieving its main objectives.

In 2020, DG ENER did not pay (directly) any subsidy to EASME.

### Supervision arrangements

The Agency and its parent DGs signed a Memorandum of Understanding specifying the modalities and procedures of interaction.

In performing its tasks, the Agency works closely together with its parent DGs. Project-level performance in terms of output and impact is measured by the EASME and closely supervised by the parent DGs.

The Steering Committee is responsible for the supervision of the Agency. It associates all parent DGs and met five times in 2020. It adopts the Agency's administrative budget, its Annual Work Programme, as well as the Annual Activity Report and the Annual Accounts. It is also responsible for the Agency's implementing rules for personnel management and access to documents and adopts and applies measures to combat fraud and irregularities;

Close contacts between the Agency and its parent DGs include regular programme-specific meetings, biannual reports on the use of resources and performance of the tasks and regular contacts at unit and working level, regarding the implementation of the Agency's work programme (for H2020 and the legacy of the IEE programme). DG ENER received the draft Annual Activity Report of the Agency, coordinated and reviewed by the Steering Committee.

The audits of the Internal Audit Service and of the European Court of Auditors provided additional elements of assurance.

In its yearly report, the ECA found the 2019 annual accounts of the Agency legal and regular in all material aspects and that they presented fairly in all material respects the financial position of the Agency. The ECA made three observations related to the formalisation of recruitment procedures, the carry-over of commitments and the signature of budgetary commitment before the legal commitment, to which the Agency provided reply and justification.

The IAS issued two audit reports by end of January 2021:

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<sup>35</sup> Carried out in line with the legal obligation stemming from Article 25(1) of "The Framework Regulation for executive agencies" - Commission Implementing Decision 2013/771/EU, repealing Commission Decisions 2004/20/EC and 2007/372/EC

- The audit on management of experts in Horizon 2020 grants included one issue for consideration.
- The audit on the implementation of anti-fraud actions in the research area included two important recommendations.

There are no critical or very important IAS recommendations overdue for more than 6 months from previous audits. The observations made do not impair the assurance received from the Agency.

## INEA

DG ENER is one of five parent DGs (with MOVE-leading DG, CNECT, RTD and CLIMA) for the Innovation & Networks Executive Agency (INEA).

The Commission has delegated to INEA the task of executing the operational budget and performing tasks linked to the implementation of its delegated Union programmes in the field of transport, energy and telecommunications infrastructure (Connecting Europe Facility programme or 'CEF') and in the field of transport and energy research and innovation (Horizon 2020).

As to DG ENER, the Agency mandate covers the energy part of the CEF programme and the energy research part under the Horizon 2020 programme. DG ENER defines the policy, the strategic objectives and the priority areas of action while INEA manages the entire project life cycle, communicates and interacts with beneficiaries and gives key feedback to DG ENER. DG ENER is responsible for devising and implementing supervision and monitoring strategy towards INEA.

In 2020, DG ENER did not pay (directly) any subsidy to INEA.

Under the new Multi-annual Financial Framework 2021-2027, INEA will become the European Climate, Infrastructure and Environment Executive Agency (CINEA).

### Supervision arrangements

The Commission Decision establishing INEA and the Commission Decision delegating powers to INEA set out the governance and supervision arrangements. These are complemented by a specific Memorandum of Understanding signed between the Parent DGs and INEA that contains robust reporting and supervision provisions.

In 2020, regular meetings between the parent Directorates-General, including DG ENER, and INEA on management, control and audit further ensured a timely exchange of information on the assurance and supervision matters, and reinforce the coordination on common issues.

In addition, INEA produces monthly overview reporting on all KPIs, execution of administrative and operational budget and multi-annual error rates as well as respect of deadlines (e.g. time-to-grant). Reports are provided regularly by INEA.

### Additional sources of assurance

INEA reports on the implementation of budget in its own Annual Activity report. According to the draft 2020 report, all the KPIs have met their target and, in particular, the residual error rates for the CEF Energy programme was 1.89%. For the Horizon 2020 the residual error rate is estimated at 2.45%<sup>36</sup>. As regards the implementation of the operating budget, the residual error rate is estimated at 0.5%, significantly below the target of 2%.

Consequently, the INEA's Director, in his capacity as AOD, has signed the declaration of assurance without reservations.

The audits of the IAS and of ECA provide additional elements of assurance. By end of January 2021, the IAS issued three audit reports covering the transport part of the operational expenditure:

- On the management of experts in Horizon 2020 grants,
- On the effectiveness of the design and of the implementation of the ex post control strategy for Connecting Europe Facility in INEA,
- On the implementation of anti-fraud actions in the research area.

All formulated audit recommendations will be addressed by adequate actions.

The European Court of Auditors found the 2019 annual accounts presented fairly, in all material respects, the financial position of the INEA, the results of its operations, its cash flows, and the changes in net assets. It did not issue any observations on INEA's internal control system.

### Nuclear Decommissioning Assistance Programmes

The supervision of the Nuclear Decommissioning Assistance Programmes (NDAP) is based on a multi-layered governance structure, in accordance with the provisions of the NDAP Regulations. Annual work programmes for the decommissioning programmes are prepared by the Member States and adopted by the Commission by means of implementing acts. These programmes specify the objectives, expected results, related performance indicators and timeline for the use of funds.

The monitoring function is conducted in full cooperation with the Member States. The joint bi-annual programme monitoring committees form the cornerstone of the NDAP supervisory activity. The three Monitoring Committees, co-chaired by the Commission and the Member States at ministerial level, assess the progress in the activities as well as approve the monitoring reports detailing the progress/performance of the programme and taking the appropriate corrective measures when necessary. Due to the COVID-19 pandemic, a single virtual Monitoring Committee meeting per NDAP (SK, LT and BG) could be organized in Q4 2020.

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<sup>36</sup> For Horizon 2020, the error rate is established within the range of 2%-5%.

Moreover, the Assembly of Contributors of the International Decommissioning Support funds met two times (in July and in November) and approved the EBRD work programmes for the next period. DG ENER has entrusted the implementation of the NDAP to:

- the European Bank for Reconstruction and Development (EBRD), which implements the assistance through three International Decommissioning Funds (IDSF)
- National Agencies in Lithuania (CPMA) and in the Slovak Republic (SIEA).

In this respect, DG ENER relies on the Framework Administrative Agreement between the EBRD and the Commission, on recent or recently updated pillar assessments for all three implementing bodies, as well as on the provisions of the subsequent agreements with these bodies.

### Supervision arrangements

DG ENER maintains robust supervisory framework of the NDAP. This supervisory framework includes:

- Improved reporting practices and follow-up
- Monthly dedicated management meetings
- A systematic documentation of the preparation, reporting, recording and follow-up of monitoring missions;
- Implementation of a specific, continuous, risk management plan and systematic follow-up of identified risks mitigating actions.
- Use of the earned value management methodology to ensure an effective assessment of the progress of the activities against cost and schedule progress.

Due to the COVID-19 crisis, Monitoring Missions were maintained but performed in a virtual manner.

The Ignalina programme (LT) is a first of a kind challenge, given the reactor, a Chernobyl type reactor characterised by a large graphite core. In 2020 the Commission has established a closer supervision and control on the core dismantling project, that will be critical for the 2021-2027 period, through the establishment of an expert panel. The panel was called to review the procurement strategy and provide recommendations to INPP and the implementing body CPMA, such as the above-mentioned multiple-supplier scheme for the pioneering phase.

Payments made to the three entrusted entities totalled EUR 116.87 million.

- EBRD

The EBRD acts as an implementing body for the Commission for decommissioning nuclear power plants in Lithuania, Bulgaria and Slovakia. The EBRD implements the assistance through three dedicated funds (one for each Member State), so called International Decommissioning Support Funds (IDSF), set up in 2000.

These multi-donor funds are managed by the EBRD and governed through the Assemblies of Contributors (convened twice a year to approve the EBRD work programmes). The Commission is the largest, and since 2004 the sole contributor. Accordingly, the funds rules acknowledge the Commission's monitoring power as well as its decision and control role.

The implementing body (EBRD) and the beneficiaries (mainly the nuclear power plant operators) report on progress to the Monitoring Committees. The Member States bear ultimate responsibility for the safe decommissioning of the nuclear power plants.

The Commission adopted the financing decision and the associated Kozloduy, Bohunice and Ignalina Annual Work Programmes on 28 April 2020 [Commission Decision C (2020)2587]. The relevant Delegation Agreements were signed in December 2020.

In 2020, DG ENER paid EUR 62.2 million to the EBRD against commitments made in the previous years in the three countries. Payments are requested by the EBRD and determined based on procurement forecasts — as defined in the relevant delegation agreements — and progress in project implementation. Additional funds entrusted (committed) in 2020 are related to the Kozloduy and Ignalina funds and amount to EUR 44.3 million and EUR 2 million.

- [CPMA \(Lithuania\)](#)

The Central Project Management Agency (CPMA) is the only implementation channel for all new projects related to the Ignalina INPP, while the EBRD continues the implementation of on-going projects (i.e started prior to 2014 and to be completed before 2022). The current Delegation expires on 31 December 2026.

The Ignalina Annual Work Programme 2020 submitted by the Lithuanian Ministry of Energy was assessed by DG ENER and received the positive opinion of the relevant committee. The Commission adopted the financing decision and the associated Ignalina Annual Work Programme on 28 July 2020.

In 2020, DG ENER paid EUR 54.21 million to the CPMA against previous commitments. Payments are requested by CPMA and determined based on procurement forecasts - as defined in the relevant delegation agreement - as well as progress in project implementation. Additional funds entrusted (commitments) amounted to EUR 66.2 million.

- [SIEA \(Slovakia\)](#)

The Slovak Innovation and Energy Agency (SIEA), an Agency of the Ministry of Economy of the Slovak Republic, operates the national channel for the implementation of the Bohunice Decommissioning Assistance Programme.

The Delegation Agreement was signed in August 2016 and will expire on 31 December 2026.

The Bohunice Annual Work Programme 2020 submitted by the Slovak Ministry of Economy was assessed by DG ENER and received the positive opinion of the relevant committee. The Commission adopted the financing decision and the associated Bohunice Annual Work Programme on 28 April 2020.

In 2019, DG ENER paid an amount of EUR 0.46 million to SIEA against previous commitments. Payments are requested by SIEA and determined based on procurement forecasts - as defined in the relevant delegation agreement - as well as progress in project implementation. Additional funds entrusted (commitments) amounted to EUR 34 million.

#### Conclusion on the effectiveness of the supervision

DG ENER considers that in 2020, based on the monitoring reports and the various supervision activities carried out, the three decommissioning programmes met the objectives, in line with the baseline adopted by the Commission on 7 August 2014<sup>37</sup>.

Supervisory activities proved effective. DG ENER considers that the entrusted bodies were effective and discharged their duties in line with the relevant delegation agreements.

#### EIB - CEF Debt Instrument

DG ENER uses innovative financial instruments for leveraging EU investment and attracting new sources of funding for CEF-Energy projects. The European Investment Bank (EIB) has been entrusted with the implementing tasks concerning the financial instruments (debt) under the Connecting Europe Facility Regulation (EU) 1316/2013.

#### Governance and supervision arrangements

Two bi-annual joint Steering Committee meetings between the CEF DGs (DG MOVE, DG ENER, DG CNECT and DG ECFIN) and the EIB took place in 2020. Regular contacts take place with the EIB on the state of advancement of specific projects, which includes the policy check of the new operations proposed by the EIB.

As part of the supervision and monitoring activities, DG ENER is involved in regular contacts at working level, coordination meetings and additional exchange of information on the pipeline and the implementation of projects and management of assets entrusted to the EIB.

#### Managing risk exposure

The facility's treasury portfolio is exposed to credit, liquidity and market risks. The mandate of the EIB includes the management of these risks. Asset management guidelines define the eligibility criteria, the maximum maturity, and the interest rate risk and credit risk exposure rules. A quarterly reporting on performance provides the necessary information to the Commission.

#### Financial Data

In 2020, DG ENER made no new contribution to the instrument. The total of contributions made over time for energy projects remains unchanged at EUR 99.29 million.

The Asset portfolio generated a positive economic result. DG ENER's share in this economic result, as reported by the unaudited financial statements, amounted to EUR 1.21 million.

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<sup>37</sup> C(2014)5449.



## Economic result of the Energy sub-account of the CEF Debt Instrument

| DG ENER share of results in portfolio     | 2020<br>(in EUR thousand) |
|---|---------------------------|
| Remuneration received for guarantee given | 130                       |
| Other operational and financial revenue   |                           |
| Fees paid to EIB                          | -56                       |
| Net portfolio income                      | 1 148                     |
| Realised losses                           | -14                       |
| <b>Economic result</b>                    | <b>1 208</b>              |

Source: Unaudited financial statements. Amounts rounded to the closest thousand.

DG ENER's share in the net assets of the funds at year-end was EUR 99.63 million, after the return of an amount of EUR 2.04 million to the Commission.

The underlying debt portfolio is, by nature, exposed to creditor risk that is covered by the FLP mechanism. The losses realised on sale of bonds and redemption of investments amounted to EUR 14 000 in 2020. These losses are not significant compared to the financial and operational revenue received from the instrument.

The EIB deploys specific fraud prevention and detection processes and reports directly to OLAF. In 2020, the EIB's Inspectorate General reported no fraud case related to CEF operations.

### Assurance received

The EIB provided its draft financial statements and management declaration on 15 February 2021. The declaration covers the EU funds invested in the current financial instruments and supports the unaudited statements for 2020. The EIB gave reasonable assurance that:

- the information set out in the Financial Statements was in accordance with the accounting principles and is complete and accurate;
- the funds contributed by or on behalf of the Commission had been used for the intended purposes;
- the EIB had applied a professional degree of care and diligence to the management of the Financial Instruments;
- the control systems and procedures put in place provided reasonable assurance as to the legality and regularity of the related financial operations.

The statutory audit performed on the financial statements concluded that these were prepared in all material aspects in accordance with the applicable rules.

As a result of the regular reporting provided by the EIB, the management declaration and financial statements and the regular contacts with the EIB, DG ECFIN and DG BUDG, DG ENER is in a position to have an appropriate overview of the state of implementation of the financial instrument.

## Conclusion

DG ENER's supervision of the financial instruments did not identify particular issues that would need to be included in this report. Consequently, DG ENER considers that their supervision is effective and appropriate.

## ACER

DG ENER is the parent DG for the Agency for the Cooperation of Energy Regulators (ACER), whose mission is to complement and coordinate the work of national energy regulators at EU level and work towards the completion of the single EU energy market for electricity and natural gas. In 2011, ACER received additional tasks<sup>38</sup> on wholesale energy market integrity and transparency (REMIT) and in 2013<sup>39</sup> on guidelines for trans-European energy infrastructure. Following the adoption of the Clean Energy Package in 2019, which included a recast of its basic regulation<sup>40</sup>, the Agency has further strengthened its responsibilities on the coordination of National Regulatory Authorities and cross-border cooperation.

In 2020, DG ENER's subsidy to ACER amounted to EUR 17.3 million, following a budget amendment in December 2020. On 31 December 2020, the execution rate for the financial commitments was 98.9% (99.5% at the end of 2019) and the level of payments execution was 81.07% (81.4% at the end of 2019).

DG ENER is a member of the ACER Administrative Board (the governing body) and an observer in the Board of Regulators (deciding on regulatory policy of ACER.) Arrangements in place to ensure that all key proposals to the Administrative Board are properly assessed and the Commission's position is agreed.

The monitoring of the Agency's activities includes regular coordination meetings at management level, numerous contacts at working level and reporting. Whenever necessary, bilateral meetings between DG ENER and ACER are organised. In the framework of the supervision by DG ENER of ACER, a set of indicators is used to monitor budgetary and financial execution of the Agency. In addition, the Agency provides, on a quarterly basis, a fact sheet with information on budget implementation, administration and internal functioning matters.

The "DG ENER strategy on its relations with ACER", developed in 2018, in line with the recommendation from Secretariat General, sets up the necessary processes to ensure an alignment between EU strategic priorities, DG ENER objectives and ACER activities. The strategy details the monitoring and supervisory activities performed by DG ENER and roles and responsibilities of the various actors and identifies the risks related to ACER's activities.

In 2020 and in accordance with the supervision strategy on ACER, the risks applicable to the Agency were reviewed twice by the DG ENER Control Board. In addition, a dashboard of indicators was set up by DG ENER in order to have a more effective supervision and

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<sup>38</sup> Regulation (EU) 1227/2011

<sup>39</sup> Regulation (EU) 347/2013

<sup>40</sup> Regulation (EU) 2019/942

monitoring of the Agency. Key risks identified relate to the structural underfunding of ACER and to the strength of the resource and administration department of the Agency.

The recast of the founding regulation should help to reduce underfunding. A Commission decision was adopted in December 2020 to allow the implementation of a fee system in 2021. The Commission provided an opinion on ACER's Work Programme 2020 to ensure consistency of the Agency's action with the European Union's energy goals.

ACER is managed and represented by its Director, Christian Zinglensen. His mandate started in January 2020 and his term of office is five years. The Agency is a fully autonomous body and has full responsibility regarding the management of its resources and of its assurance processes. No event is known to have occurred that would impact DG ENER. The situation is monitored through the DG's participation to the Agency's administrative board.

### **IAS and ECA audits**

Two very important recommendations from the 2019 IAS report on the implementation of REMIT of 2019 are pending. Four observations from ECA from exercises 2016 and 2017 remain ongoing.

The ECA found the 2019 annual accounts of ACER legal and regular in all material aspects and that they presented fairly in all material respects the financial position of the Agency. However, the ECA issued a qualified opinion regarding the legality and regularity of the payments underlying the accounts resulting from two procurement procedures that were not carried out as prescribed following competitive procedures.

In April 2020, the European Parliament granted ACER the discharge for the financial year 2018.

In conclusion, the regular supervision of ACER did not identify particular issues that would need to be included in this report. Overall, DG ENER considers that its supervision of ACER is effective and appropriate. To mitigate the risks identified in the IAS audit, DG ENER designed the action plan, which is scheduled to be implemented by end of 2021. DG ENER is therefore in a position to give assurance as to its activities in this respect.

## **F4E – The European Joint Undertaking for ITER and the Development of Fusion Energy**

- **Objectives**

Fusion for Energy (F4E) is the European Union's Joint Undertaking for ITER<sup>41</sup> and the Development of Fusion Energy, located in Barcelona. F4E was created in 2007 for a period of 35 years to provide Europe's contribution to the ITER International Fusion Energy Organisation (IO), the world's largest scientific partnership that aims to demonstrate fusion as a viable and sustainable source of energy, bringing together seven parties: the EU, the United States, Japan, South Korea, China, India and Russia.

F4E has the following members:

- EURATOM, represented by the European Commission;

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<sup>41</sup> ITER: International Thermonuclear Experimental Reactor

- The Member States of EURATOM;
- Third countries which have concluded cooperation agreements with EURATOM in fusion that associate their respective research programmes with the EURATOM programmes and which have expressed their wish to become members.

Europe supports about 45% of the construction cost and 34% of the cost of operation, deactivation and decommissioning of the facility as well as preparing the site. Europe's contribution to ITER is managed by F4E. In 2020, DG ENER paid a total of EUR 633.59 million, corresponding to EUR 579.75 million on the operational budget and EUR 53.84 million on the administrative budget to F4E. The amount to be entrusted over the period 2007-2020 is equivalent to EUR 6.6 billion in 2008 value.

- **Supervision structure**

*Towards the F4E joint Undertaking:*

The Joint Undertaking is an autonomous body and has full responsibility regarding the management of its resources, the design and operation of its control systems and its assurance processes. The supervision of F4E activities by DG ENER<sup>42</sup> is organised at different levels.

The top-level decision-making bodies of the Joint Undertaking are the Governing Board (GB) and the Director. The Commission (DG ENER) represents EURATOM in the governance and supervision instances, including the Governing Board. All EU Member States and Switzerland are also represented.

The Board is further assisted by an Administration and Management Committee (AMC), a preparatory Bureau and an Audit Committee. DG ENER represents EURATOM in the AMC and provides a member of the Audit Committee.

DG ENER maintains a comprehensive supervision strategy for F4E, which sets out the supervision needs, the objectives for the supervision activities, the tools to be used, the working methods and procedures needed to achieve the supervision objectives, and clarifies the scope of application of 'the reservation on legality principle'. The supervision strategy is designed to enable the effective oversight of EU's performance in discharging its obligations to ITER on the basis of F4E's adherence to the agreed schedule (punctual delivery) and required specifications (quality), having regard to sound financial management (cost optimization, budget discipline) according to the Value for Money criteria (economy, efficiency, effectiveness) from the perspective of EU budgetary authorities.

A specific Administrative Agreement between DG ENER and F4E lays down the modalities for the implementation of EURATOM's contribution to F4E.

F4E provides the Commission with planning and reporting documents:

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<sup>42</sup> On 1 July 2015 the responsibility of the monitoring of the ITER project and the Broader Approach activities were transferred from DG RTD to DG ENER.

- Planning documents: (i) work programme; (ii) resource estimates plan; (iii) staffing establishment plan; (iv) staff policy plan; (v) project plan; and (vi) the annual budget;
- Regular reports: (i) annual activity report; (ii) progress reports; (iii) an annual independent management assessment of the project's progress; and (iv) monthly reports on budgetary issues impacting the annual budget implementation.

The *ex-ante* oversight of F4E by the Commission mainly consists of the assessment of the planning documents. The Commission needs to assure itself that F4E presents a clear vision and strategy to deliver the ITER components under EU responsibility, according to the agreed ITER schedule and within the available budget.

The approved planning and a set of KPI's form the basis for *ex-post* monitoring of F4E's performance. A monthly dashboard summarises the key information, including the monitoring of procurement arrangements for the main components on a regular basis and in particular, when major changes impacting the schedule and the costs occur.

*Towards the ITER organisation:*

DG ENER is the EURATOM representative in the ITER Council, and ensures that F4E is fully associated and consulted when necessary. The ITER International Organization in charge of the project (the ITER Organization – IO) set up by the ITER Agreement is a main stakeholder in the project and thus plays a major role and has a major impact in particular on the activities of the Joint Undertaking but also on EURATOM's responsibilities as signatory of the ITER Agreement.

The Commission operates a comprehensive strategy for EURATOM's participation in the ITER project's governance and supervision. The main objectives of EURATOM's strategy for an effective governance of the project are:

- to foster an effective steering of IO by the ITER Council
- to ensure the supervision of IO by the ITER Council based on regular information on IO's performance
- to secure EURATOM's interests in the governance of ITER.

DG ENER provides the Financial Audit Board (FAB) with the necessary support to organise its work. In 2020, this support was provided in a hybrid way (onsite/remote), allowing the task to be performed despite the COVID-19 crisis. The FAB was chaired by the Russian Federation. The FAB, established in accordance with article 17 of the agreement on the establishment of the ITER International Fusion Energy Organisation for the joint implementation of the ITER project, undertakes the audit of the annual accounts of the ITER Organisation.

- [Independent assessments requested by the Budgetary Authority](#)

The specific circumstances of 2020 led the Governing Board to adjust of the periodicity of the independent assessment on F4E operations. The periodical assessment was launched in February 2021 and will be transmitted to the European Parliament and to the Council of

the EU. DG ENER is a member of the Assessment Steering Committee<sup>43</sup> responsible for the annual F4E independent assessment.

- **Points of attention in 2020**

As a mitigation measure to allow a smooth functioning of the Joint Undertaking's procurement activity in the context of the pandemic, the JU redeployed an existing IT tool to support the electronic signature of contracts. In February 2021, the JU internal control self-assessment revealed that this redeployment and the features of the tool used did not provide the necessary degree of control expected from a tool supporting an electronic signature process. This had made possible 13 cases of contracts or contract amendments signed by staff who had not been delegated the powers to do so. According to the information received from the JU, there were no indication of any wrongdoing. This nevertheless constitutes a breach of the applicable Financial Regulation and a significant deficiency of the JU's internal controls.

The transactions affected represent potentially a EUR 45 million share of the Joint Undertaking's payment appropriations. The JU's has undertaken corrective actions.

The design of the tool, its operation and the performance of the controls on the contracting activity are activities that fall under the responsibility of the JU. The oversight controls operated by the Commission under indirect management do not aim at operating a daily control. DG ENER could therefore only be made aware of the issue by the JU.

The information provided by the Joint Undertaking indicates that, irrespective of the occurrence of the control issues, the contracts are, under Spanish and French law, legally valid between the engaged parties.

DG ENER is closely monitoring the situation and has invited the Joint Undertaking to undertake complementary actions in order to provide a fuller understanding of the impact of this event, to fully resolve the control weaknesses and to ensure full transparency in this respect. These actions include the performance of further checks on the tools and on the related controls. DG ENER will seek if necessary an independent and objective opinion on the matter and ensure full transparency in this respect. It also informed the College and the Internal Audit Service, and consulted DG BUDG.

Based on the information received from the JU, DG ENER came to the conclusion that, as of 31 December .2020, the occurrence of this issue had not impacted the payments made by the Commission to the Joint Undertaking. On one side, the payments made by the Commission consist of operational and operating subsidies, whereas the implementation of the Euratom Contribution to ITER through procurements and the operation of the related controls fall under the full responsibility of the Joint Undertaking. On the other side the contracts and contractual amendments affected remain in force between the contracting parties, so that there is no reason to consider that the implementation of the Euratom contribution itself would be impaired.

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<sup>43</sup> The membership of the Assessment Steering Committee for the F4E annual assessment is decided upon by the F4E Governing Board. Current membership is composed of the GB Chair, the Chair of AMC and a representative proposed by EURATOM (DG ENER HoU).

- **Additional sources of information**

The IAS exercises the powers of Internal Auditor of F4E, whilst the internal audit capability of F4E is maintained. During the reporting period, the IAS issued a limited review of the Internal Control Framework of the Joint Undertaking. F4E established an action plan addressing the observations of the auditors.

The annual accounts of F4E are subject to the audit by the European Court of Auditors, who since its beginning has given an unqualified opinion on the reliability of the F4E annual accounts and on the legality and regularity of the transactions underlying the accounts. The Court of Auditors' opinion is accompanied by an 'emphasis of matter' related to the EU contribution to the ITER project. This emphasis of matter, while drawing attention on challenges related to the schedule and cost base of the project does not constitute a qualification or a limitation to the assurance given.

### Conclusion

ITER is a unique, first of a kind, large-scale global project. This fact points to unique challenges in the management of the schedule and containment of costs that are linked to the development of yet unavailable material and technologies. Financial uncertainties and risks inevitably derive from these unique challenges. The impact of the COVID-19 crisis on the project and on the functioning of both IO and F4E, as well as the magnitude of the risks pertaining to this project, in particular those affecting its future implementation, need to be recognised.

DG ENER did however not identify — through its regular and reinforced supervision of F4E — any particular events, issues or weaknesses that could have a material impact on the assurance given for the year 2020.

The challenges encountered in the past as regards effective schedule, cost overrun and governance are addressed by F4E's Management and under DG ENER's strengthened supervision, in close coordination with the Governing Board.

Additionally, improvements in terms of management, governance and physical progress have been confirmed by independent reviews at both the level of ITER and F4E.

### **B) Fraud prevention, detection and correction**

DG ENER fully supports the efforts of the Corporate Management Board, DG BUDG and OLAF for all actions undertaken to preserve the financial interests of the European Union. To this end DG ENER developed and implemented its own Anti-Fraud Strategy (AFS) since 2012, on the basis of the guidance provided by OLAF.

The AFS was revised and updated in 2020 to ensure its alignment with the 2019 Commission Anti-Fraud Strategy (CAFS). It translated the high-level Commission priorities to specific actions, by defining the objectives and measures designed to prevent, detect and correct fraud in DG ENER's area of responsibility. The revision was based on a 2019 fraud risk assessment and looked at the potential for fraud in all of DG ENER's programmes and activities.

The AFS covers definition of fraud, potential fraud risks in DG MOVE’s activities and its environment; main objectives and measures for the period of 2021-2027; roles and responsibilities for antifraud actions; and finally provisions for implementation, monitoring and updates.

The implementation of the AFS is regularly monitored and reported to senior management (progress of antifraud actions is tracked since December 2020 through performance indicators from the Internal Control Monitoring Criteria). All actions for 2020 were implemented except the actions planned for guidance on fraud proofing, which are now superseded by the CAFS.

In 2020, DG MOVE-ENER Shared Resource Directorate made significant efforts to maintain staff awareness on anti-fraud (internal control newsletters; online training).

**State of implementation of the anti-fraud indicators mentioned in the Strategic Plan 2020-2024**

**Objective:** The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy<sup>44</sup> aimed at the prevention, detection and correction<sup>45</sup> of fraud

**Indicator 1:** Implementation of the actions included in DG ENER Anti-Fraud strategy over the whole strategic plan lifecycle (2020-2024)

**Source of data:** DG ENER annual activity report, DG ENER anti-fraud strategy, OLAF reporting

| Baseline (2020) | Target (2024)                       | Latest known results (2020)                            |
|-----------------|-------------------------------------|--|
| 95%             | 100% of actions implemented on time | 100% of the actions planned for 2020 were implemented. |

**Indicator 2 :** Update of DG ENER’s Anti-Fraud strategy on the basis of the methodology elaborated by OLAF

**Source of data:** OLAF guidelines

| Baseline (2018)                      | Interim milestone (2022)              | Target (2024)  | Latest known results (2020)   |
|--------------------------------------|---------------------------------------|--|---|
| <b>Date of the last update: 2017</b> | AFS strategy revised in 2020 and 2022 | The Action Plan accompanying the Anti-Fraud Strategy will be updated every two years. The Anti-Fraud Strategy will be revised no later than 12 months after major changes in the Commission approach or in the fraud environment of DG ENER. | Both the antifraud strategy and the accompanying action plan was revised in 2020. |

<sup>44</sup> Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget', COM(2019) 176 of 29 April 2019 – ‘the CAFS Communication’ – and the accompanying action plan

<sup>45</sup> Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.



## State of implementation of the Anti-fraud outputs mentioned in the Management Plan 2020

Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CAFS) aimed at the prevention, detection and correction of fraud

### Main outputs in 2020:

| Output   | Indicator   | Target   | Latest known situation (2020)   |
|--|---|--|---|
| <b>Update of the DG ENER Anti-fraud Strategy</b>                                   | Revision of the Anti-fraud Strategy, in accordance with OLAF guidance and based on the performance of a fraud risk assessment | By December 2020                                 | The revised Anti-fraud Strategy was adopted by the Director-General in October 2020 <sup>46</sup> .   |
| <b>Lunchtime conference, newsletter, specific workshop with entrusted entities</b> | Awareness campaign  | 100% of the actions implemented by December 2020 | A specific antifraud training was organised on the revised Anti-fraud Strategy and increase awareness of anti-fraud measures.<br>Two internal control newsletters addressed anti-fraud topics.<br>The entrusted entities were consulted for the update of the ENER antifraud strategy and their representatives were invited for the antifraud training in December 2020. |
| <b>Reporting to management</b>   | Number of reports on the implementation of the Anti-fraud Strategy  | At least twice a year                            | Two reports were presented to the Commissioner and three reports to the ENER Control Board.   |
| <b>Implementation of the Anti-Fraud Strategy as planned for 2020</b>               | % of implementation of actions planned for 2020 in the Anti-Fraud Strategy  | 100% by December 2020                            | 100% - all actions planned for 2020 have been carried out.  |

### C) Other control objectives

#### i) Safeguarding of assets and information

These control objectives are related to the management of assets and information in the framework of the ‘Euratom Safeguards’ activity and to the assurance to give with regard to specific off-balance sheet items. The nuclear material control system, known as ‘**Euratom Safeguards**’, is based on two pillars:

- The record-keeping and reporting obligations of nuclear operators<sup>47</sup>, as well as the periodic reports and accountancy declarations to be made to the Commission;
- The verification of the completeness, correctness and coherence of these reports and the effectiveness of the operators’ accounting systems.

<sup>46</sup> Ares(2020)5449595

<sup>47</sup> Art. 78 and 79 of the Euratom Treaty, further specified by Commission Regulation (Euratom) 302/2005, which defines requirements for the nuclear material accountancy system to be implemented by the nuclear operators.

This activity entails the management of a certain number of **tangible and intangible assets** (such as, for instance, detection and measurement systems, office laboratory equipment, specific IT hardware and in house developed software), and the management of secured or classified information. DG ENER is asset management centre for all specific assets purchased with its budget.

The key control objectives for DG ENER are to ensure that these assets are appropriately accounted for and safeguarded, that information is protected, and that related weaknesses, errors, irregularities and losses are detected and addressed.

To be recognised as an asset, an item needs to comply with following criteria:

- Acquisition value above EUR 5 000;
- Lifespan of more than one year.

The net value of **intangible assets** under management (exclusively in-house developed software) decreased from EUR 0.73 million in 2019 to EUR 0.13 million in 2020. The decrease in value corresponds to the depreciation of the assets.

The number of **tangible assets** at the end of 2020, compared to end of 2019, is detailed in the table below. The table also includes items of a value under 5000€ that are operationally managed in a similar way to assets

**Asset Management (Nuclear Safeguards) – Number of items**

| Type of asset                            | 2020         | 2019         |
|--|--------------|--------------|
| Computer hardware and purchased software | 1 697        | 1 681        |
| Furniture, equipment and other items     | 6 419        | 6 467        |
| <b>Total</b>                             | <b>8 116</b> | <b>8 148</b> |

The net value of tangible assets (with an initial value above EUR 5 000) under management decreased slightly from EUR 6.37 million as of 31 December 2019 to EUR 6.21 million as of 31 December 2020.

According to the information available, no impairment was needed in respect of any of the assets under management. In accordance with the Withdrawal Agreement, all equipment and other assets that were located in the United Kingdom at the end of December 2020 are to be transferred over to the UK. The Commission will issue a recovery order for the residual value.

The asset-related controls in place include the performance of specific technical and contractual checks upon receipt of the goods. Periodical physical inventories: in 2020, following the sanitary crises outbreak in March, the initial physical inventory plan was revised to be limited to the assets located in the EUFO building.

For assets for which the normal physical tracking is limited due to their nature or their accessibility (e.g. cameras and accessories in a nuclear power station which are located too high or the tracker cannot get in a specific zone), the update is done, with a manual register during inventory visits.

As regards **financial assets**, the Commission, represented by DG ENER, holds shares in the European Energy Efficiency Fund, a legacy fund under the form of a SICAV (“Société d’ Investissement à Capital Variable”) linked to the EEPF programme. Although there are no further contribution linked to this legacy instrument, the holding of the shares will remain in place until the termination of the investment vehicle. The value of the shares, as booked for 2020, has decreased from EUR 66.70 to EUR 66.49 per share<sup>48</sup>. As a result the net asset value decreased from EUR 104.7 million to EUR 104.4 million. There was no realised loss or impairment. The average cost of investment is EUR 61.81 per share.

Regarding **safeguarding of information**, DG ENER handles secured and classified information in accordance with the provisions of Commission's Decision 2017/46 and Security Notices number 1 and 2. A specific, separate infrastructure and a secure software environment are in place to ensure compliance with these requirements.

In the specific Euratom document management system (MEDOR), in 2020, 18 423 documents have been created of which 99.7% are classified as ‘EURA restricted’ (for 2019, the data is 20 695 documents created of which 98.8% ‘EURA restricted’).

DG ENER's current procedures and controls are considered as robust and effective.

The **off balance sheet items** translate the involvement of DG ENER into the CEF debt instruments and into the follow up of specific legal issues.

The management of debt instrument was delegated to the EIB. The off balance sheet postings include contingent liabilities that correspond to the guarantees given by the EU for these financial instruments. These guarantees decreased from EUR 98.57 million at the end of 2019 to EUR 9.23 million at the end of 2020.

Furthermore, contingent liabilities were recorded for an amount of EUR 309.7 million. A contingent liability translates the possibility of costs arising in the future from an event that occurred during the year and, in this case, cover the potential losses that could arise from legal cases. An amount of EUR 303.2 million corresponds to a claim for damages<sup>49</sup> introduced by Dyson Ltd, a company under British law, against the Commission in March 2019, following the annulment by the General Court of the Commission Delegated Regulation (EU) No 665/2013 on the labelling of vacuum cleaners<sup>50</sup>. The Commission is contesting the claim and a decision by the Court is expected for 2021. An amount of EUR 6.5 million corresponds to litigations arising from CEF Energy projects.

The off balance sheet postings in 2020 also include an amount of EUR 1 924.19 million, corresponding to the commitments made against appropriations not yet consumed.

## ii) Reliability of reporting

DG ENER implements a significant part of its budget through indirect management. It

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<sup>48</sup> Source: EIB, Statement of accounts, The values booked are based on the latest available statements of account, respectively the statement of account for the 3<sup>rd</sup> quarter for 2019, and the statement of account for the 4<sup>th</sup> quarter for 2020.

<sup>49</sup> Case T127/19

<sup>50</sup> Case T-544/13 RENV

therefore relies on the reports and accounts provided by the relevant implementing bodies. DG ENER considers, as a whole, that the reports received from these bodies are reliable and sufficient to draw assurance conclusions.

This section presents more in detail DG ENER's assessment as to the reliability of reporting of the F4E Joint Undertaking, implementing the EURATOM obligations towards the ITER project and of the EBRD, CPMA and SIEA, implementing the Nuclear Decommissioning Programmes.

#### a) For the ITER programme: the Fusion for Energy Joint Undertaking (F4E)

In 2020, F4E received the discharge for its 2018 accounts and operations from the Budgetary Authority. The European Court of auditors issued an unqualified opinion both on the legality and regularity of its operations and on its accounts for the year 2019.

Statutory information received from the implementing body includes their AAR, the annual progress report for the European Parliament and the Council and their annual report to the Governing Board.

In addition, F4E provides monthly reports on its activity and related milestones. Requests for appropriations and calls for funds are supported by financial reports. Further information is provided by the estimate at completion (EaC) system, introduced in 2019. This system, updated monthly, show the overall costs of the project and its sub-projects, allows to take managerial decisions and enables a monitoring of the overall financial evolution of the project.

This information was sufficient for drawing assurance conclusions and is considered reliable.

#### b) For the Nuclear Decommissioning Assistance Programme (NDAP)

The implementation of the NDAP was entrusted to three implementing bodies<sup>51</sup>. Being at the centre of the supervisory activity, the three joint EU-Member States Monitoring Committees generate a jointly reporting on the programmes developments.

The EBRD-managed multi-donor funds have a specific governance structure. Management information received includes, bi-annual work programmes, periodic financial reporting on the three funds under management and project documentation.

The Central Project Management Agency<sup>52</sup> and the Slovak Innovation and Energy Agency national agencies provide annually a summary report on the financial implementation of the entrusted tasks, together with their accounts on the expenditure incurred in the implementation of those tasks, and information on any audits, controls that were carried out. Management information received include financial reporting, project documentation and management reports on procedural issues.

The implementing bodies provide declarations of assurance together with their financial reports. The technical reports were subject to an assessment by DG ENER services.

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<sup>51</sup> EBRD, CPMA and SIEA

<sup>52</sup> Lithuania

This information was sufficient for drawing assurance conclusions and is considered reliable.

### c) For EIB – CEF debt instrument

Statutory information received during the reporting period includes the annual reports and the financial statements for the financial year 2020. The management information received from this body is considered as sufficient and reliable. Assurance in this respect is drawn from the declaration of assurance that accompanies these documents and from the independent audit report that covers them.

DG ENER received the EIB annual reports, declaration of assurance and the financial statements on 15 February 2021 for the financial year 2020 as defined in the CEF Debt Delegation Agreement. The audit report did not include any major observation.

#### 2.1.1.2 Efficiency

The main efficiency indicators are the timeliness of payments and the estimation of quantifiable benefits of ex-ante and ex-post controls.

- Timely payments

In 2020, 97% of DG ENER's payments, representing 99% of the total amount paid, were made on time, above the target of 95%. The table below presents the average timeliness for selected categories of expenditure, including FP7 (time limit of 90 days) and EEPR (legal time limit of 45 days):

| Programme                  | Number of payments | Average timeliness (days) |
|----------------------------|--------------------|---------------------------|
| FP7 grants                 | 2                  | 76                        |
| H2020 grants               | 7                  | 36.29                     |
| EEPR grants                | 4                  | 20.5                      |
| ITER subsidies             | 4                  | 8.4                       |
| ACER subsidies             | 3                  | 11.67                     |
| Nuclear Decommissioning    | 6                  | 21.67                     |
| Administrative expenditure | 102                | 17.17                     |

- Performance of ex-post audits

DG ENER maintains a limited ex-post audit function, that operates a risk based yearly audit plan and contributes to the statutory auditing of the ITER IO organisation. The implementation of the 2020 audit plan was affected by the emergence of the COVID-19 crisis, as on site audits could not take place as planned. Mitigation measures were adopted to allow remote audits. The level of implementation of the audit plan at year end is estimated at **90%** of the initial plan.

All audit corrections were implemented (audits implemented or audits under implementation) except one EEPR audit report that was issued at the end of 2020 and will be implemented in 2021.

The timeliness of payments (see above) and the other general efficiency indicators are favourable: the execution of commitment and payment final appropriations related to the settlement of dues to the implementing bodies reached 100%. The implementation of commitments and payments appropriations by the entrusted entities is above 95%.

Despite the pandemic, supervisory activities were carried out within the framework of the existing control strategy. The key benefits of these controls are to foster a constant attention on the delivery on schedule and on cost, and on the early mitigation of issues encountered.

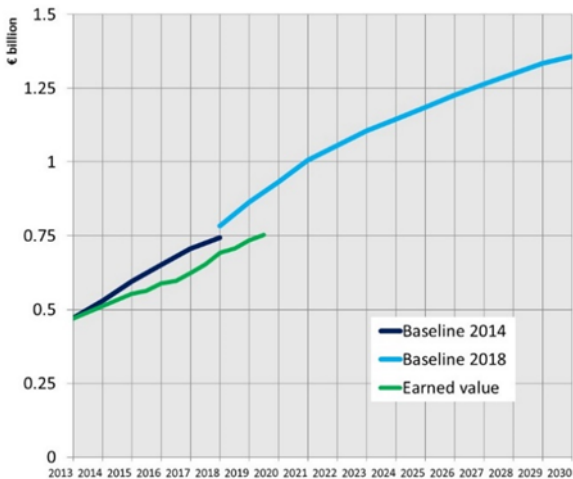
Knowledge sharing between the three programmes delivered concrete results regarding decontamination and dismantling of the primary circuits of the Kozloduy plant. Savings from the transfer of knowledge and equipment from the Bohunice programme are estimated up to EUR 8.4 million.

The overall operational efficiency of this programme is measured through the value earned methodology, as follows:

- [Implementation through the EBRD \(Kozloduy, Bulgaria\)](#)

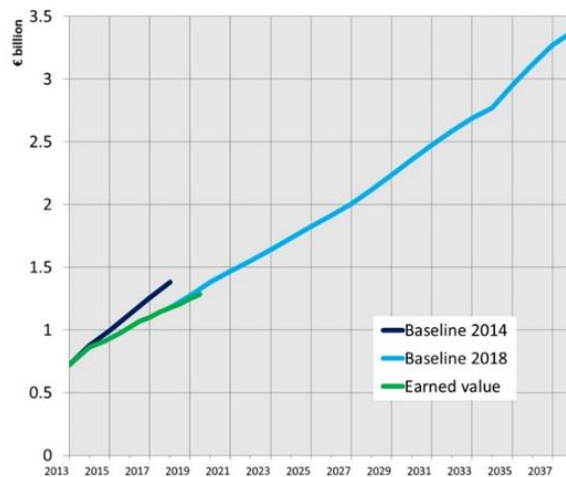
The Kozloduy programme made further progress on the dismantling activities of the controlled areas in Unit 1, excluding the primary circuit, as well as in the reduction of waste. The construction of the near-surface repository was however suspended from December 2019 to June 2020 due to an accident. The impact of the COVID-19 pandemic was limited, mainly due to access restrictions to external contractors.

The progress achieved follows the performance baseline way although at a slower pace than planned. The decommissioning programme completion date remains the end of 2030.



- [Implementation through the Central Project Management Agency \(CPMA\) Lithuania](#)

The operational performance remains on track with the 2018 baseline the end date of the programme (2038) is maintained.



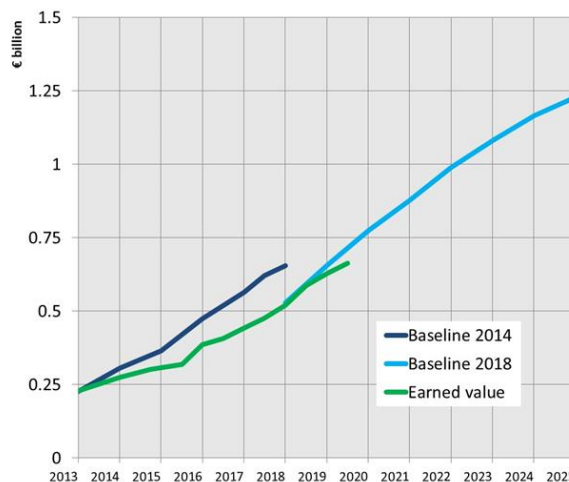
Key milestones achieved in 2020 include the safe storage of over 90% of spent fuel assemblies, the construction of the landfill facility for very low-level short-lived waste and the removal and decontamination of 98% of the equipment.

The COVID-19 crisis has caused about three weeks of furlough for on-site workers and some delay on the defueling activities due to access restrictions. The Commission provided additional support in line with its policies regarding peripheral regions. It is estimated that the amount of this extraordinary financial support is in the order of EUR 0.6 million.

- [Implementation through the Slovak Innovation and Energy Agency \(SIEA\), Slovakia](#)

The dismantling of the large components of the reactor coolant system started. During the first half of 2020, decommissioning activities at Bohunice V1 processed 324.2 tons of conventional recyclable material and 877.5 tons from the controlled area.

The COVID-19 crisis has mainly affected the deployment of contractors on site, delaying in particular the completion of the metallic raw melting facility. The recent slowdown of the physical progress is expected to impact the end date of the programme (current target end 2025).



- [Conclusion on the efficiency of supervision](#)

DG ENER considers that in 2020, based on the monitoring reports and the various supervision activities carried out, the three decommissioning programmes met the objectives, although the performance was impacted by the emergence of the pandemic.

The Earned Value Management indicators showed that performance was generally appropriate. DG ENER considers that the entrusted bodies were effective and efficient and discharged their duties in line with the relevant delegation agreements. The main cost drivers as regards the supervisory controls for the NDAP are:

- the complexity and specificity of the underlying operations;
- the complexity of the implementation scheme, where implementation occurs both through EBRD operated multi-donor funds and national agencies, leading to a multi-layered governance framework;
- the retention by the Commission of a strong role as regards the approval of project documentation and the decisions on the eligibility of projects.

#### [The EURATOM contribution to the ITER programme and the supervision of F4E](#)

All supervisory activities were carried out as planned and within the framework of the existing control strategy. The key benefits of these controls are to foster a constant attention on the delivery on schedule and on cost, and on the early mitigation of issues encountered.

A continuous risk assessment system, based on quarterly reviews of the project and organisational risks is maintained. This system improves the reactivity to potential issues and contributes to the efficiency of supervisory activities.

The general efficiency indicators are favourable: the execution of commitment and payment final appropriations related to the settlement of dues to the JU reached 100%.

The JU's execution rates for commitment and payment appropriations for 2020 are expected to be close to 100%. The performance of the JU is also assessed against the fulfilment of its obligations to ITER. At the end of December 2020, the JU reported to have reached 983 (548 in 2019) of its milestones against a planned delivery of 1018 (632 in 2019), with a budget to cost ratio of 1.02.

- [Progress of the ITER project](#)

Since its start in 2007, the ITER project, being a technologically complex, first-of-a-kind large-scale international project, has accumulated important delays and cost overruns. These issues have been addressed by an overhaul of the project's management and governance, including a revised baseline built on updated schedule and cost estimates.

The impact of the Covid-19 pandemic and issues encountered with the implementation of contracts and delivery of components are likely to translate in delays in the implementation of the project. Mitigation measures such as redeployment of staff, prioritisation and optimisation of the schedule are being adopted to reduce the impact of these delays on



reaching First Plasma in 2025, and to ensure that the deadline for full operations in 2035 is met. The ITER Council intends to further assess the sustainability of the first plasma date in the course 2021.

- [Conclusion on the efficiency of supervision](#)

Based on the monitoring reports and the various supervision activities carried out, DG ENER considers that F4E was effective and efficient and discharged their duties in line with its obligations. The supervisory controls towards F4E and the administration of the EURATOM contribution were efficient and delivered the expected results.

The main cost drivers as regards the supervisory controls for F4E are:

- The complexity and specificity of the underlying operations, being in effect a one-of-its kind project.
- The magnitude of the budget implication of this project.
- The complexity of the implementation schemes of both the ITER project and the broader approach
- The need for the Commission to commit to a strong leadership in the governance scheme of International Organisation (IO) and of Fusion For Energy (F4E).

### 2.1.1.3 Economy

DG ENER updated its assessment of the cost of control in 2020. The situation remains, overall, stable.

## Direct management

The cost of control associated to the reported upon directly managed expenditure takes into account the Commission level costs to manage financially the expenditure and the relevant programmes (covering the staff working time allocated to these tasks)<sup>53</sup> and can be summarised as follows:

The 2020 cost of controls related to grants in direct management remained in the same range as in 2019. However, at this late stage of the programmes, the payments made decreased significantly. As a result the indicators are less favourable.

### Cost of control for directly managed grants

| Estimates based on the cost of FTEs, per relevant control system     | Directly Managed grants (FP7)  | Directly Managed grants (EEPR)   |
|--|--|--|
| <b>Payments made in 2020</b>   | EUR 6.7 million  | EUR 30.2 million   |
| <b>Cost/funds ratio for ex-ante controls (Cost/payments of 2020)</b> | 6.31% (EUR 0.4 million)  | 1.08% (EUR 0.3 million)  |
| <b>Cost/funds ratio for ex-post controls (Cost/payments of 2020)</b> | 1.05% (EUR 0.1 million) (does not include the cost of audits performed by the CIC) | 0.23% (EUR 0.1 million) (does include the cost of audits performed by DG ENER) |
| <b>Total Cost/funds ratio</b>  | 7.37%  | 1.31%  |

<sup>53</sup> The costs reported or used in the ratios include overheads.

There is in the case of legacy programmes no need to adjust the control strategy, as the possibility to achieve synergies has been explored already (recentralisation of FP7 and H2020 audits, introduction of paperless workflows), whereas the level of control has to remain sufficient to mitigate the risk of errors inherent to the cost reimbursement model applicable to these programmes.

Regarding H2020, DG ENER only has a limited exposure to directly managed grants and other expenditure. As regards grants, it made only six payments in 2020, for a total value of EUR 5.6 million, and the cost of the related financial controls is estimated in the range of EUR 0.1 million. The costs of control are exposed at programme level, with the vast majority of grants being implemented by INEA, and DG RTD's CIC providing ex-ante and ex-post controls.

## Indirect management and budgetary support

The cost of control associated with the reported upon indirectly managed expenditure includes the costs of managing the programmes and the financial flows as well as supervising the different entities. As such these costs include the staff working time allocated to these tasks and the specific contracts directly related to supervisory tasks when relevant, and can be summarised as follows:

### Summary of the cost of control per management mode and instruments

|   | Indirect Management – F4E & ITER | Indirect Management – NDAP (EBRD, SIEA & CPMA) | ACER                       |
|---|----------------------------------|--|----------------------------|
| Payments made in 2020   | EUR 633.6 million                | EUR 116.9 million                              | EUR 17.3 million           |
| Cost/funds ratio for ex-ante controls (Cost/payments of 2020) | 0.28%<br>(EUR 1.8 million)       | 0.31% <sup>54</sup><br>(EUR 0.4 million)       | 1.55%<br>(EUR 0.3 million) |
| Cost/funds ratio for ex-post controls (Cost/payments of 2020) | 0.07%<br>(EUR 0.4 million)       | 0.18%<br>(EUR 0.2 million)                     | 0.41%<br>(EUR 0.1 million) |
| <b>Total cost/funds ratio</b>                                 | 0.35%                            | 0.49%  | 1.37%                      |

In absolute terms, the cost of control for the supervision of F4E and ITER as well as for the NDAP remained stable compared to 2018/2019.

The costs at Commission level are in line with other programmes. The key cost drivers are the complexity and specificity of this action, the retention of a strong role by the Commission and the fact that the fees are set as a percentage of the action value. These costs remain overall stable and it is not possible to achieve further economies of scale.

The control cost for the supervision of ACER remained stable.

<sup>54</sup> In the previous years, the figure reported included the fees paid to the entities. These are now reported only as cost of control of the entrusted entity to ensure a single accounting of the costs

## Cost of control at DG and entrusted entities level

The cost of control for entrusted entities includes both the cost exposed by the Commission and the cost exposed by the entity itself for the management of the entrusted tasks. The cost at entity level is measured through the fees paid to the entities or, for the Joint Undertakings, through the calculation of the effective cost of control resources, using a methodology similar to that used for Commission services. EU bodies and Executive agencies have a full responsibility for the operation of the control systems and report separately on their activities.

### Indirect management – Cost of control at entity level

|             | Cost of control   | Comment   |
|-------------|-------------------|---|
| <b>EBRD</b> | EUR 1.90 million  | Aggregated budgeted amount of the fees to pay for the IISDF, KISDF, BISDF (source: EBRD) - Controlled amount: EUR 62.2 million paid in 2020 + ongoing projects  |
| <b>CPMA</b> | EUR 1.27 million  | Remuneration for 2020 (source: ABAC) - Controlled amount: EUR 54.2 million paid in 2020 + ongoing projects  |
| <b>SIEA</b> | EUR 0.45 million  | Remuneration for 2020 (source: ABAC) - Controlled amount: Ongoing projects - No other payment made in 2020 than the fees.   |
| <b>EIB</b>  | EUR 55.000        | Aggregated amount of the fees paid for the management of the CEF Debt instrument. – Controlled amount : existing portfolio (source: Unaudited Financial Statements)   |
| <b>F4E</b>  | EUR 43.46 million | Joint Undertaking under Article 71 of the Financial Regulation. The JU is responsible for the setup of its control systems within this envelope and for reporting on them in its own annual report. (source: F4E “Cost of Controls 2020” 25.2.21). The total cost of control was estimated at EUR 40.47 million for staff costs (366 FTE) and EUR 2.99 million to contracts with specialised audit, quality inspection and nuclear inspection services. |

As regards the NDAP, the cost of controls, i.e. the cost of the operations of the implementing bodies charged to the Commission, has been evaluated ex-ante when the delegation agreements were established at the beginning of the MFF 2014-2020. At that time the optimal approach was defined as a flat rate proportionate to the volume of the budget entrusted to the entities. Given the multi-annuality of the programme, the fees do therefore not remunerate the management of the payments made during one year, but the total volume of operations under management. In the specific case of the SIEA, no new payment was made in 2020, except for the payment of the fees, but the agency continued implementing its project based on the pre-financings it has received previously. The fees remained therefore stable.

As to the EIB, the ratio used to measure the cost effectiveness of the CEF Energy debt instruments is representative of the substance of the delegation that consists in a portfolio management activity over a multi-annual framework. This indicator is measured as the cost of supervision plus fees against total assets under management as of 31 December of the reporting year.

The net asset value of DG ENER's participation to the CEF debt instrument was, as of 31 December 2020 of EUR 99.63 million against EUR 100.98 million in 2019.

### Control cost indicator – CEF Debt Instrument

| Control cost indicator – supervision of the CEF Debt Instruments (EIB) (in EUR million)                    | 2017        | 2018         | 2019         | 2020         |
|--|-------------|--------------|--------------|--------------|
| <b>Sum of all fees in EUR million paid to the bank (treasury, administrative and performance fees) (*)</b> | 0           | 0.005        | 0.07         | 0.06         |
| <b>Cost of control by DG ENER services</b>   | 0.03        | 0.14         | 0.12         | 0.12         |
| <b>Total Supervision costs by DG ENER</b>  | 0.03        | 0.145        | 0.19         | 0.18         |
| <b>Amount delegated in the course of the year</b>  | 0           | 89.30        | 0            | 0            |
| <b>Amount under management (*)</b>   | 9.93        | 99.48        | 100.98       | 99.63        |
| <b>Cost effectiveness Ratio</b>  | <b>0.3%</b> | <b>0.15%</b> | <b>0.19%</b> | <b>0.18%</b> |

Source: (\*) Unaudited Financial Statements for the CEF Debt Instrument, EIB.

### Cost of ex-post audits

In 2020, DG ENER devoted two FTEs (equivalent to a cost of EUR 0.28 million) to the performance and follow-up of ex-post audits. The participation to the statutory auditing of ITER IO represented 75% of this effort, the remaining 25% being allocated to audits in relation to infrastructure projects (EEPR and TEN-E).

The CIC in DG RTD is responsible since January 2014 to carry out the ex-post audits for the Research Framework Programmes. The costs of these controls are mutualised, resulting in significant synergies for the R&I family of DGs.

### Cost of organisational controls

Organisational controls correspond broadly to the non-expenditure related to internal controls operated by DG ENER.

### Overview of the estimated cost of control – non-expenditure related

|                                     | FTEs | Cost equivalent  |
|-------------------------------------|------|------------------|
| <b>Budget and accounting</b>        | 3.1  | EUR 0.44 million |
| <b>Coordination</b>                 | 3.9  | EUR 0.55 million |
| <b>Fraud prevention</b>             | 0.5  | EUR 0.07 million |
| <b>ICT and information security</b> | 5.15 | EUR 0.73 million |
| <b>Asset management</b>             | 1.9  | EUR 0.27 million |

DG ENER resources devoted to Budget and Accounting, Coordination, Antifraud and Asset Management are limited.

The costs associated to ICT and Information security components are specifically related to the need for DG ENER to maintain and operate a specific secure environment for IT infrastructure and applications for Nuclear Safeguards operations under the EURATOM Treaty.

**Table Y - Overview of the estimated cost of controls at Commission (EC) level (in EUR):**

| Title of the Relevant Control System (RCS)   | Ex ante controls        |                        |                    | Ex post controls        |  |                   | Total  |                   | Notes      |
|--|-------------------------|------------------------|--------------------|-------------------------|--|-------------------|--|-------------------|------------|
|  | (a)                     | (b)                    | (c)                | (d)                     | (e)  | (f)               | (g)  | (h)               |            |
|  | EC total costs (in EUR) | Funds managed (in EUR) | Ratio (%)* (a)/(b) | EC total costs (in EUR) | total value verified and/or audited (in EUR) | Ratio (%) (d)/(e) | EC total estimated cost of controls (in EUR) (a)+(d) | Ratio (%) (g)/(b) |            |
| Relevant Control System N°1 - FP7 grants under direct management                                     | 1.834.131               | 12.311.060             | 14,90%             | 141.087                 | N/A  | N/A               | 1.975.218  | 16,04%            | (1)        |
| Relevant Control System N°2 - EEPF grants under direct management                                    | 324.500                 | 30.157.800             | 1,08%              | 70.544                  | 52.122.401                                   | 0,14%             | 395.044  | 1,31%             |            |
| Relevant Control System N°2bis - Directly managed expenditure under prerogative lines                | 1.996.382               | 53.635.854             | 3,72%              | 70.544                  | Not quantified                               | N/A               | 2.066.926  | 3,85%             | (2)        |
| Relevant Control System N°3 - Euratom contribution to ITER / F4E under indirect management           | 1.763.588               | 633.593.734            | 0,28%              | 423.261                 | Not quantified                               | N/A               | 2.186.849  | 0,35%             |            |
| Relevant Control System N°4 - Nuclear Decommissioning Assistance Programme under indirect management | 366.826                 | 116.869.996            | 0,31%              | 211.631                 | Not quantified                               | N/A               | 578.457  | 0,49%             |            |
| Relevant Control System N°5 - Budgetary support to ACER  | 268.065                 | 17.297.383             | 1,55%              | 70.544                  | Not quantified                               | N/A               | 338.609  | 1,96%             |            |
| Relevant Control System N°6 - EIB/ CEF debt instrument under indirect management                     | 119.924                 | 0                      | N/A                | 0                       | N/A  | N/A               | 119.924  | N/A               |            |
| Relevant Control System N°7 - Supervision of executive agencies                                      | 451.479                 | Not quantified         | N/A                | 0                       | N/A  | N/A               | 451.479  | N/A               |            |
| Relevant Control System N°8 - Safeguarding Information and Assets                                    | 994.664                 | See Annex 7            | N/A                | 0                       | N/A  | N/A               | 994.664  | N/A               |            |
| Relevant Control System N°9 - Other organisational controls  | 1.058.153               | Not quantified         | N/A                | N/A                     | N/A  | N/A               | 1.058.153  | N/A               |            |
| <b>OVERALL total estimated cost of control at EC level</b>   | <b>9.177.712</b>        | <b>863.865.826</b>     | <b>1,06%</b>       | <b>987.610</b>          | <b>52.122.401</b>                            | <b>1,89%</b>      | <b>10.165.322</b>                                    | <b>1,18%</b>      | <b>(2)</b> |

Note 1: The largest share of the cost related to H2020 relate to the overall programme management and not specifically to the very limited number of projects directly managed by DG ENER.

Note 2: This category includes heterogeneous transactions such as procurements, studies and nuclear energy transactions. In 2019 the total cost of control reported by DG ENER had not included all these cost. The relatively high cost of control is driven by the number of transaction and in some cases by their specificity. The evolution of the total cost indicator therefore mirrors the extension of the perimeter of the exercise. At constant perimeter the overall indicator would be at 0.82%.

## **ANNEX 8: Specific annex related to "Assessment of the effectiveness of the internal control systems"**

This annex covers the observations, opinions and conclusions from auditors as well as the assessment of the effectiveness of the internal controls systems which will support the assurance and provides details on AAR Section 2.1.2 and 2.1.3. Therefore, the structure of this Annex follows the structure and numbering of the main AAR Section 2.1 for consistency reasons.

### **2.1.2 Audit observations and recommendations**

#### *2.1.2.1 Internal Audit Service (IAS)*

##### *a. Audit reports issued in 2020*

In 2020, the IAS did not address any audit report to DG ENER.

##### *b. Follow-up of recommendations resulting from previous IAS audit reports*

#### ***Audit on Security of IT applications supporting nuclear accountancy and inspection processes***

In its final audit report, issued in July 2017, the IAS acknowledged the organisational and technical controls put in place by DG ENER to mitigate the security risks to which its IT systems are exposed in the domain of nuclear safeguards. By end of 2019, DG ENER had implemented the majority of planned actions and the IAS closed four recommendations. Only one important recommendation concerning *Business continuity and disaster recovery arrangements*, remains open. Due to the COVID-19 crisis, the implementation of actions from the recommendation was delayed in the first half of 2020 and resumed as of July 2020. It is now planned to be finalised by end of March 2021 (according to the extension of implementation date)<sup>55</sup>.

#### ***Audit on legacy programmes in DG ENER - management of final payments and closure***

The IAS concluded in October 2018, that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the management of final payments and closure of commitments under the legacy programmes in DG ENER. All three recommendations have been implemented by DG ENER and closed by the IAS.

#### ***Audit on the production process and the quality of statistics not produced by DG EUROSTAT***

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<sup>55</sup> Ares(2020) 7195908

In its final audit report, issued in January 2018, the IAS noted that DG ENER had in place processes and activities to ensure that its statistical needs were met either by external providers or by internally processing data already available. The IAS recommended improvements in certain areas and formulated four important recommendations<sup>56</sup>. By the end of January 2019 DG ENER reported all four important recommendations as implemented. Of these, two were closed by the IAS and two were assessed as incomplete because they were dependent on DG ESTAT issuing updated corporate guidelines. The additional actions were implemented by end of 2020 and are now assessed by the IAS.

### ***Audit report on the implementation of the control strategy of the Directorate-General for Energy for the delegated bodies implementing the Nuclear Decommissioning Assistance Programme (NDAP)***

The IAS concluded in January 2020, that although, in general, DG ENER control strategy for the delegated bodies implementing NDAP is effectively implemented, there is a very important weakness related to the process for clearing pre-financed amounts and it recommended the revision of the related account procedure. DG ENER designed the action plan to mitigate the identified risks and by mid-May 2020, all planned actions were implemented. The IAS has now closed the recommendation.

#### **c. Conclusion on the state of internal control**

The IAS is entrusted with the responsibility to provide a conclusion on the state of internal control in DG ENER, which covers the audit work of previous years<sup>57</sup> and all open recommendations issued by the IAS.

In its conclusion for 2020<sup>58</sup>, the IAS stated that the internal control systems in place for the audited processes are effective,

#### **2.1.2.2 European Court of Auditors (ECA)**

##### **Audit work 2020 – Declaration of assurance (DAS) 2019**

In November 2020, the ECA published for the first time **two separate Annual Reports**: one focusing on the implementation of the EU Budget, including the annual statement of assurance, and another, separate one covering the performance of the EU budget.

The ECA addressed energy policy as part of the Competitiveness for Growth and Jobs chapter of its annual report on the implementation of the EU Budget and concluded that the testing of transactions indicates that the most likely error present in the population is 4% (compared to 2% in 2018 and 4.2% in 2017). The payments related to energy and transport projects represent 11.3% of the total of the whole chapter.

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<sup>56</sup> Recommendation 1: Completion of the Statistical Inventory and Masterplan; Recommendation 2: Management of the statistical process by DG ENER; Recommendation 3: Methodological and quality framework for internally produced or acquired internally; Recommendation 4: Referencing and use of disclaimer when publishing statistics.

<sup>57</sup> Final audit reports issued in the period 01/02/2018 – 31/01/2021.

<sup>58</sup> Ares(2021)1222517

The contribution of DG ENER transactions to the sample audited by the ECA is limited: only six out of 130 transactions came from the energy budget lines<sup>59</sup>. The Court's audit work did not raise any particular observations for four of these payments, while for two CEF transactions the ECA found irregularities in procurement procedures related to CEF projects. However, DG ENER disagrees with the declaration of ineligibility of the related costs by ECA.

The ECA also performed an audit of the accounts of DG ENER as of 31 December 2019. This included analysis of closure operations, substantive testing of invoices and pre-financings and analysis of cut-off data. The Court did not issue any observations.

### Audit work 2020 - Declaration of assurance (DAS) 2020

As regards to the audit work for the DAS 2020, the work of the ECA is still ongoing. 17 transactions have been selected for review so far. The ECA has finalised four audits so far, three of which without any observations and one resulting in a non-quantifiable error.

### Special Reports

***Special Report 01/2020: EU action on Ecodesign and Energy Labelling: important contribution to greater energy efficiency reduced by significant delays and non-compliance*** (published in January 2020)

The audit focused on the analysis of the process in setting Ecodesign and Energy Labelling requirements by the Commission (including the adoption of its Working Plan 2016 - 2019 and the monitoring and reporting of policy results); on market surveillance in the Ecodesign and Energy Labelling sectors; and whether EU-funded projects dedicated to improve market surveillance activities at Member States' level led to sustainable results.

The ECA found that EU actions contributed effectively to reaching the objectives of the Ecodesign and Energy Labelling policy, but that effectiveness was reduced by significant delays in the regulatory process and non-compliance by manufacturers and retailers. The ECA recommended to improve the regulatory process by defining a standardised approach for studies and a methodological framework for including the circular economy; to address the way the impact of the policy is measured; and to take actions to facilitate exchange of information between Market Surveillance Authorities and to improve compliance with the policy. The Commission accepted all recommendations, with one exception: the Commission could not agree on adopting implementation measures individually, rather than as a package.

***Special Report 03/2020: The Commission contributes to nuclear safety in the EU, but updates required*** (published in January 2020)

The audit examined how well the Commission used its competencies to contribute to nuclear safety in the EU (monitoring of the transposition of the three most recent EURATOM

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<sup>59</sup> Two CEF Energy transactions, two clearing transactions to F4E JU and two transactions related to the Nuclear Decommissioning program.



directives; management of the mechanisms for early notification; and the exchange of information and managed the opinions on investments).

The ECA noted that overall, the Commission contributed well to nuclear safety in the EU, but there is scope for the Commission to update the legal framework and its internal guidelines. The ECA issued three recommendations aiming at: updating the approach to monitoring transposition of EURATOM Directives; updating the legislative framework covering nuclear investment projects; and updating the procedures to check radioactivity monitoring facilities and to prepare opinions on nuclear investments. The Commission accepted all recommendations, but included several comments to clarify the extent of its competencies and internal procedures.

***Special Report 11/2020: Energy efficiency in buildings: greater focus on cost-effectiveness still needed*** (published in April 2020)

The audit assessed whether EU co-funded energy efficiency investments in buildings had cost-effectively helped the EU toward its 2020 energy saving target. The ECA concluded that the operational programmes and the project selection were not driven by a cost-effectiveness rationale. It recommended improving the planning, selection and monitoring of the investments to improve the cost-effectiveness of the spending. The Commission accepted recommendation (1) on improving the planning and targeting of investments. The two other recommendations were partially accepted because under shared management, project selection pertains to the mandate and responsibilities of Member States' managing authorities; and cost-effectiveness analysis and monitoring is only possible at the level of individual projects (programme-specific outcomes cannot be aggregated at EU level).

***Special Report 12/2020: The European Investment Advisory Hub — Launched to boost investment in the EU, the Hub's impact remains limited*** (published in May 2020)

The audit focused on the Hub's activities from its launch up until December 2018, to assess whether the Hub has proven to be an effective tool for boosting investment. DG ENER was associated DG to this audit. The ECA concluded that, by the end of 2018, the Hub had not yet achieved its objective and provided recommendations to improve its performance and incorporate the lessons learned from the new InvestEU advisory hub proposed under the 2021-2027 InvestEU programme.

***Special Report 18/2020: The EU's Emissions Trading System (ETS): free allocation of allowances needed better targeting*** (published in September 2020)

The audit examined whether the Commission's decisions on free EU ETS allowances provided a reasonable basis to encourage the reduction of GHG emissions.

The ECA concluded that there is limited targeting of the free allocation of allowances and recommended to the Commission to better target and better address technical challenges when revising the methodology for the free allocation of allowances. The Commission accepted recommendation (1) on better targeting but only partially accepted

recommendation (2) on improvement of the methodology for benchmarks (the improvement will not be possible before 2022).

***Special report 22/2020: Future of EU agencies – Potential for more flexibility and cooperation*** (published in October 2020)

ECA assessed the conditions put in place by the EU to support all EU agencies in their mandate. DG ENER was associated DG to this audit in its role of parent DG for ACER. The ECA identified a need for more flexibility in the set-up, functioning and possible winding-up of agencies. The auditors concluded that insufficient support from Member States, industry, Commission or other agencies prevents some agencies from fully performing their role.

The ECA recommended that the Commission and the agencies better assess the coherence of agencies over their lifetime, and adjust resources accordingly; that they improve the governance and performance of agencies in order to highlight their important contribution to policy implementation; and that they facilitate the evolution of agencies into centres of expertise and networking. The Commission accepted all recommendation, insofar as it is concerned.

#### Follow-up work by ECA in 2020

In 2020, ECA finalised its follow-up audits on SR 18/2016 on Sustainable Biofuels, the outcome of which was included in ECA's 2019 Annual Report.

#### Summary of results from the Court's 2019 annual audit of the European Research Joint Undertakings

In this summary providing an overview of the results of the annual audits on the European Research Joint Undertakings, ECA reported unqualified opinions on both the reliability of the accounts and the legality and regularity of transactions for F4E considering that the transactions underlying the annual accounts of F4E for the year ending 31 December 2019 are, in all material respects, legal and regular. The Court assessed the internal controls of the JUs as generally effective with error rates for 2019 below the materiality threshold of 2%.

As in 2018, the Court of Auditors' opinion is accompanied by an 'emphasis of matter'<sup>60</sup> related to the EU contribution to the ITER project. These issues were addressed in the framework of the 2016 baseline revision and are constantly monitored by DG ENER at both F4E and wider project level.

While the maximum amount earmarked for ITER under the 2014-2020 MFF has been respected, the ECA considered that there remained a risk of cost increases and delays in project implementation. The Court acknowledged the progress made in completing all previous years' observations. The payment forecasting system has been totally redesigned and integrated in a new financial management tool, and a new organisational structure has

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<sup>60</sup> An emphasis of matter is used to draw attention to a matter which is not materially misstated in the accounts, but is of such importance that it is fundamental to the users' understanding of the accounts.

been put in place. The ECA noted some weaknesses in F4E's procurement procedures, in the management of its human resources and in the ITER project monitoring. The implementation of the action plan to mitigate these weaknesses falls under the responsibility of F4E JU. Actions undertaken include: the improvement of the budgetary structure, from the 2021 budget onwards; actions to improve management and leadership and the completion of the risk management programme, launched in April 2020. DG ENER closely monitors the evolution of these issues so that the JU's staff performance and operational effectiveness is ensured.

#### a. Follow-up of recommendations issued by the Court of Auditors and by the Discharge Authority

At the end of 2020, DG ENER was chef de file for 13 open recommendations from ECA with due dates end of 2020 or beyond. The necessary updates to the status of the followed-up recommendations are reflected in Commission monitoring system (RAD). A follow-up exercise performed in the first quarter of 2021 closed three of the open recommendations.

### 2.1.3 Assessment of the effectiveness of internal control systems

In 2020, DG ENER continued to develop and adapt its organisational structure, internal processes and systems necessary to ensure operational efficiency and alignment with the Internal Control Framework of the Commission. Our efforts are focused on doing more of the "right things" and improving speed and reliability of delivery on our political, operational and financial objectives.

#### 2.1.3.1 Source and methodology for the internal control assessment

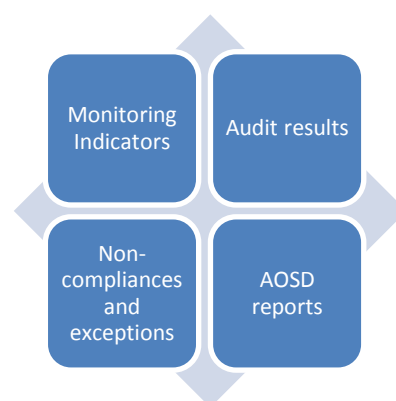
The self-assessment of internal controls focused on verifying the presence and effective functioning of components and principles as a system throughout 2020 and was designed to achieve three objectives:

- Demonstrate the sound functioning of the internal control system;
- Provide to the Director-General and to the Director in charge of Risk Management and Internal Control a sound basis for signing their declarations of assurance,
- Identify any improvement areas in the internal control systems.

The 2020 self-assessment was based on four main building blocks:

- The evaluation of monitoring indicators;
- The evaluation of audit results and new or outstanding recommendations
- The analysis of non-compliances and exception cases;
- And the analysis of AOSD reports.

The assessment also looked at the state of play of deficiencies identified in 2019.



### *2.1.3.2 Internal Control self-assessment results for 2020*

The 2020 self-assessment concluded that all controls associated with the 5 components and 17 principles, as documented in the Internal Control Baseline, are present and functioning in DG ENER.

None of the components or principles are affected by a critical or serious weakness. Two minor deficiencies were recorded and will be included in the ENER register of deficiencies:

- DG ENER did not yet complete its Business Continuity and Disaster Recovery preparations for the IT applications and systems supporting the Euratom safeguards service. The process was complicated by the lockdown-related measures and currently envisaged to be completed by March 2021.
- 2020 ECA audit on Nuclear Safety identified the need for DG ENER to revise and update certain procedures in the field of nuclear safety.

The self-assessment also highlighted that awareness raising and communication actions started in 2018 greatly contributed to avoiding non-compliances in financial and contractual procedures. This may be illustrated by the low number of non-compliances registered in 2020.

Overall, the assessment established that the internal control system of DG ENER provides reasonable assurance concerning the achievement of operational objectives, the legality and regularity of the underlying transactions and that the resources have been used for their intended purpose and in accordance with the principles of sound financial management.

### *2.1.3.3 Risk management*

DG ENER put in place a risk assessment process ensuring an appropriate coverage of all its activities. In addition to this, continuous risk management processes are in place for the two significant components of the risk universe: the Euratom contribution to ITER and to the Nuclear Decommissioning Assistance Programmes (NDAP). These programmes represent more than 90% of the payments made.

In 2020 DG ENER revised its risk management framework, streamlining it and integrating the different risk processes in order to improve its use as a management tool.

DG ENER had not identified any critical risks for 2020. Furthermore the exercise identified four significant risks, which were monitored through the Control Board meetings. One of these significant risks materialized during 2020 as the MFF 2021-2027 was adopted too late to allow the timely preparation and launch of ENER programmes in 2021.

The annual risk assessment exercise for 2021 identified ten significant risks none of which being rated as critical. This was reported to the Secretariat-General and the Corporate Management Board, during the peer review process. These ten risks were included in the DG ENER risk register for 2021 and endorsed by the Senior Management Meeting of DG ENER on 11 January 2021.

DG ENER  
**RISK ASSESSMENT**  
**2021**      70 RISKS IN TOTAL



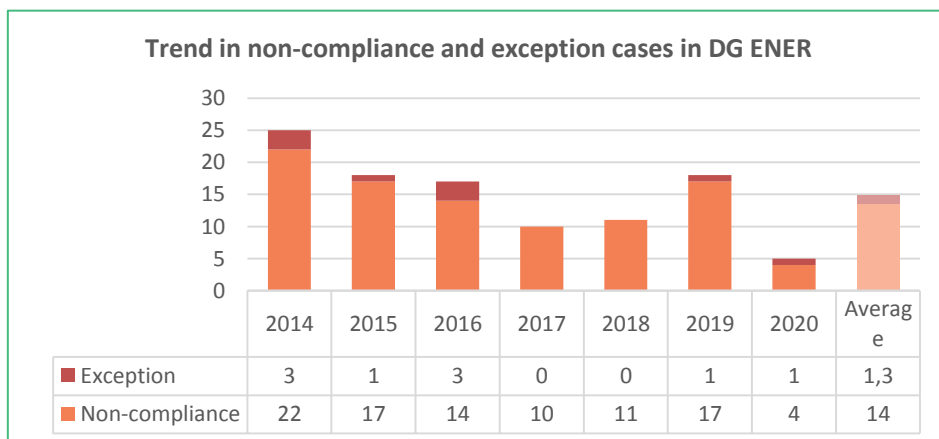
**10** SIGNIFICANT RISKS      **0** CRITICAL RISK

- ★ LATE MFF
- ★ COVID
- ★ HR PRESSURE
- ★ ITER & NDAP

- NEXT STEPS**
- ▶ ADOPTION BY DG
  - ▶ INFO TO CAB AND IAS

*2.1.3.4 Exceptions and non-compliance*

The functioning of the internal control systems was closely monitored and followed up throughout the year by the systematic registration of non-compliance events and exceptions. In 2020, one exception request and four non-compliances were registered for DG ENER. This number is significantly lower than the average of 14 cases and it is the lowest number since the start of the systematic registration of such events in 2014.



Neither of the 2020 cases indicate significant systematic weaknesses. The exception request<sup>61</sup> was related to the intervention of the FP7 Guarantee Fund against a beneficiary

<sup>61</sup> [Ares\(2020\)1055597](#)

whose participation was terminated in May 2015. Nevertheless, the costs claims for 1 February-May 2015, closing the participation in the project, were only submitted in 2019. Without this information, DG ENER was unable to establish any final calculation and could not invoke the Guarantee Fund in time.

Out of the four non-compliance cases, two were related to Qualified Electronic System procedure and the other two to the approval/signature process of contracts. None of these cases had a financial impact.

#### *2.1.3.5 Conclusion on the internal control system*

Based on the methodology and information sources described above, DG ENER has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall. Some improvements are needed as minor deficiencies were identified (related to internal accounting procedure for clearing prefinancing, business continuity planning and IT governance). The improvements and/or remedial measures implemented or envisaged are already identified:

- revise and update certain procedures in the field of nuclear safety;
- complete the business continuity and disaster recovery measures has started in 2018, the current target date is March 2021;

Overall, the assessment established that the internal control system of DG ENER provides reasonable assurance that the resources have been used for their intended purpose and in accordance with the principles of sound financial management; and that the control procedures put in place give the necessary guarantees concerning the achievement of operational objectives as well as the legality and regularity of the underlying transactions.

No critical weaknesses were found in any of the components that could jeopardise the achievement of operational, financial or internal control objectives and prevent the Director-General from signing his declaration of assurance.

In 2021, the focus for the internal control system will be to deliver the actions identified under the newly adopted Antifraud Strategy and Risk Management Framework for DG ENER. A vulnerability assessment of new Energy programs will be one of the first actions carried out. Another focus point will be to close the outstanding IAS recommendation and to address the deficiencies identified in this report.

DG ENER will continue revising its internal procedures to better adapt them to the new working methods imposed by the COVID-19 crisis. This will include the completion of the 2020 ex-post audit program and the preparation of a new round of audits. DG ENER also plans to assess and revamp the organisational processes for legally screening and controlling public procurement procedures.

## ANNEX 9: Reporting – Human resources, digital transformation and information management and sound environmental management

### Human resource management

|   |   |   |                             |
|---|---|---|-----------------------------|
| Objective: DG ENER employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business |   |   |                             |
| Indicator 1: Number and percentage of first female appointments to middle management positions  |   |   |                             |
| Source of data: SEC(2020) 146   |   |   |                             |
| <b>Baseline (2019)</b>  | <b>Target (2022)<sup>62</sup></b>                                     | <b>Latest known result</b>  |                             |
| 9 female middle managers (41%)  | One first female appointment (50%)                                    | 0 in 2020   |                             |
| Indicator 2: DG ENER staff engagement index   |   |   |                             |
| Source of data: Commission staff survey [data to be provided by DG HR]  |   |   |                             |
| <b>Baseline (2019)</b>  | <b>Target (2024)</b>  | <b>Latest known results</b>   |                             |
| 70%   | 70%   | 66% (Commission average is 68,8% in 2020/21 Pulse Survey 13+14)   |                             |
| Main outputs in 2020:   |   |   |                             |
| <b>Description</b>  | <b>Indicator</b>  | <b>Target</b>   | <b>Latest known results</b> |
| Nomination of women in middle management positions  | Number of first female appointments to middle management positions    | 1   | 0 in 2020 <sup>63</sup>     |
| Development of internal communication tools such as newsletters, staff fora, ad hoc surveys   | Staff engagement index  | 70%   | 70%                         |
| Lunchtime conferences programme on policy priorities and core business  |   |   | 70%                         |
| Implementation of the ALARA (as low as reasonable achievable) principle in operational radiation protection of exposed workers  | Average annual occupational radiation dose and annual collective dose | By Q4 2020<br>Average annual occupational radiation dose is < 1 mSv and annual collective dose is < 0.05 personSv |                             |
| Operation of the laboratories in accordance with the  | Accident-free operation   | By Q4 2020<br>Zero incidents  |                             |

<sup>62</sup> The target will be revised and extended for the period 2023-2024 by January 2023

<sup>63</sup> The main aim of DG ENER is to find the best candidate for the post, what explains why there were no new first time female appointments to a middle management function.

|  |                               |   |  |
|--|-------------------------------|---|--|
| license requirements and implementing the radiation safety   |                               | affecting the EUFO offices or environment |  |
| Accreditation of the Radiation protection laboratory in accordance with the ISO 17025 requirements | Keeping the accredited status | By Q4 2020: Accredited status kept        |  |

## Digital transformation and information management

Objective: DG ENER is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and datadriven Commission

**Indicator 1:** Degree of implementation of the digital strategy principles by the most important IT solutions

**Source of data:** Solutions Owners & Suppliers and IT Investment Team

| Baseline (2019)   | Interim milestone (2022) | Target (2024) | Latest known results |
|-------------------|--------------------------|---------------|----------------------|
| 1. EPREL 77%      | 1. 100%                  | 1. 100%       | 77%                  |
| 2. e-Platform 55% | 2. 100%                  | 2. 100%       | 59%                  |
| 3. CMF4 0%        | 3. 30%                   | 3. 100%       | 7%                   |

**Indicator 2:** Percentage of DG ENER's key data assets for which corporate principles for data governance have been implemented

**Source of data:** DG ENER data asset inventory

| Baseline (2018) | Interim milestone (2022) | Target (2024) | Latest known results |
|-----------------|--------------------------|---------------|----------------------|
| 35%             | 50%                      | 80%           | 38%                  |

**Indicator 3:** Percentage of staff attending awareness raising activities on data protection compliance

**Source of data:** HR statistics

| Baseline (2018) | Interim milestone (2022) | Target (2024) | Latest known results |
|-----------------|--------------------------|---------------|----------------------|
| 0%              | 50%                      | 100% of staff | >5%                  |

**Indicator 4:** Percentage of registered documents that are not filed

**Source of data:** Hermes-Ares-Nomcom (HAN) statistics

| Baseline (2018) | Interim milestone (2022) | Target (2024) | Latest known results |
|-----------------|--------------------------|---------------|----------------------|
| 2.39%           | <2%                      | <2%           | 0.93%                |

### Main outputs in 2020:

| Description   | Indicator  | Target   | Latest known results  |
|---|--|--|---|
| Increase awareness on how to manage sensitive non classified information (SNC) in ARES  | Specific workshops/ presentations  | One lunchtime conference for all staff<br>One specific presentation for managers   | Lunchtime conferences and presentation for managers postponed to 2021 due to the Covid-19 crisis.<br>Individual trainings and advice provided to staff via ARES SUPPORT   |
| Increase efficiency of electronic workflows, and reduce paper storage in eligible cases | a. Specific workshops/ presentations<br>b. Extension of the scope of the "Elimination of incoming paper mail policy" to all eligible documents, including certified mail | a. Workshops "Mastering e-signatory" for e-Domec correspondents<br>b. Note to the staff on the extension of the scope of the "Elimination of the | a. One Workshop for e-Domec correspondents on the use of Qualified Electronic Signature. Guidelines on the use of Qualified Electronic Signature defined and available (main priority due to COVID-19 crisis)<br>b. Scope not extended because of |



|   |  |  |  |
|---|--|--|--|
|   |  | incoming paper policy”   | lack of presence in the office   |
| Documents are retrievable in ARES and properly filed - staff has easier access to information   | a. Percentage of registered documents that are not filed.<br>b. Files shared with other DGs              | a. Below 2%<br>b. 100% of eligible cases   | a. 0.93%<br>b. Action postponed to 2021  |
| Gap analysis for high value data assets   | Analysis report and action plan  | Analysis report and action plan  | High value data assets have been identified. In-depth analysis is ongoing and will continue in 2021 with the documentation and analysis of their metadata in the corporate solution being implemented. Drafting of the analytical report and the underlying action plan will be finished subsequently. |
| Pilot use of the corporate data platform  | Number of use cases  | At least 1 by December 2020  | Discussions with DG DIGIT are ongoing for the use of the corporate data platform in relation with the e-Platform project and the implementation of data services/solutions on DG ENER-level.   |
| Increase awareness of DG ENER staff on personal data protection framework   | General information session on data protection and introduction training on data protection to newcomers | One general information session to all staff including newcomers (with attendance of minimum 10% of staff members).<br><br>50% newcomers trained for 2020<br><br>10% DG ENER staff trained | One general information session postponed to 2021.<br>One awareness session organised with the Commission’s Data Protection Officer or senior and middle management during the Senior Management Meeting (incl HoUs)<br>Two training organised for IT staff (1 basic, 1 specific).                     |
| Update information related to data protection (e.g. models of privacy statement, personal data breach notification, etc.) on Data Protection Corner in the intranet | Percentage of updated corporate instructions/guidelines  | 80% of corporate instructions /guidelines updated on Data Protection Corner  | Data Protection Corner has been regularly updated (100% done)  |
| Conversion of personal data legacy notifications into records   | Number of legacy notifications converted into records  | 100% notifications converted into records  | 100% notifications converted into records  |
| Identification of IT systems processing personal data   | Number of ENER IT systems  | 100% IT systems identified   | The identification of IT systems processing personal data will continue in 2021  |
| Analysis and implementation of EURATOM Safeguards   | Coverage of the Business Case  | System in production   | 80% of requirements in first phase analysed, approved and implemented. Specific requirements   |

|  |   |   |   |
|--|---|---|---|
| Management Dashboard   |   |   | about Particular Safeguards Provisions and Facility Attachments and ergonomic adjustments still under Review.   |
| Analysis of CMF4   | Coverage of the Business Case           | 100% of requirements for first iteration described and approved   | As-is description of Business Processes delivered to users, pending approval.   |
| Analysis of EURATOM Safeguards Measurement Data Repository   | Coverage of the Business Case           | 100% of requirements for first iteration described and approved   | Project delayed by sanitary measures in place for the management of COVID crisis. Kick-off meeting hold in November 2020.   |
| MEDOR  | Business continuity                     | New version of MEDOR in production  | Business continuity ensured while progress on new version of MEDOR hampered by sanitary measures in place for the management of COVID crisis.   |
| Definition of a strategy as regards the implementation of the digital strategy principles by the most important IT solutions (namely TENtec, MOVEHUB and KDSA) | ECDS principles implementation strategy | ECDS principles implementation strategy defined   | A gap analysis has been performed and a roadmap established to implement all relevant principles by 2024.<br>CMF4: roadmap described in Project Charter under review with the Business Manager. |
| Increase awareness and use of collaborative working methods by DG ENER staff   | Communication and trainings             | Communication to ENER staff highlighting the collaborative tools available and recommending their use as well as related EU-learn trainings | A working group on Digitalisation has been created and an action plan defined. The list of collaborative tools is available on DIGIT's intranet.  |

## Sound Environmental Management

| Objective: DG ENER takes full account of its environmental impact in all its actions and actively promotes measures to reduce the related day-to-day impact of the administration and its work |   |                   |  |
|--|---|-------------------|--|
| Main outputs in 2020:  |   |                   |  |
| Description  | Indicator                                       | Target            | Latest known results   |
| Promote staff awareness actions about optimal energy use and "switching off, when not in use", in line with the EMAS corporate action on resource efficiency during March                      | Number of staff informed                        | All staff         | Due to the COVID-19 crisis, the initial output was replaced by EMAS tips to apply at home              |
| ONLY for Brussels: Participate in the end of the year energy saving  | Number of buildings participating in the action | 1 building (DM24) | Participation of DG ENER to this action by closing its building (DM24) during Christmas and New Year's |

|   |  |  |  |
|---|--|--|--|
| action, by closing down DG/service's buildings during the Christmas and New Year's holiday period   |  |  | holiday period   |
| Re-assess the needs as concerns the opening hours of the building (incl. the garage)  | Number of buildings  | 1 building (DM24)  | The needs have been re-assessed and it was decided to leave the building open during weekends (only the garage is closed)  |
| Promote staff awareness actions about optimal water use and promotion of technical services hotline <sup>64</sup> in case of water leaks, in line with the EMAS corporate action on resource efficiency during March. | Number of staff informed   | All staff  | Due to the COVID-19 crisis, the initial output was replaced by EMAS tips to apply at home.   |
| Gradual increase of VC-facilities in the DG and their use, in collaboration with DIGIT and DG SCIC.   | Number of VC facilities  | At least one additional meeting room in DM24 and one in EUFO | In collaboration with SCIC, one meeting room was equipped with VC facilities (in DM24).<br>EUFO building: This action has been suspended due to the COVID-19 crisis. |
| Promote staff awareness actions about waste reduction and sorting in line with the corporate EMAS waste reduction campaign.   | Number of staff informed   | All staff  | Due to the COVID-19 crisis, the initial output was replaced by EMAS tips to apply at home.   |
| Promote the use of bicycle for commuting  | Number of ENER staff members participating in the VeloMai campaign               | More staff than previous year                                | 36 staff members   |
| All Expert Group Meetings and Committees to be held by Video-Conference   | Percentage of Expert Group Meetings and Committees held by Video-Conference      | 50%  | Most of the expert group meetings and committees have been held by Video-conference.   |
| Reduce the number of face-to-face meetings by holding virtual meetings  | Percentage of virtual meetings   | 50%  | Most of the meetings were virtual.   |
| Selection Panels to be held by Video-Conference or Skype/Webex  | Percentage of selection Panel interviews held by Video-Conference or Skype/Webex | 50%  | Most of the selection panels were virtual (VC, skype, Webex)   |

<sup>64</sup> For example, for Brussels: Email: OIB-55555@ec.europa.eu and Tel: 55555 and for Luxembourg: Email: OIL-DISPATCHING-CENTRAL@ec.europa.eu and Tel: 32220.

## ANNEX 10: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission

### Central Project Management Agency, Lithuania (CPMA)

|    | Requirement  | Information  |
|----|--|--|
| 1. | Programme concerned  | Decommissioning funding for Lithuania - Ignalina Programme-CPMA  |
| 2. | Annual budgetary amount entrusted  | Commitment under 2020 appropriations: EUR 66.15 million  |
| 3. | Duration of the delegation   | 31 December 2026   |
| 4. | Justification of recourse to indirect centralised management   | Indirect centralised management gives advantages of proximity and flexibility, as it is easier to adapt it to the local and specific needs of the beneficiary country and allows for a better coordination with simultaneous co-financed measures at national level. It also provides for increased ownership of the programme and simplified relationship between the Community and the beneficiary states. Delegating contract management to a national agency enables the Commission to focus on core activities (policy formulation, political drive, control and evaluation).   |
| 5. | Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis etc.) | When the scheme was set up, the CPMA was already an established national agency with an accredited implementation system. Before the accession of Lithuania to the EU, CPMA was the certified Lithuanian EDIS contracting authority/paying agency for the PHARE programme. After accession, CPMA was entrusted with the management of structural funds programmes. CPMA had, therefore, a direct experience in the management of EU programmes not requiring an ex-ante control by the Commission. The pillar assessment report of 2017 re-confirmed that the CPMA fulfils the requirements. The next pillar assessment was planned by CPMA for mid-2020, but may occur during 2021. |
| 6. | Synthetic description of the implementing tasks entrusted to this body   | The tasks entrusted to the National Agency are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom.<br>The duties of the National Agency include:<br>- Programming and monitoring<br>- Preparation of Projects<br>- Implementation of Projects.   |

## Slovak Innovation and Energy Agency (SIEA)

|    | Requirement   | Information  |
|----|---|--|
| 1. | Programme concerned   | Decommissioning funding for Slovakia – Bohunice Programme - SIEA   |
| 2. | Annual budgetary amount entrusted   | Commitment under 2020 appropriations: EUR 34.03 million  |
| 3. | Duration of the delegation  | 31 December 2026   |
| 4. | Justification of recourse to indirect centralised management  | Indirect centralised management gives advantages of proximity and flexibility, as it is easier to adapt it to the local and specific needs of the beneficiary country and allows for a better coordination with simultaneous co-financed measures at national level. It also provides for increased ownership of the programme and simplified relationship between the Community and the beneficiary states. Delegating contract management to a national agency enables the Commission to focus on core activities (policy formulation, political drive, control and evaluation). |
| 5. | Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis, etc.) | The Slovak Innovation and Energy Agency (SIEA) is active in the management of structural funds in the Slovak Republic. The body was proposed by the Ministry of Economy of the Slovak Republic. The pillar assessment report of 2015 has confirmed that the SIEA fulfils the requirements; yet the report included recommendations to be implemented by the SIEA at the latest before the end of first year of implementation; the follow-up audit finalised in 2019 has ascertained the fulfilment of these recommendations.  |
| 6. | Synthetic description of the implementing tasks entrusted to this body  | The tasks entrusted to the National Agency are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom.<br>The duties of the National Agency include: <ul style="list-style-type: none"> <li>- Programming and monitoring;</li> <li>- Preparation of Projects;</li> <li>- Implementation of Projects.</li> </ul>  |

## European Bank for Reconstruction and Development (EBRD)

|    | Requirement   | Information  |
|----|---|--|
| 1. | Programme concerned   | International Decommissioning Support Fund (IDSF) for Slovakia, Lithuania and Bulgaria - EBRD  |
| 2. | Annual budgetary amount entrusted   | Commitment under 2020 appropriations: EUR 46.27 million (total) of which: <ul style="list-style-type: none"> <li>• EUR 44.27 million to Kozloduy IDSF (Bulgaria)</li> <li>• EUR 2.00 million to Ignalina IDSF (Lithuania)</li> </ul>   |
| 3. | Duration of the delegation  | Implementation period - Kozloduy IDSF: 1 December 2022 - Bohunice IDSF: 1 December 2022 - Ignalina IDSF: 1 December 2022   |
| 4. | Justification of recourse to indirect centralised management  | In 2018, the mid-term evaluation allowed taking stock of some of the advantages and disadvantages of the different approaches that could be used to implement the NDAP, by way of a comparison with similar instruments and programmes. It concluded that indirect management is an appropriate tool, and that changing of the management mode for delivery of the NDAP at present would induce costs not compensated by the expected benefits.  |
| 5. | Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis, etc.) | In 2000, a dedicated fund was established for each of the three Member States (SK, LT and BG). These multi-donor funds (ISDF) are managed by the EBRD. The governance structure of the EBRD International Decommissioning Support Funds (ISDF) is still operational. This is mainly due to the nature of these funds as they are multi-donor. The EC is the largest contributor (to date over 95% of all contributions) and, since 2004, the only one. Accordingly, in 2014 the funds' rules were revised to enhance the Commission's monitoring power as well as its decision and control role. |
| 6. | Synthetic description of the implementing tasks entrusted to this body  | The tasks entrusted to this entity are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom.<br>The duties of the National Agency include: <ul style="list-style-type: none"> <li>- Programming and monitoring;</li> <li>- Preparation of Projects;</li> <li>- Implementation of Projects.</li> </ul>  |

## Fusion for Energy Joint Undertaking (F4E JU)

|    | Requirement  | Information   |
|----|--|---|
| 1. | Programme concerned  | ITER  |
| 2. | Annual budgetary amount entrusted  | The following budgetary amounts were entrusted to this body in 2020 (EU contribution only):<br>-Commitment appropriations (operational): EUR 336.49 million<br>-Commitment appropriations (administrative): EUR 53.85 million<br>-Payment appropriations (operational): EUR 579.75 million<br>-Payment appropriations (administrative): EUR 53.85 million<br>These are the total amounts including C5 (recovery from previous years) and RO (Swiss Contribution)  |
| 3. | Duration of the delegation   | Until 18 April 2042 (identical to that of the ITER International Agreement)   |
| 4. | Justification of recourse to indirect centralised management   | 2007/198/EURATOM: Council Decision of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it (OJ L 90, 30.3.2007, p. 58)   |
| 5. | Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis etc.) | The European contribution to ITER is implemented under the framework of the EURATOM Treaty. F4E as the Domestic Agency for ITER was set up in accordance with Articles 47 and 48 of this Treaty, which provides the legal mechanism to develop the nuclear industry through Joint Undertakings. Within this framework, F4E was set up as a Joint Undertaking in March 2007.<br><br>In 2018, DG ENER commissioned an external consultant to, inter alia, review the various legal forms through which the European Contribution could be delivered. The conclusion was that no other legal framework would be more appropriate than the current one. |
| 6. | Synthetic description of the implementing tasks entrusted to this body   | As per Art. 1(2) of Council Decision 2007/198/EURATOM:<br>The tasks of the Joint Undertaking shall be as follows:<br>(a) to provide the contribution of the European Atomic Energy Community (EURATOM) to the ITER International Fusion Energy Organisation;<br>(b) to provide the contribution of EURATOM to Broader Approach Activities with Japan for the rapid realisation of fusion energy;<br>(c) to prepare and coordinate a programme of activities in preparation for the construction of a demonstration fusion reactor and related facilities including the International Fusion Materials Irradiation Facility (IFMIF).                 |

## **ANNEX 11: EAMR of the Union Delegations**

not applicable



## ANNEX 12: Decentralised agencies

| <b>Name</b>                                     | <b>Acronym</b> | <b>Policy concerned</b>                    | <b>Subsidy paid in 2020 by DG ENER</b> |
|---|----------------|--|--|
| Agency for the Cooperation of Energy Regulators | ACER           | Energy (Conventional and renewable energy) | EUR 17.297.383 million                 |