



Annual activity report 2022

annexes

DG Climate Action

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ANNEX 1: Statement of the Director in charge of Risk Management and Internal Control

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

I hereby certify that the information provided in the present annual activity report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31 March 2023

(e-signed)

Yvon SLINGENBERG

Director in charge of Risk Management and Internal Control

⁽¹⁾ C(2017)2373 of 19.04.2017

ANNEX 2: Performance tables

| | | | |
|--|------------------------------------|---|---|
| General objective: an EU Green Deal | | | |
| Impact indicator: greenhouse gas emissions | | | |
| Explanation: This indicator measures man-made emissions of the so-called “Kyoto basket” of greenhouse gases, which are integrated into a single indicator expressed in units of CO2 equivalents using each gas’ global warming potential. It shows changes in percent of the emissions compared to 1990 levels. | | | |
| Source of the data: European Environmental agency (Eurostat online data code : sdg_13_10) | | | |
| Baseline (2018) | Interim Milestone (2020) | Target (2030) | Latest known results (2021) |
| -23% | -20% | -55% net greenhouse gas emissions (i.e. including emissions and removals from land use, land use change and forestry) | -30% net greenhouse gas emissions (provisional data) |
| Impact indicator: Climate-related economic losses | | | |
| Explanation: The indicator measures economic losses from weather and climate-related disasters expressed in economic losses per year (in current values) and as a percentage of GDP. Types of disasters considered are hydrological, meteorological and climatological events. Data is presented as smoothed time-series based on 30-year moving averages instead of annual figures | | | |
| Source of the data: Eurostat (Eurostat online code: sdg_13_40) | | | |
| Baseline (2017) | Interim Milestone (2022) | Target (2024) | Latest known results (2020) ² |
| <i>Total losses:</i> EUR 12 225 million <i>Average losses over 30 years in euro pro capita:</i> 27.42 | Decrease | Decrease | EUR 12 885 million Average losses over 30 years in euro pro capita: 28.80 |
| Impact indicator: Climate mainstreaming in the European Union budget | | | |
| Explanation: Proportion of climate related spending (mainstreaming) in the EU budget | | | |
| Source of the data: European Commission Draft Budget Reports | | | |
| Baseline (2014-2020, previous MFF) | Interim Milestone | Target (2021-2027, current MFF) | Latest known results (2022, estimate based on commitment appropriations) |

(²) Note that the new Member State count applies from 2020.

| | | | |
|-----|--|-----|-------|
| 21% | N/A - there are no annual targets: between 2021-2027 expenditure is expected to fluctuate over the years | 30% | 34.8% |
|-----|--|-----|-------|

Specific objective 1.1: Climate neutrality to be achieved by 2050 through a well-functioning EU carbon market and a fair regulatory framework for the EU and its Member States to reduce emissions

Related to spending programme(s): LIFE Regulation

Result indicator: Level of greenhouse gas emissions captured in the EU Emission Trading System (ETS)

Explanation: Level of greenhouse gas emissions captured by the EU Emission Trading System (ETS) Directive 2003/87/EC

Source of the data: Energy Union Governance and climate progress report (European Commission and European Environment Agency).

| Baseline (2005) | Interim Milestone (2020) | Target (2030) | Latest known results (2021) |
|-----------------|--------------------------|--|-----------------------------|
| Index = 100 | 79 (-21%) | 57 (-43%) compared to 2005 Provisionally agreed new target: - 62% | 65.4 (-34.6%) |

Result indicator: Level of greenhouse gas emissions (non EU ETS sectors)

Explanation: Level of greenhouse gas emissions captured by the EU Effort Sharing Legislation

Source of the data: Energy Union Governance and climate progress report (European Commission and European Environment Agency).

| Baseline (2005) | Interim Milestone (2020) | Target (2030) | Latest known results (2020) |
|-----------------|--------------------------|--|-----------------------------|
| Index = 100 | 90 (-10%) | 70 (-30%) compared to 2005 Proposed new target: - 40% | 84 (-16%) |

Result indicator: Level of net GHG removals

Explanation: For the period 2021 to 2025, the LULUCF Regulation sets a “no debit rule” to ensure that accounted emissions from land use are entirely compensated by an equivalent accounted removal of CO₂ from the atmosphere through action in the sector. It then sets a net removals target of -310Mt CO₂e for the EU27 to reach by 2030.

Source of the data: Energy Union Governance and climate progress report (European Commission and European Environment Agency).

| Baseline | Target | Latest known results (2020) |
|---------------------------------|---|-----------------------------|
| 2021 to 2025: EU27 not in debit | EU27 not in debit according to rules under Reg 2018/841; approximated as average -225Mt CO ₂ e/yr from UNFCCC reporting tables | -225,9 MtCO ₂ e |

Result indicator: Level of average CO₂ emissions from new cars

Explanation: The average specific CO₂ emissions of new passenger cars need to decrease below the levels set in Regulation (EU) 2019/631. Every year, the Commission confirms the calculation of the average specific emissions and specific emission targets of manufacturers in a given calendar year, on the basis of the information on new car registrations submitted by Member States.

Note: Until 2024, the EU fleet-wide targets are expressed in NEDC terms (emissions measured according to the New European Driving Cycle (NEDC) procedure). Until monitoring year 2020, manufacturers' compliance against their targets was assessed on the basis of NEDC CO₂ emissions. From 2021 onwards, compliance is assessed on the basis of emissions measured according to the Worldwide Harmonised Light Vehicles Test Procedure (WLTP). For this purpose, the specific emissions targets of manufacturers are translated from NEDC to WLTP from monitoring year 2021 onwards.

Source of the data: Data published by the European Commission and the European Environment Agency <https://www.eea.europa.eu/data-and-maps/data/co2-cars-emission-22>

| Baseline (2018) | Interim Milestone (2020) | Target (2024) | Latest known results (2021) |
|--|---|---|---|
| 120.4 gCO ₂ /km (NEDC) ³ | 95 gCO ₂ /km (NEDC) ⁴ | 95 gCO ₂ /km (NEDC) ⁵ | 114.7 gCO ₂ /km (provisional data, WLTP) |

⁽³⁾ For the purpose of this indicator, the baseline is the latest known data on the average CO₂ emissions per km for the respective vehicles category from in the EU.

⁽⁴⁾ For the purpose of this indicator, the interim milestone is the 2020 target set in Regulation (EU) 2019/631.

⁽⁵⁾ Yearly specific emission targets are set for each manufacturer according to the average mass of their vehicles, using a limit value curve. For cars, from 2021, phased-in from 2020, the EU fleet-wide average emission target for new cars will be 95 g CO₂/km. For vans, from 2020, the EU fleet-wide average emission target will be 147 g CO₂/km. From 2025, new EU fleet-wide CO₂ emission targets will be introduced.

Result indicator: Level of average CO2 emissions from new vans

"Explanation: The average specific CO2 emissions of new light commercial vehicles (vans) need to decrease below the levels set in Regulation (EU) 2019/631. Every year, the Commission confirms the calculation of the average specific emissions and specific emission targets of manufacturers in a given calendar year, on the basis of the information on new van registrations submitted by Member States.

Note: Until 2024, the EU fleet-wide targets are expressed in NEDC terms (emissions measured according to the New European Driving Cycle (NEDC) procedure). Until monitoring year 2020, manufacturers' compliance against their targets was assessed on the basis of NEDC CO2 emissions. From 2021 onwards, compliance is assessed on the basis of emissions measured according to the Worldwide Harmonised Light Vehicles Test Procedure (WLTP). For this purpose, the specific emissions targets of manufacturers are translated from NEDC to WLTP from monitoring year 2021 onwards."

Source of the data: Data published by the European Commission and European Environment Agency. <https://www.eea.europa.eu/data-and-maps/data/vans-16>

| Baseline (2018) | Interim Milestone (2020) | Target (2024) | Latest known results (2021) |
|-----------------------------------|------------------------------------|---------------------------------|---|
| 158.1 gCO2/km (NEDC) ⁶ | 147 gCO2/km (NEDC) ⁷ | 147 gCO2/km (NEDC) ⁸ | 193.8 gCO2/km (provisional data, WLTP) |

⁽⁶⁾ For the purpose of this indicator, the baseline is the latest known data on the average CO2 emissions per km for the respective vehicles category from in the EU.

⁽⁷⁾ For the purpose of this indicator, the interim milestone is the 2020 target set in Regulation (EU) 2019/631.

⁽⁸⁾ Yearly specific emission targets are set for each manufacturer according to the average mass of their vehicles, using a limit value curve. For cars, from 2021, phased-in from 2020, the EU fleet-wide average emission target for new cars will be 95 g CO2/km. For vans, from 2020, the EU fleet-wide average emission target will be 147 g CO2/km. From 2025, new EU fleet-wide CO2 emission targets will be introduced.

Result indicator: Level of average CO2 emissions from heavy-duty vehicles (HDV)

Explanation: The average specific CO2 emissions of new heavy-duty vehicles need to decrease below the level set in Regulation (EU) 2019/1242. Every year, the Commission confirms the calculation of the average specific emissions and specific emission targets of manufacturers for the previous reporting period, on the basis of the information on new vehicle registrations submitted by Member States and manufacturers.

Source of the data: Data published by the European Commission and European Environment Agency.

| Baseline (2019) | Target (2025) | Latest known results (2020) |
|---|--------------------------------------|-----------------------------|
| CO2 emissions between 01 July 2019 and 30 June 2020 (i.e. 52,75 g/tkm) ⁹ (Index = 100) | 15% lower than baseline (Index = 85) | 52,46 g/tkm (index = 99.5) |

Result indicator: Life-cycle GHG emissions from fuels

Explanation: Member States shall require fuel suppliers to reduce the greenhouse gas emission intensity of fuel supplied by 6% by 31 December 2020 as compared to a 2010 baseline (Article 7a (2) of Directive 98/70, Fuel Quality Directive)¹⁰

Source of the data: Data published by the European Commission and European Environment Agency. <https://www.eea.europa.eu/data-and-maps/data/fuel-quality-directive-2>

| Baseline (2010) | Interim Milestone (2020) | Target (2024) | Latest known results (2020) |
|---|-------------------------------------|---|-----------------------------|
| 94.1 gCO _{2eq} /MJ (Index = 100) | 6% lower than baseline (Index = 94) | 6% lower than baseline (Index = 94) ¹¹ | 5.5% lower than baseline |

⁽⁹⁾ Introduced this year since the data was not available at the time of drafting DG CLIMA's strategic plan 2020-2024

⁽¹⁰⁾ The greenhouse gas emission intensity target of the Fuel Quality Directive is proposed to be repealed by the revised Renewable Energy Directive. The inter-institutional negotiations are ongoing to reach an agreement.

⁽¹¹⁾ In 2021, DG CLIMA will evaluate and review the Fuel Quality Directive requirement to reduce GHG intensity of transport fuels by a minimum of 6% by 2020 over a 2010 baseline in line with the 2030 climate target plan.

Result indicator: CO2 storage capacity enabled

Source of the data: Draft storage permits

| Baseline (2019) | Interim Milestone (2022) | Target (2024) | Latest known results (2022) |
|-----------------|--------------------------|---------------|--|
| 0 Mt CO2/y | 2Mt CO2/y | 3 Mt CO2/y | One non-binding opinion issued by the Commission in 2022, with expected storage of 2.3 Mt/y as of 2024 ¹² |

Result indicator: Level of F-gas emissions (mainly hydrofluorocarbons (HFCs))

Explanation: F-gases are produced to be used in products and equipment, from which they leak into the atmosphere. The F-gas Regulation (EU) No 517/2014 currently in place seeks to reduce these emissions by 2/3 by 2030, based on a 2014 baseline.

Source of the data: EEA greenhouse gas viewer, based on Member States submissions under the EU greenhouse gas monitoring mechanism

<https://www.eea.europa.eu/data-and-maps/data/data-viewers/greenhouse-gases-viewer>

| Baseline (2014) | Interim Milestone (2024) | Target (2030) | Latest known results (2020) |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| 107.1 Mt CO2 eq. emitted Index= 100 | 86.7 Mt CO2 eq. emitted (-30%) | 40.9 Mt CO2 eq. emitted (-67%) | 85.9 Mt CO2 eq. Emitted (-20%) |

Result indicator: Ozone depleting substances: maintain zero consumption

Explanation: Consumption of ozone-depleting substances is an aggregated parameter calculated for data reported under the Montreal Protocol. It is calculated as: production + import – export – destruction. It excludes non-virgin imports and exports, virgin imports and production for feedstock use in the EU and for process agent use. Baseline data and phase out requirements are established under the Montreal Protocol per ODS group and refer to different baseline years, ranging from 1986 to 2002. The baseline indicated below is the sum of all these baselines.

Source of the data: EEA's online data viewer on ozone-depleting substances

<https://www.eea.europa.eu/themes/climate/ozone-depleting-substances-and-climate-change-1/ozone-depleting-substances-2022>

| Baseline (2005) | Target (every year since 2010) | Latest known results (2021) |
|--|--------------------------------|----------------------------------|
| 436,710.8 Ozone Depleting Potential (ODP) tonnes | Zero consumption | 1,627 ODP tonnes ¹³ . |

⁽¹²⁾ The actual permit approval is in the remit of Member States

⁽¹³⁾ This slightly positive consumption is due to stockpiling of one substance (carbon tetrachloride) produced for export for feedstock use outside of the EU. It is thought that these quantities have been exported in 2022, leading to an average negative consumption in 2021-2022.

Result indicator: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: The indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of the data: DG CLIMA

| Baseline | Interim Milestone (2022) | Target (2024) | Latest known results (2022) |
|----------|--------------------------|----------------|-----------------------------|
| (N/A) | Positive trend | Positive trend | 33% |

Result indicator: Percentage of impact assessments submitted by DG CLIMA to the Regulatory Scrutiny Board that received a favourable opinion on first submission

Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.

Source of the data: DG CLIMA



| Baseline (2018) | Interim Milestone (2022) | Target (2024) | Latest known results (2022) |
|-----------------|--------------------------|---------------|-----------------------------|
| 50% | 50% | 75% | 50% |

Main outputs in 2022:

New policy initiatives

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|--|---------|--|
|  Carbon Removal Certification | Adoption by the Commission, including publication of the impact assessment | Q4 2022 | Adopted in Q4 2022 |
|  Review of the CO2 emission standards for heavy-duty vehicles | Adoption by the Commission, including publication of the impact assessment | Q4 2022 | Postponed to Q1 2023 ¹⁴ |
|  Review of EU rules on fluorinated greenhouse gases | Adoption by the Commission, including publication of the impact assessment | Q2 2022 | Adopted in Q2 2022 |

⁽¹⁴⁾ Postponed in order to strengthen the evidence base.

| Initiatives linked to regulatory simplification and burden reduction | | | |
|--|--|---------------------------------|---|
| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
| Ozone layer protection – revision of EU rules | Adoption by the Commission, including publication of the impact assessment | Q2 2022 | Adopted in Q2 2022 |
| Public consultations | | | |
| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|  Open public consultation on carbon removal certification | Open public consultation launched | Q1 2022 | Launched in Q1 2022 |
|  Open public consultation on the review of the CO2 emission standards for heavy-duty vehicles | Open public consultation launched | Q1 2022 | Launched in Q4 2021 |
| External communication actions | | | |
| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
| Conference on sustainable carbon cycles | Number of attendees | Q1 2022, 500 attendees (online) | Q1 2022, 1553 attendees |
| Other important outputs | | | |
| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
| Fit for 55 package – Revision of the EU Emissions Trading System (ETS), including maritime, aviation and CORSIA (COM(2021) 551 final and COM/2021/552 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |
| Fit for 55 package – Review of the Market Stability Reserve (COM(2021) 571 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |
| Fit for 55 package – Proposal for a Climate Social Fund (COM/2021/568 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|---|----------------------------|---|
| Fit for 55 package - Updating Member State emissions reduction targets (Effort Sharing Regulation) in line with the 2030 climate target plan (COM(2021) 555 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |
| Fit for 55 package - Land use, land use change and forestry – review of EU rules (COM/2021/554 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |
| Fit for 55 package - Revision of the CO2 emission standards for cars and vans (COM/2021/556 final) | Qualitative and timely contributions provided to co-legislators | Q4 2022 | Provisional agreement reached between co-legislators in Q4 2022 |
| Commission proposal to amend the EU MRV shipping Regulation COM(2019) | Adoption by co-legislators | Q2 2022 | Still in codecision ¹⁵ |
| Amendment to Regulation on monitoring & reporting of GHG emissions on application of sustainability criteria of biomass | Adoption by the Commission | Q1 2022 | Adopted in Q1 2022 |
| Annual publication of data list under HDV Standards Regulation, 2022 exercise | Adoption by the Commission | Q2 2022 | Adopted in Q4 2022 ¹⁶ |
| Commission opinion on draft storage permit for Port of Rotterdam | Adoption by the Commission | Q2 2022 | Adopted in Q2 2022 |
| Procurement Contracts | Contracts signed | 11 contracts by 31/12/2022 | More than 11 contracts signed by 31/12/2022 |

⁽¹⁵⁾ Trilogues have not yet started since there are important interlinkages between this file and the revision of the MRV maritime regulation as proposed under the Fit for 55 package (linked to the ETS extension to maritime transport). Priority was given to progress the discussion on the Fit For 55 package in 2022 and the file remains pending at this stage.

⁽¹⁶⁾ The timing of adoption has changed to ensure the correctness and completeness of the dataset reported by the MS and manufacturers underlying the performance calculations.

Specific objective 1.2: EU climate legislation is monitored through the Energy Union Governance, is properly applied and enforced and is mainstreamed in the European Semester process

Related to spending programme(s): LIFE Regulation

Result indicator: Level of uptake of (new) post 2020-EU GHG emission reduction target in national energy and climate plans

Explanation: The Governance Regulation (Regulation (EU) 2018/1999) requires Member States (MS) to submit to the Commission their integrated national energy and climate plan (NECP) to meet the EU's energy and climate targets for 2030.

Source of the data: State of the Energy Union report

| Baseline (2020) | Interim Milestone (2023) | Target (2024) | Latest known results (2022) |
|---|---|---|--|
| Member States' initial NECPs reflecting the at least 40% GHG emission reduction target at EU level by 2030. | Member States' submit draft updated NECPs reflecting the higher ambition under Fit for 55 | Member States' final updated NECPs reflecting the higher ambition under Fit for 55. | Guidance issued to assist MS with the preparation of their revised NECPs; Technical support and discussions with MS ongoing. |

Result indicator: Timeliness of transposition and conformity checks conducted by DG CLIMA

Explanation: DG CLIMA monitors the transposition of Directives through transposition checks and conformity checks of national measures

Source of the data: DG CLIMA

| Baseline (2019) | Interim Milestone (2020) | Target (2024) | Latest known results (2022) |
|--|--|--|---|
| All transposition checks and conformity checks are performed on time | Conformity check of national measures transposing Directive 2015/652 (calculation methods and reporting requirements under the Fuel Quality Directive) | Transposition and conformity checks of revised Directives (to be confirmed, depending on the 2030 increased targets) | Conformity check of Directive 2018/410 (Phase 4 EU ETS) completed |

Main outputs in 2022:**New policy initiatives**

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|---|----------------------------|---------------|--|
| Implementing the regulation on the Member States' reporting of information foreseen in the Governance of the Energy Union | Adoption by the Commission | Q3 2022 | Adopted in Q4 2022 ¹⁷ |

Other important outputs

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|----------------------------|---------------|--|
| Integration of climate transitions into the European Semester (Annual Sustainable Growth Strategy, country reports and country-specific recommendations) | Delivery | Q2 2022 | Delivered |
| Report on the Functioning of the European Carbon Market in 2022 | Adoption by the Commission | Q4 2022 | Adopted in Q4 2022 |
| 2022 Annual Report on CO2 Emissions from Maritime Transport | Adoption by the Commission | Q2 2022 | Adopted in Q3 2022 ¹⁸ |
| 2022 State of the Energy Union report, including Climate Action Progress report | Adoption by the Commission | Q4 2022 | Adopted in Q4 2022 |
| Analysis of CO2 emissions and fuel consumption data for new heavy duty vehicles for the 2020 period | Adoption by the Commission | Q2 2022 | Postponed to Q1 2023 ¹⁹ |
| CO2 emission performance of manufacturers of new | Adoption by the Commission | Q2 2022 | Adopted in Q3 2022 ²⁰ |

⁽¹⁷⁾ The adoption was slightly postponed to Q4 2022 (instead of Q3 2022) due to new political priorities in the energy legislation (the file is shared with DG Energy).

⁽¹⁸⁾ There was a delay due to handling a large amount of data, and due to delayed reporting from companies.

⁽¹⁹⁾ The timing of adoption has changed to ensure the correctness and completeness of the dataset reported by the Member States and manufacturers underlying the performance calculations.

⁽²⁰⁾ The timing of adoption has changed to ensure the correctness and completeness of the dataset reported by the Member States and manufacturers underlying the performance calculations.

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|------------------|------------------------------|--|
| passenger cars and vans registered in 2020 | | | |
| Procurement Contracts | Contracts signed | 2 contracts by 31/12/2022 | More than 2 contracts signed by 31/12/2022 |

Specific objective 1.3: Climate-related spending mainstreamed in the EU budget and in private funds to finance the green and just transition and invest in particular in low carbon and other climate innovations

Related to spending programme(s): LIFE Regulation

Result indicator: GHG emissions reduction or avoidance triggered by projects financed under the Innovation Fund and the Private Finance for Energy Efficiency (PF4EE)

Explanation: The three instruments mentioned above finance concrete low-carbon projects

Source of the data: Annual operational report from the European Investment Bank (for PF4EE), annual reports from the Innovation and Networks Executive Agency (for the Innovation Fund)

Methodology for calculating the indicator: In general, data reported will correspond to the achieved reduction (or avoidance) of GHG emissions triggered by the projects. However, for the Innovation Fund during the first years of implementation, data reported will correspond to the expected GHG emissions avoided or reduced, until first projects enter into operation. This is due to the time lag between contract signature and entry of projects into operation.

| Baseline (2019) | Interim Milestone (2022) | Target (2024) | Latest known results (2022) |
|---|---|---|--|
| For the Innovation Fund: Not applicable because it is a new instrument | N/A before award of financing to first projects | N/A before award of financing to first projects | Planned GHG emission avoidance: 213 million tonnes CO ₂ eq ²¹ (cumulative since 2021) |
| For PF4EE: 57 190 tons of CO ₂ | 152 000 tCO ₂ | 247 000 tCO ₂ | 111 487 tCO ₂ |

⁽²¹⁾ Without the outlier reported in 2021 accounting for 36.9 million tonnes CO₂eq. Reporting on the GHG emission avoidance starts after 1 year of operation. No project has reached that stage yet therefore the achieved GHG reduction is zero.

Result indicator: Investment mobilised through the Innovation Fund, the Private Finance for Energy Efficiency (PF4EE) and NER 300.

Explanation: The level of investment mobilised corresponds to the volume of clean-tech investments mobilised by the NER 300, PF4EE and the Innovation Fund.

Source of the data: Respective programme annual reports.

Methodology for calculating the indicator: Total volume of investments triggered by the financing provided by the respective programme.

| The Private Finance for Energy Efficiency (PF4EE) | | | |
|---|---|---|--|
| Baseline | Interim Milestone | Target | Latest known results (2022) |
| EUR 150 million | EUR 400 million | EUR 650 million | EUR 510 million |
| Innovation Fund | | | |
| Baseline | Interim Milestone | Target | Latest known results (2022) |
| N/A because new instrument | N/A before award of financing to first projects | N/A before award of financing to first projects | Approximately EUR 12,942 million ²² (indicative figure as CAPEX varies during project implementation) |

⁽²²⁾ Expected volume of investments triggered, calculated as total CAPEX including Innovation Fund grant, for the projects that signed a grant agreement by the end of 2022

Result indicator : Expected reduction of GHG emissions triggered by LIFE projects
Explanation: GHG reductions achieved by projects financed by the LIFE programme
Source of the data: Programme Statement LIFE programme, based on the LIFE Key Performance Indicators (KPI) database / E-Grant managed by CINEA
Methodology for calculating the indicator: The indicator catches the GHG reductions achieved by LIFE projects by the end of their implementation, measured in tons of GHG CO2 equivalent per year. Considering the project life cycle and the delays in the start-up of the programme implementation, data will be available starting from 2024. Data are cumulative. The baseline is set on the basis of the results of the projects 2014-2020. The target is based on historical trends and projections on the performance, size and budget allocations of similar 2014-2020 projects. Considering the bottom-up approach of the programme, milestones and target is purely indicative. The actual results will depend on the budget actually allocated and on number, size, scope and performance of the projects retained for funding after the evaluation process.

| Baseline (2022) | Interim Milestone (2022) | Target (2030) | Latest known results (2022) |
|------------------|--------------------------------|------------------|--------------------------------|
| 12 000 000 CO2eq | 12 000 000 ²³ CO2eq | 16 466 390 CO2eq | 12 000 000 ²⁴ CO2eq |

Result indicator: Population in vulnerable areas/cities benefitting from further protection against the adverse effects of climate change
Explanation: number of individuals benefitting from a reduction of their vulnerability to the adverse effects of climate change as a result of LIFE projects.
Source of the data: Programme Statement LIFE programme, based on the LIFE Key Performance Indicators (KPI) database / e-Grant managed by CINEA
Methodology for calculating the indicator: The indicator measures the number of individuals whose climate sensitivity was reduced and their adaptive capacity was increased as a result of LIFE projects. Considering the project life cycle and the delays in the start-up of the programme implementation, data will be available starting from 2024. Data are cumulative. The baseline is set on the basis of the results of the projects 2014-2020. The target is based on historical trends and projections on the performance, size and budget allocations of similar 2014-2020 projects. Considering the bottom-up approach of the programme, milestones and target are purely indicative. The actual impact in 2024-2030 will depend on the budget actually allocated and on number, size, scope and performance of the projects retained for funding after the evaluation process.

| Baseline (2020) | Interim Milestone (2022) | Target (2030) | Latest known results (2022) |
|-----------------|--------------------------|---------------|-----------------------------|
| 1 700 000 | 1 700 000 ²⁵ | 3 140 408 | 1 700 000 ²⁶ |

⁽²³⁾ The data on the first projects following the 2021 calls for proposals will be available starting from 2024.

⁽²⁴⁾ Ibid.

⁽²⁵⁾ Ibid.

⁽²⁶⁾ Ibid.

Main outputs in 2022:

External communication actions

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|---|---------------------------------|---|--|
| Webinars concerning the application process for the Innovation Fund | Number of webinars | 2 webinars | 2 webinars/InfoDays organised |
| | Number of attendees | 250 attendees per webinar (physical and/or online) | Webinar on small-scale projects: 305 simultaneous unique viewers ²⁷ Webinar on large-scale projects: 668 simultaneous unique viewers ²⁸ |
| | Number of posts on social media | 6 posts on social media | 8 posts on social media |
| Event to increase knowledge on the clean tech solutions | Number of attendees | 150 attendees per conference (physical and/or online) | 110 physical attendees, 259 peak unique viewers online (1900 connections in total) ²⁹ |
| | Number of posts on social media | 2 posts on social media | 5 posts on social media |

Other important outputs

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|---|-------------------|-----------------------------|---|
| 2 disbursement decisions under the Modernisation Fund | Decisions adopted | July 2022 and December 2022 | Decisions adopted in May 2022 and November 2022 |
| Award decision on 2021 LIFE climate action calls for proposals on Standard Action Projects (SAPs) | Decisions adopted | Q3 2022 | Q2 2022 |
| Award decision on 2021 LIFE climate action calls for proposals on Strategic Integrated Project (SIPs) | Decisions adopted | Q3 2022 | Q2 2022 |
| Award decisions on 2021 LIFE call for proposals on operating grants for NGOs | Decisions adopted | Q1 2022 | Decisions adopted in Q1 2022 |

⁽²⁷⁾ 1422 connections in total

⁽²⁸⁾ 3700 connections in total

⁽²⁹⁾ Conference was organised on 19 January 2023 to align with the signature ceremony for the successful projects of the second call for large-scale projects.

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|---------------------|---------------------------|--|
| Award decisions on the Innovation Fund 1st and 2nd call for large-scale projects | 2 decisions adopted | Q1 and Q4 2022 | Decisions adopted in Q1 and Q2 2022 for the first and second calls for large-scale projects. |
| Award decision on the project development assistance for the 2nd call for large-scale projects | Decision adopted | Q4 2022 | Decision adopted in Q4 2022 |
| Financing Decision for the launch of the Innovation Fund 3rd round of calls | Decision adopted | Q4 2022 | Decision adopted in Q4 2022 |
| Horizon Europe Work Programme for 2023-2024 | Decision adopted | Q4 2022 | Decision adopted in Q4 2022 |
| Financial agreements under the financial instruments (NCFE and PF4EE) | Operations signed | 3 by 31/12/2022 | 3 operations signed by 31/12/2022 |
| Procurement contracts | Contract signed | 5 contracts by 31/12/2021 | More than 5 contracts signed by 31/12/2021 |

Specific objective 1.4: COMMUNICATION AND DIALOGUE: a voice and a space is given to citizens, cities, regions and all stakeholders to design and implement climate actions, share information, launch grassroots activities and showcase solutions that others can follow through the Climate Pact and the EU covenant of Mayors

Related to spending programme(s): LIFE Regulation

Result indicator: % of respondents that have personally taken action to fight climate change

Explanation: Result of face-to-face interviews carried out in all Member States of the EU with respondents from different social and demographic groups. The following question is asked: "Have you personally taken any action to fight climate change over the past six months?"

Source of the data: EU barometer survey (conducted every two years)

| Baseline (2018) | Interim Milestone (2020) | Target (2024) | Latest known results (2021) |
|---------------------------|------------------------------------|---------------------------------------|---------------------------------------|
| 60% | Further increase | As high as possible, further increase | 64% |

Result indicator: Population covered by the EU Covenant of Mayors for Climate and Energy

Explanation: Population covered by the EU Covenant of Mayors for Climate and Energy, representing the size of population living in jurisdiction that have voluntarily committed to achieving and exceeding the EU climate and energy targets

Source of the data: Sustainable development goals indicators, (Eurostat online data code: sdg_13_60)

| Baseline (2019) | Target (2024) | Latest known results (2021) |
|--------------------------------------|-----------------|-----------------------------|
| 187.942 million people ³⁰ | Steady increase | 196.679 million people |

Result indicator: Number of Climate Pact pledges

Explanation: The Climate Pact will be launched at the end of 2020 and will give citizens and stakeholders from all parts of society a voice and role in designing new climate and environmental actions, sharing information, launching grassroots activities, showcasing solutions that others can follow and voluntary commitments to take climate action (Climate Pact pledges).

Source of the data: Climate Pact online platform

| Baseline (2019) | Target (2024) | Latest known results (2022) |
|-----------------|----------------------------------|--|
| 0 | Steady increase since its launch | <p>Citizen pledges: 113,983 registered EU users on the 'Count Us In' platform for individual pledges (and a total of 4,375,303 climate action steps registered) by 31/12/2022</p> <p>Organisational pledges: 3,785 pledges from organisations and groups</p> |

Main outputs in 2022:

External communication actions

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|---------------------------------|---------------------|--|--|
| Climate Pact: Stocktaking Event | Number of attendees | 500 attendees (physical and/or online) | Q1 2023 ³¹ |

⁽³⁰⁾ Differs from the data presented in [DG CLIMA Strategic plan 2020-2024](#) because Eurostat periodically revises its published data (including corrections of baselines retrospectively) to reflect new or improved information, also for previous years.

⁽³¹⁾ Event took place in Q1 2023 to align timing with the extension of the Pact's first implementation period

| Other important outputs | | | |
|---|---------------------------------|---------------------------|---|
| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
| Pledges recorded on the Climate Pact's platform | Number of pledges recorded | 25 000 | Citizen pledges: 113,983 registered EU users on the 'Count Us In' platform for individual pledges ³² Organisational pledges: 3785 pledges from organisations and groups |
| Climate Pact Ambassadors | Number of ambassadors nominated | 750 | Total Ambassadors: 845, including 43% women |
| Major contract to support the Climate pact | Contract signed | Q4 2022 | Postponed to Q2 2023 ³³ |
| Procurement Contracts | Contracts signed | 2 contracts by 31/12/2022 | More than 2 contracts signed by 31/12/2022 |

Specific objective 1.5: EU society (people, nature and welfare) is increasingly climate-resilient, adapted and equipped, protected and insured against the adverse impacts of climate change

Related to spending programme(s): LIFE Regulation

Result indicator: Number of Member States with adaptation plans

Explanation: Number of EU Member States that have communicated the establishment or operationalisation of an integrated plan which increases their ability to adapt to the adverse impacts of climate change and foster climate resilience. National Adaptation Plans usually aim to implement National Adaptation Strategies and to organise activities for achieving their objectives.

Source of the data: Climate-ADAPT, <https://climate-adapt.eea.europa.eu/countries-regions/countries>

| Baseline (2018) | Interim Milestone (2022) | Target (2024) | Latest known results (2022) |
|-----------------|--------------------------|-------------------|-----------------------------|
| 20 | 23 | all Member States | 23 |

⁽³²⁾ and a total of 4,375,303 climate action steps registered

⁽³³⁾ Contract for the new implementation period to be signed in Q2 2023, following the extension of the first period until April 2023

Main outputs in 2022:

External communication actions

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|---------------------------------|--|---|
| Climate Adaptation Mission – First Mission Forum | Number of attendees | 400 attendees (physical and/or online) | 200 physical attendees and 900 online attendees |
| | Number of posts on social media | 3 posts on social media | 3 posts on social media ³⁴ |

Other important outputs

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|--|---------------------------|--|
| Implementation of the actions as planned in the new Adaptation Strategy | All actions planned for 2022 implemented on time | Q4 2022 | All actions planned for 2022 were implemented. |
| Organise Climate Resilience Dialogue | 2 meetings organised | Q1 and Q3 2022 | Pre-launch online meeting organised in Q3, with more than 30 participants. Launch event organised in Q4 - 50 in person participants and 10 online. |
| Horizon Europe – Award decisions on the first call for proposals under the mission on adaptation | Decisions adopted | Q4 2022 | Grants awarded in Q4 2022 |
| Horizon Europe – Launch of the second call for proposals under the mission on adaptation | Call launched | Q2 2022 | Call launched in Q2 2022 |
| Launch of the tender for the Adaptation Mission Implementation Platform | Contract signed | Q4 2022 | Contract signed in Q4 2022 |
| Procurement Contracts | Contracts signed | 4 contracts by 31/12/2022 | More than 4 contracts signed by 31/12/2022 |

⁽³⁴⁾ 200 external posts

Specific objective 1.6: INTERNATIONAL NEGOTIATIONS: The level of ambition of other GHG emitters is increased thanks to the EU's leading role in climate diplomacy in line with the Paris Agreement and SDG 13

Related to spending programme(s): LIFE Regulation

Main outputs in 2022:

External communication actions

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|---|--|--|---|
| Side events hosted under the EU pavilion at the Conference of the Parties (COP27) | Number of side events hosted: Number of attendees | 90 An average of 40 participants per event (physical and/or online) | 125 events 8.856 participants ³⁵ |

Other important outputs

| Output | Indicator | Target | Latest known results (situation on 31/12/2022) |
|--|------------------|---------------------------|---|
| Lead the EU negotiations at the Conference of the Parties (COP27) | Completion | Q4 2022 | Completed in Q4 2022 |
| Preparation of Environment Council conclusions on COP27 | Adoption | Q4 2022 | Adopted in Q4 2022 |
| Climate finance Council conclusions | Publication | Q4 2022 | Published in Q4 2022 |
| Participation in UNFCCC meetings (2 meetings) | Completion | Q4 2022 | Completed in Q4 2022 |
| Participation in Montreal Protocol meetings (2 meetings) | Completion | Q4 2022 | Completed in Q4 2022 |
| Preparation, organisation, delivery and follow-up of the annual Florence meeting | Completion | Q3 2022 | Completed in Q2 2022 |
| Ministerial of Climate Action (MoCA) process | Completion | Q3 2022 | Completed in Q2 2022 |
| Procurement Contracts | Contracts signed | 2 contracts by 31/12/2022 | More than 2 contracts signed by 31/12/2022 |

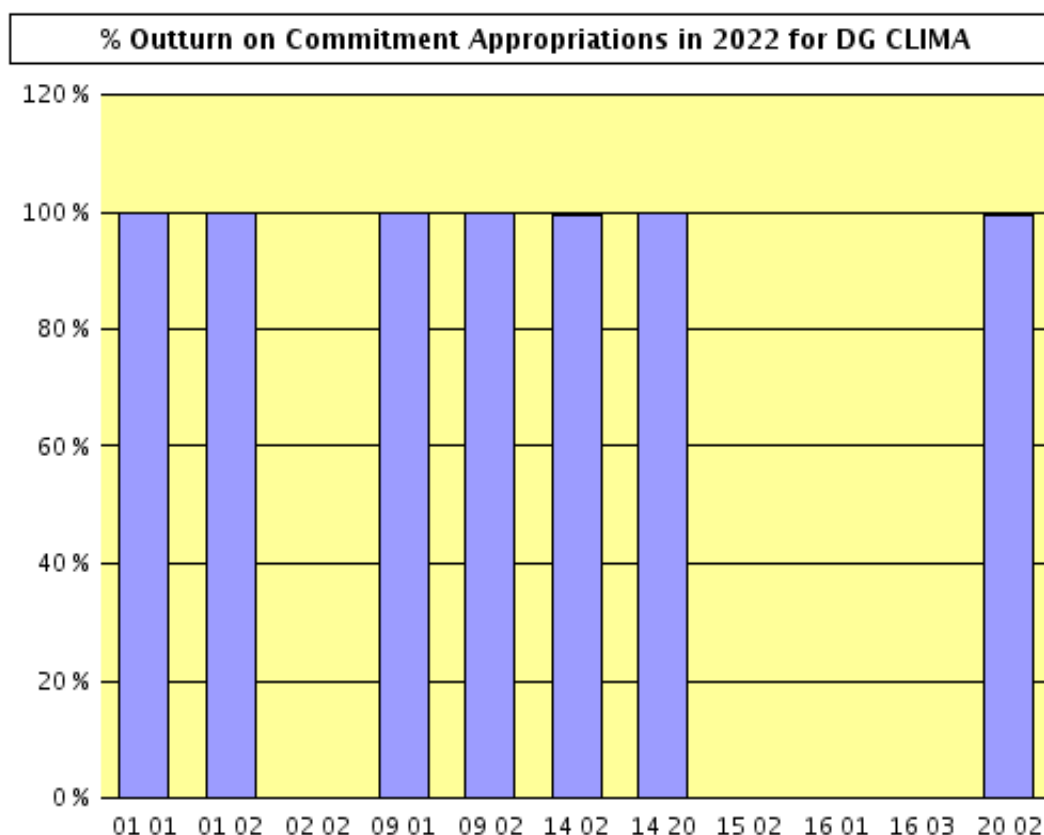
⁽³⁵⁾ 7609 attendees and 1247 speakers

ANNEX 3: Draft annual accounts and financial reports

| TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2022 (in Mio €) for DG CLIMA | | | | | |
|--|-------|---|---------------------------------------|------------------|-----------------|
| | | | Commitment appropriations authorised* | Commitments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 01 Research and Innovation | | | | | |
| 01 | 01 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.01 | 0.01 | 100.00 % |
| | 01 02 | Horizon Europe | 0.52 | 0.52 | 100.00 % |
| Total Title 01 | | | 0.53 | 0.53 | 100.00 % |
| Title 02 European Strategic Investments | | | | | |
| 02 | 02 02 | InvestEU Fund | 0.00 | 0.00 | 0.00 % |
| Total Title 02 | | | 0.00 | 0.00 | 0.00 % |
| Title 09 Environment and Climate Action | | | | | |
| 09 | 09 01 | Support administrative expenditure of the 'Environment and Climate Action' Cluster | 2.92 | 2.92 | 100.00 % |
| | 09 02 | Programme for the Environment and Climate Action (LIFE) | 30.88 | 30.88 | 100.00 % |
| Total Title 09 | | | 33.80 | 33.80 | 100.00 % |
| Title 14 External Action | | | | | |
| 14 | 14 02 | Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI - Global Europe) | 16.36 | 16.25 | 99.31 % |
| | 14 20 | Pilot projects, preparatory actions, prerogatives and other actions | 0.86 | 0.86 | 100.00 % |
| Total Title 14 | | | 17.22 | 17.11 | 99.35 % |
| Title 15 Pre-accession Assistance | | | | | |
| 15 | 15 02 | Instrument for Pre-accession Assistance (IPA III) | 0.00 | 0.00 | 0.00 % |
| Total Title 15 | | | 0.00 | 0.00 | 0.00 % |
| Title 16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework | | | | | |
| 16 | 16 01 | Support administrative expenditure outside the annual ceilings set out in the Multiannual Financial Framework | 5.97 | 0.00 | 0.00 % |
| | 16 03 | Support innovation in low-carbon technologies and processes under the Emission Trading System (ETS) | 3,468.58 | 4.31 | 0.12 % |
| Total Title 16 | | | 3,474.55 | 4.31 | 0.12 % |
| Title 20 Administrative expenditure of the European Commission | | | | | |
| 20 | 20 02 | Other staff and expenditure relating to persons | 0.42 | 0.42 | 99.50 % |
| Total Title 20 | | | 0.42 | 0.42 | 99.50 % |
| Total Excluding NGEU | | | 3,526.52 | 56.16 | 1.59 % |

| Title 01 Research and Innovation | | | | | |
|----------------------------------|-------|---|-----------------|--------------|---------------|
| 0 1 | 01 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.00 | 0.00 | 0.00 % |
| Total Title 01 | | | 0.00 | 0.00 | 0.00 % |
| Total NGEU Only | | | 0.00 | 0.00 | 0.00 % |
| Total DG CLIMA | | | 3,526.52 | 56.16 | 1.59 % |

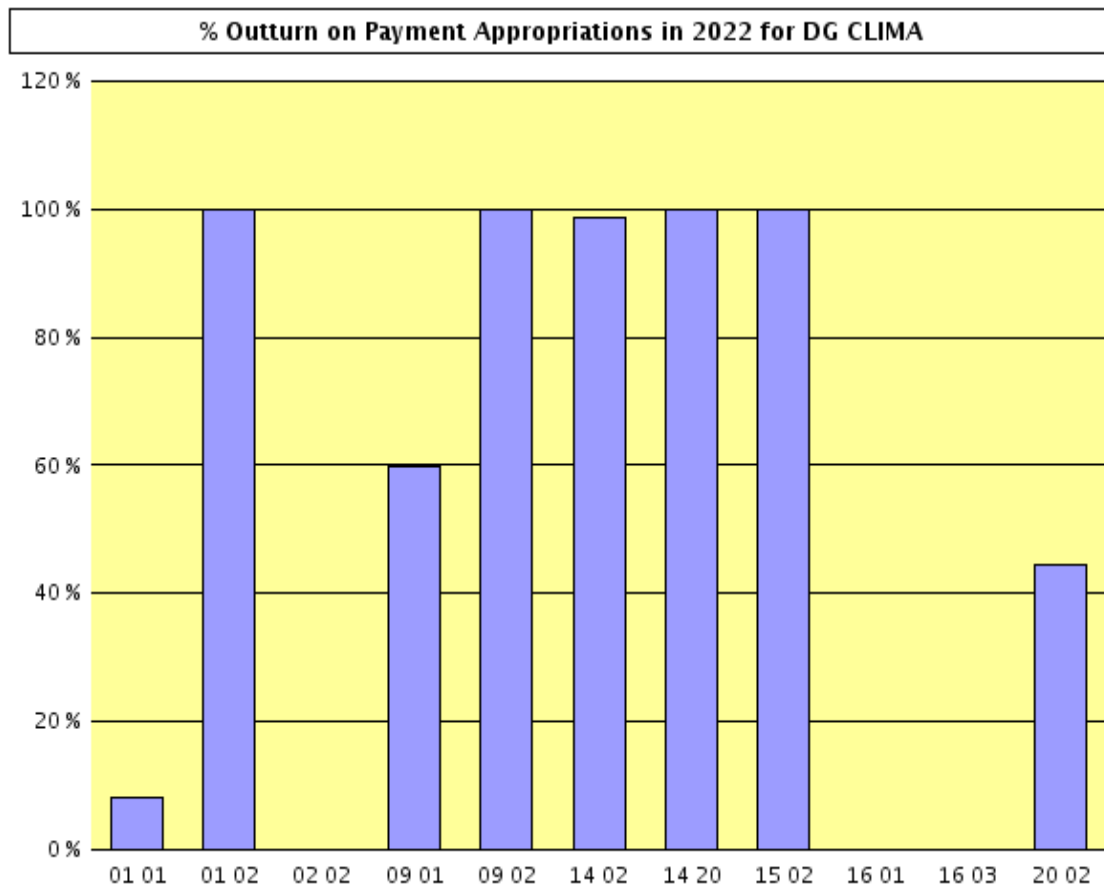
* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).



| TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2022 (in Mio €) for DG CLIMA | | | | | |
|--|-------|---|--|----------------------|----------------|
| | | | Payment appropriations authorised * | Payments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 01 Research and Innovation | | | | | |
| 01 | 01 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.01 | 0.01 | 100.00 % |
| | 01 02 | Horizon Europe | 0.85 | 0.85 | 100.00 % |
| Total Title 01 | | | 0.86 | 0.86 | 100.00% |
| Title 02 European Strategic Investments | | | | | |
| 02 | 02 02 | InvestEU Fund | 0.00 | 0.00 | 0.00 % |
| Total Title 02 | | | 0.00 | 0.00 | 0.00% |
| Title 09 Environment and Climate Action | | | | | |
| 09 | 09 01 | Support administrative expenditure of the 'Environment and Climate Action' Cluster | 5.06 | 3.03 | 59.96 % |
| | 09 02 | Programme for the Environment and Climate Action (LIFE) | 23.10 | 23.10 | 100.00 % |
| Total Title 09 | | | 28.15 | 26.13 | 92.81% |
| Title 14 External Action | | | | | |
| 14 | 14 02 | Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI - Global Europe) | 8.13 | 8.02 | 98.62 % |
| | 14 20 | Pilot projects, preparatory actions, prerogatives and other actions | 0.86 | 0.86 | 100.00 % |
| Total Title 14 | | | 8.99 | 8.88 | 98.75% |
| Title 15 Pre-accession Assistance | | | | | |
| 15 | 15 02 | Instrument for Pre-accession Assistance (IPA III) | 0.12 | 0.12 | 100.00 % |
| Total Title 15 | | | 0.12 | 0.12 | 100.00% |
| Title 16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework | | | | | |
| 16 | 16 01 | Support administrative expenditure outside the annual ceilings set out in the Multiannual Financial Framework | 5.97 | 0.00 | 0.00 % |
| | 16 03 | Support innovation in low-carbon technologies and processes under the Emission Trading System (ETS) | 6,676.02 | 7.31 | 0.11 % |
| Total Title 16 | | | 6,681.99 | 7.31 | 0.11% |
| Title 20 Administrative expenditure of the European Commission | | | | | |
| 20 | 20 02 | Other staff and expenditure relating to persons | 0.73 | 0.33 | 44.40 % |
| Total Title 20 | | | 0.73 | 0.33 | 44.40% |
| Total Excluding NGEU | | | 6,720.84 | 43.62 | 0.65% |

| Title 01 Research and Innovation | | | | | |
|----------------------------------|----|---|-----------------|--------------|---------------|
| 01 | 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.06 | 0.00 | 0.00 % |
| Total Title 01 | | | 0.06 | 0.00 | 0.00% |
| Total NGEU Only | | | 0.06 | 0.00 | 0.00% |
| Total DG CLIMA | | | 6,720.90 | 43.62 | 0.65 % |

* 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).



| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
|--|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 01 | 01 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.01 | 0.01 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |
| | 01 02 | Horizon Europe | 0.52 | 0.00 | 0.52 | 100.00% | 1.52 | 2.05 | 2.38 |
| Total Title 01 | | | 0.53 | 0.01 | 0.52 | 99.02% | 1.52 | 2.05 | 2.38 |
| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 02 | 02 02 | InvestEU Fund | 0.00 | 0.00 | 0.00 | 0.00% | 44.87 | 44.87 | 44.87 |
| Total Title 02 | | | 0.00 | 0.00 | 0.00 | 0.00% | 44.87 | 44.87 | 44.87 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
|--|-------|---|---------------------------|-------------|--------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 09 | 09 01 | Support administrative expenditure of the 'Environment and Climate Action' Cluster | 2.92 | 0.93 | 1.99 | 68.20% | 0.00 | 1.99 | 2.14 |
| | 09 02 | Programme for the Environment and Climate Action (LIFE) | 30.88 | 5.31 | 25.56 | 82.80% | 17.19 | 42.75 | 35.66 |
| Total Title 09 | | | 33.80 | 6.24 | 27.56 | 81.53% | 17.19 | 44.74 | 37.79 |
| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 14 | 14 02 | Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI - Global Europe) | 16.25 | 0.00 | 16.25 | 100.00% | 15.62 | 31.87 | 23.97 |
| | 14 20 | Pilot projects, preparatory actions, prerogatives and other actions | 0.86 | 0.86 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |
| Total Title 14 | | | 17.11 | 0.86 | 16.25 | 94.97% | 15.62 | 31.87 | 23.97 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
|--|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 15 | 15 02 | Instrument for Pre-accession Assistance (IPA III) | 0.00 | 0.00 | 0.00 | 0.00% | 1.18 | 1.18 | 1.29 |
| Total Title 15 | | | 0.00 | 0.00 | 0.00 | 0.00% | 1.18 | 1.18 | 1.29 |
| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 16 | 16 01 | Support administrative expenditure outside the annual ceilings set out in the Multiannual Financial Framework | 0.00 | 0.00 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |
| | 16 03 | Support innovation in low-carbon technologies and processes under the Emission Trading System (ETS) | 4.31 | 2.96 | 1.35 | 31.25% | 22.03 | 23.38 | 26.39 |
| Total Title 16 | | | 4.31 | 2.96 | 1.35 | 31.25% | 22.03 | 23.38 | 26.39 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
|--|-------|---|---------------------------|--------------|--------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 20 | 20 02 | Other staff and expenditure relating to persons | 0.42 | 0.32 | 0.10 | 22.94% | 0.00 | 0.10 | 0.31 |
| Total Title 20 | | | 0.42 | 0.32 | 0.10 | 22.94% | 0.00 | 0.10 | 0.31 |
| Total Excluding NGEU | | | 56.16 | 10.39 | 45.77 | 81.50% | 102.42 | 148.19 | 137.01 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2022 (in Mio €) for DG CLIMA | | | | | | | | | |
|--|-------|---|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2021 | Total of commitments to be settled at end of financial year 2022 | Total of commitments to be settled at end of financial year 2021 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 01 | 01 01 | Support administrative expenditure of the "Research and Innovation" cluster | 0.00 | 0.00 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |
| Total Title 01 | | | 0.00 | 0.00 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |
| Total NGEU Only | | | 0.00 | 0.00 | 0.00 | 0.00% | 0.00 | 0.00 | 0.00 |

| | | | | | | | | | |
|---------------------------|--|--|--------------|--------------|--------------|----------------|---------------|---------------|---------------|
| Total for DG CLIMA | | | 56.16 | 10.39 | 45.77 | 81.50 % | 102.42 | 148.19 | 137.01 |
|---------------------------|--|--|--------------|--------------|--------------|----------------|---------------|---------------|---------------|

Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2022 CLIMA

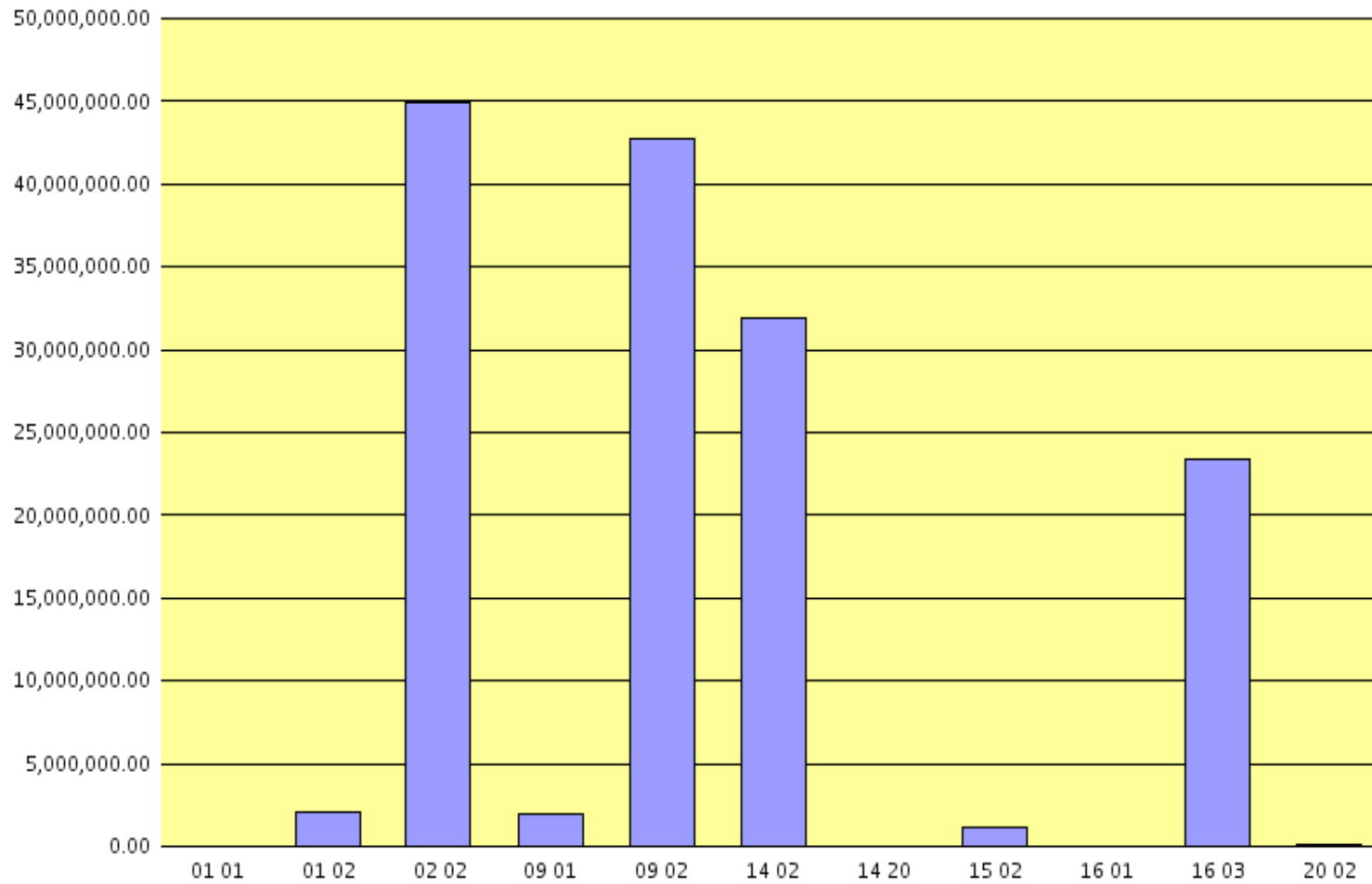


TABLE 4 : BALANCE SHEET for DG CLIMA

| BALANCE SHEET | 2022 | 2021 |
|--|--------------------------|-------------------------|
| A.I. NON CURRENT ASSETS | 5,642,510,448.73 | 3,684,331,907.92 |
| A.I.1. Intangible Assets | 1,675,553.68 | 2,513,330.52 |
| A.I.4. Non-Current Financial Assets | 5,639,842,328.05 | 3,680,652,580.40 |
| A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab | 992,567.00 | 1,165,997.00 |
| A.II. CURRENT ASSETS | -1,501,507,362.96 | 620,478,590.71 |
| A.II.1. Current Financial Assets | 835,796,249.06 | 514,750,625.44 |
| A.II.2. Current Pre-Financing | 21,942,576.06 | 13,335,949.64 |
| A.II.3. Curr Exch Receiv & Non-Ex Recoverables | -2,849,217,608.93 | 33,002,269.58 |
| A.II.6. Cash and Cash Equivalents | 489,971,420.85 | 59,389,746.05 |
| ASSETS | 4,141,003,085.77 | 4,304,810,498.63 |
| P.II. CURRENT LIABILITIES | -10,695,815.08 | -9,382,587.75 |
| P.II.3. Current Financial Liabilities | -7,326,537.00 | -6,498,096.00 |
| P.II.4. Current Payables | -3,369,278.08 | -2,884,491.75 |
| P.II.5. Current Accrued Charges & Defrd Income | 0.00 | 0.00 |
| LIABILITIES | -10,695,815.08 | -9,382,587.75 |
| | | |
| NET ASSETS (ASSETS less LIABILITIES) | 4,130,307,270.69 | 4,295,427,910.88 |
| | | |
| P.III.2. Accumulated Surplus/Deficit | -4,027,632,646.19 | -1897524952 |
| Non-allocated central (surplus)/deficit* | -102,674,624.50 | -2,397,902,958.70 |
| TOTAL DG CLIMA | 0.00 | 0.00 |

The accounting situation presented in the Balance Sheet does not include the accruals and deferrals calculated centrally by the services of the Accounting Officer

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG CLIMA

| STATEMENT OF FINANCIAL PERFORMANCE | 2022 | 2021 |
|---|--------------------------|--------------------------|
| II.1 REVENUES | -3,195,012,489.64 | -2,197,575,226.63 |
| II.1.1. NON-EXCHANGE REVENUES | -3,194,991,604.53 | -2,200,494,895.18 |
| II.1.1.5. FINES | -2,635,774.62 | -13,650,140.18 |
| II.1.1.8. OTHER NON-EXCHANGE REVENUES | -3,192,355,829.91 | -2,186,844,755.00 |
| II.1.2. EXCHANGE REVENUES | -20,885.11 | 2,919,668.55 |
| II.1.2.1. FINANCIAL INCOME | -3,523,444.11 | -1,148,777.33 |
| II.1.2.2. OTHER EXCHANGE REVENUE | 3,502,559.00 | 4,068,445.88 |
| II.2. EXPENSES | 521,559,284.78 | 67,467,532.62 |
| II.2. EXPENSES | 521,559,284.78 | 67,467,532.62 |
| II.2.10. OTHER EXPENSES | 9,473,279.42 | 9,396,079.76 |
| II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM) | 19,471,010.36 | 16,649,782.17 |
| II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM) | 1,098,406.81 | 9,151,156.61 |
| II.2.5. EXP IMPL BY OTHER ENTITIES (IM) | 3,515,841.00 | 507,960.00 |
| II.2.8. FINANCE COSTS | 488,000,747.19 | 31,762,554.08 |
| STATEMENT OF FINANCIAL PERFORMANCE | -2,673,453,204.86 | -2,130,107,694.01 |

The accounting situation presented in the Statement of Financial Performance does not include the accruals and deferrals calculated centrally by the services of the Accounting Officer

TABLE 5bis : OFF BALANCE SHEET for DG CLIMA

| OFF BALANCE | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| OB.1. Contingent Assets | 0.00 | 0.00 |
| GR for pre-financing | 0.00 | 0.00 |
| OB.2. Contingent Liabilities | -72,457,437.00 | -78,700,000.00 |
| OB.2.1. Guarantees given for EU FI | -72,457,437.00 | -78,700,000.00 |
| OB.4. Balancing Accounts | 72,457,437.00 | 78,700,000.00 |
| OB.4. Balancing Accounts | 72,457,437.00 | 78,700,000.00 |
| OFF BALANCE | 0.00 | 0.00 |

| Legal Times | | | | | | | | | |
|-----------------------------|-----------------------|-----------------------------------|------------|------------------------------|----------------------|------------|------------------------------|----------------------|------------|
| Maximum Payment Time (Days) | Total Nbr 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 | 277 | 274 | 98.92 % | 11.59 | 3 | 1.08 % | 72.67 | 10,656.37 | 0. % |
| 60 | 84 | 84 | 100.00 % | 18.95 | | | | 0.00 | 0. % |
| 90 | 10 | 10 | 100.00 % | 34.20 | | | | 0.00 | 0. % |

| | | | | | | | | | |
|-----------------------------------|--------------------|------------|----------------|----------------|----------|---------------|--------------------|-----------------|-------------|
| Total Number of Payments | 371 | 368 | 99.19 % | | 3 | 0.81 % | | 10656.37 | 0. % |
| Average Net Payment Time | 14.35849057 | | | 13.88 | | | 72.67 | | |
| Average Gross Payment Time | 16.47439353 | | | 16.0163 | | | 72.66666667 | | |

| Suspensions | | | | | | | |
|---|---------------------------------|------------------------------|-------------------|--------------------------|------------------------------|-------------------|-------------------|
| 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 |
| 0 | 21 | 38 | 10.24 % | 371 | 10,338,239.57 | 24.20 % | 42,723,243.93 |

| DG | GL Account | Description | Amount (Eur) |
|----|------------|-------------|--------------|
| | | | |
| | | | |

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2022 for DG CLIMA

| 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 | |
| 42 | Fines and penalties | 2,635,774.62 | 8,210,041.94 | 10,845,816.56 | 0.00 | 2,822,779.37 | 2,822,779.37 | 8,023,037.19 |
| 66 | Other contributions and refunds | 3,192,355,829.91 | 447,337,443.58 | 3,639,693,273.49 | 2,450,208,112.27 | 447,337,443.58 | 2,897,545,555.85 | 742,147,717.64 |
| Total DG CLIMA | | 3,194,991,604.53 | 455,547,485.52 | 3,650,539,090.05 | 2,450,208,112.27 | 450,160,222.95 | 2,900,368,335.22 | 750,170,754.83 |

TABLE 8 : FINANCIAL IMPACT OF EX-ANTE AND EX-POST CONTROLS in for DG CLIMA

| EX-ANTE CONTROLS | | Total undue payments recovered |
|----------------------------------|--|---------------------------------------|
| NON ELIGIBLE IN COST CLAIMS | | |
| CREDIT NOTES | | |
| RECOVERY ORDERS ON PRE-FINANCING | | |
| Sub-Total | | |

| EX-POST CONTROLS | | Total undue payments recovered |
|---|--|---------------------------------------|
| INCOME LINES IN INVOICES | | |
| RECOVERY ORDERS OTHER THAN ON PRE-FINANCING | | |
| Sub-Total | | |
| | | |
| GRAND TOTAL (EX-ANTE + EX-POST) | | |

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 12/31/2022 for DG CLIMA

| | Number at 12/31/2021 | Number at 12/31/2022 | Evolution | Open Amount (Eur) at 12/31/2021 | Open Amount (Eur) at 12/31/2022 | Evolution |
|------|----------------------|----------------------|-----------|---------------------------------|---------------------------------|-----------|
| 2021 | | 2 | | | 5,387,262.57 | |
| 2022 | | 2 | | | 744,783,492.26 | |
| | | 4 | | | 750,170,754.83 | |

TABLE 10 :Recovery Order Waivers >= 60 000 € in 2022 for DG CLIMA

| Waiver Central Key | Linked RO Central Key | RO Accepted Amount (Eur) | LE Account Group | Commission Decision | Comments |
|--------------------|-----------------------|--------------------------|------------------|---------------------|----------|
| | | | | | |

Total DG CLIMA

Number of RO waivers

There are no waivers below 60 000 €

TABLE 11: Negotiated Procedures in 2022 for DG CLIMA

Internal Procedures > € 60,000

| Negotiated Procedure Legal base | Number of Procedures | Amount (€) |
|--|----------------------|---------------------|
| Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market | 2 | 1,302,192.50 |
| Annex 1 - 11.1 (e) - New services/works consisting in the repetition of similar services/works | 1 | 399,997.50 |
| Total | 3 | 1,702,190.00 |

TABLE 12 : Summary of Procedures in 2022 for DG CLIMA

External Procedures > € 20,000

| Procedure Legal base | Number of Procedures | Amount (€) |
|---|-----------------------------|---------------------|
| Restricted procedure - As provided for in FR 164(1)(b) - Services/Supplies as from EUR 300 000 - Works as from EUR 5 000 000 - publication (Annex 1 - 38.1 (a)) | 1 | 2,350,000.00 |
| Total | 1 | 2,350,000.00 |

Internal Procedures > € 60,000

| Procedure Legal base | Number of Procedures | Amount (€) |
|---|-----------------------------|----------------------|
| Negotiated procedure middle value contract (Annex 1 - 14.2) | 1 | 75,410.00 |
| Negotiated procedure without prior publication (Annex 1 - 11.1) | 3 | 1,702,190.00 |
| Open procedure (FR 164 (1)(a)) | 7 | 12,353,272.00 |
| Total | 11 | 14,130,872.00 |

TABLE 13 : BUILDING CONTRACTS in 2022 for DG CLIMA

| Legal Base | Procedure subject | Contract Number | Contractor Name | Contract Subject | Contracted Amount (€) |
|------------|-------------------|-----------------|-----------------|------------------|-----------------------|
| | | | | | |
| | | | | | |

TABLE 14 : CONTRACTS DECLARED SECRET in 2022 for DG CLIMA

| Legal Base | LC Date | Contract Number | Contract Subject | Contracted Amount (€) |
|------------|---------|-----------------|------------------|-----------------------|
| | | | | |
| | | | | |

TABLE 15 : FPA duration exceeds 4 years - DG CLIMA

TABLE 16 : Commitments co-delegation type 3 in 2022 for DG CLIMA

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 2022, 10 standard financial indicators are presented below, each with its objective and result for the Commission service and for the EC as a whole (for benchmarking purposes)³⁶:

- | | |
|--|---|
| <ul style="list-style-type: none"> - Commitment Appropriations (CA) Implementation - CA Forecast Implementation - Payment Appropriations (PA) Implementation - PA Forecast Implementation - Global Commitment Absorption | <ul style="list-style-type: none"> - Timely Payments - Timely Decommitments - Invoice Registration Time - Accounting Data Quality - Management Data Quality |
|--|---|

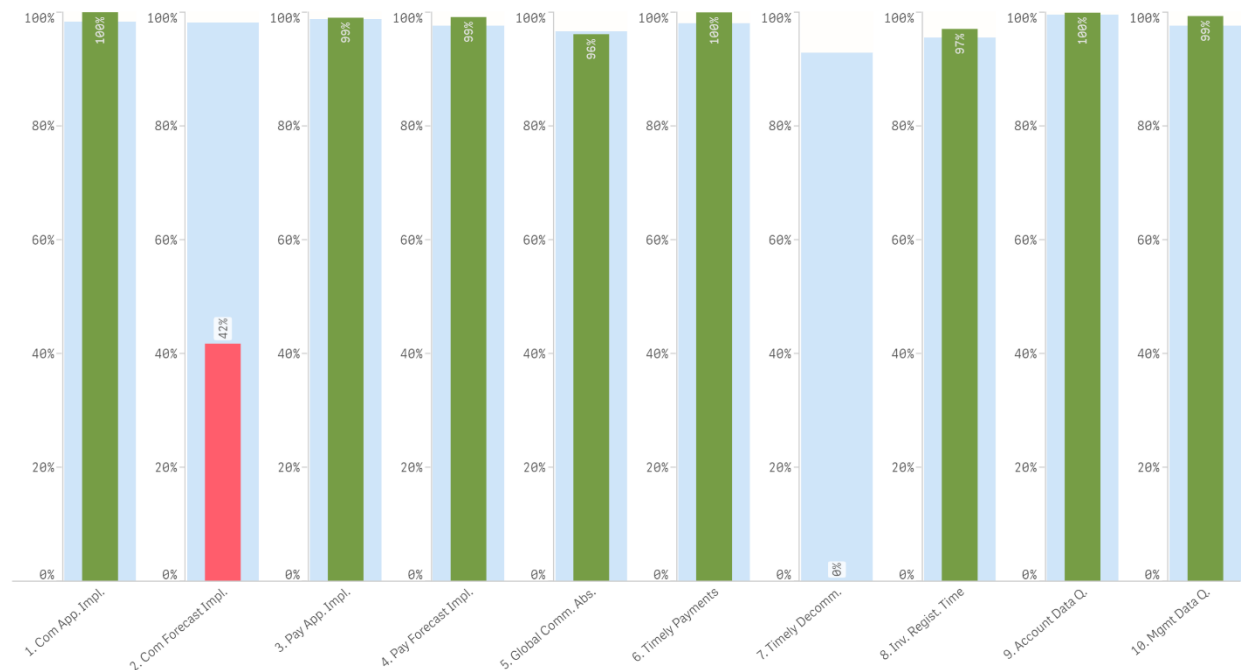
For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator's value and the target is colour coded as follows:

- 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 for each indicator's result in the dedicated comment section below the indicators scores 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.

The detailed definitions of the indicators are available on the internal DG BUDG site (BudgPedia) and managed by unit BUDG.C5 Financial Reporting.

CLIMA Indicator Scores for 2022 12



For each indicator the light blue bar denotes the EC score.

⁽³⁶⁾ 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.

| Indicator | Objective | Comment ³⁷ | CLIMA Score | EC Score |
|---|---|---|-------------|----------|
| 1. Commitment Appropriations Implementation | Ensure efficient use of commitment appropriations expiring at the end of Financial Year | | 100% | 98% |
| 2. Commitment Forecast Implementation | Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year | Forecasts can only be encoded on budget lines where appropriations have been duly inscribed. At the autumn cycle of the forecast exercise, negotiations on the participation of the Innovation Fund in InvestEU were still ongoing. Also, the financing decision on external actions to be implemented by DG CLIMA was not yet adopted. As a result, important transfers of funds took place after the cut-off date for the forecast exercise. | 42% | 98% |
| 3. Payment Appropriations Implementation | Ensure efficient use of payment appropriations expiring at the end of Financial Year | | 99% | 99% |
| 4. Payment Forecast Implementation | Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year | | 99% | 98% |
| 5. Global Commitment Absorption ³⁸ | Ensure efficient use of already earmarked commitment appropriations (at L1 level) | | 96% | 97% |
| 6. Timely Payments | Ensure efficient processing of payments within the | | 100% | 98% |

⁽³⁷⁾ An explanation behind the indicator result can be provided, e.g. the comment about the achievement itself, reference to the whole Commission performance (better or worse), reasons behind this achievement. The comment is mandatory for the 'Timely payments' indicator. For the rest of indicators the comment is mandatory only if the score is equal or below the target of 80%.

⁽³⁸⁾ Due to technical limitation: 1. 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. 2. it is technically not possible to exclude the decommitment of RAL (C8) which is subsequently re-committed for a new purpose. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

| | | | | |
|------------------------------|--|---|------|------|
| | legal deadlines | | | |
| 7. Timely Decommitments | Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle | The indicator is not applicable for DG CLIMA in 2022 due to the lack of underlying transactions recorded by DG CLIMA in 2022. | - | 93% |
| 8. Invoice Registration Time | Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC | | 97% | 95% |
| 9. Accounting Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts | | 100% | 100% |
| 10. Management Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the management decisions | | 99% | 98% |

ANNEX 5: Materiality criteria

Section 2.1 of this report sets out the main elements used to identify possible weaknesses in the internal control system. The significance/materiality of any weaknesses identified is assessed according to the following criteria:

1. Qualitative criteria

The qualitative criteria for assessing the significance of any weaknesses identified are:

- the nature and scope of the weakness
- the duration of the weakness
- the existence of compensatory measures
- the existence of effective corrective actions to correct the weaknesses
- the residual reputational, financial, operational and legal/regulatory risk
- significant deficiencies in one of the control systems
- issues outlined by auditors or OLAF
-

2. Quantitative criteria

In the context of a transaction-based approach, DG Climate Action considers that identified erroneous transactions which expose DG Climate Action to an actual financial loss could lead to a reservation to Director's General declaration under the following conditions:

- A significant weakness described in the AAR has been identified, and
- The weakness affects at least one the areas of the declaration of assurance:
(i)control systems, (ii)sound financial management, or (iii)legality and regularity of transactions, and
- An actual financial loss or reputational issue has already occurred or is very likely to materialise, and
- The amount has actually exceeded or is very likely to exceed the threshold of 2% of the relevant payment budget actually implemented, that means if the issue is not already corrected during the reporting period, for example by recovery orders or offsetting with future payments due.

Since 2019⁽³⁹⁾, a 'de minimis' threshold for financial reservations has been 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.

⁽³⁹⁾ Agreement of the Corporate Management Board of 30/4/2019.

3. Revenue criteria

DG Climate Action conservatively fixed the materiality criteria related to the management and processing of the revenues at 1%, which are stricter than the materiality level (of 2%) for expenditure.

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

Procurement – direct management (ex-ante controls*)

Stage 1 – Planning – Preparation phase

Main Internal Control Objectives: Effectiveness, efficiency and economy. Compliance, legality and regularity.

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|---|---|--|---|
| The needs are not well defined and the decision to procure was inappropriate to meet the operational objectives | Validation by AOSD of the justification for launching a procurement process | 100% of the forecast procurements (open procedures with prior notification) are justified in a note addressed to the AOSD | Effectiveness: Number of projected tenders cancelled. Number of procedures where only one or no offers were received. |
| | Decisions are discussed at management meeting | All procurement procedures having significant impact on the objectives of the DG are discussed at a resources management meeting | |
| The best offers are not submitted due to the pure definition of tender specifications | Agreement between operational unit and financial unit on the final version of tender specs | 100% of tender specifications are reviewed by the financial unit. The depth of controls may be determined by the amount and/or the significance / complexity of the file | Number of complaints received. Number of exceptions / non-compliance with FR registered. Efficiency: Average cost per tender |
| | Upstream control: Additional verification and responsible AOSD supervision | 100% of tender specification are submitted for the approval of the AOSD. | |
| Undisclosed conflict of interest that could lead to information leakages before tender | Opening and evaluation committee members sign a declaration of absence of conflict of interests | 100% of evaluation committee members sign a declaration of conflict of interest | Economy: Estimation of total cost of staff involved in the procurement process |
| | Additional checks by the financial unit | 100% of procurement files are checked by the financial unit | |

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|-------------|----------------------------------|--|--|
| | Red flags checked for every file | For all public procurement files red flags are checked | |

*No ex-post controls are carried out in DG CLIMA

Procurement – direct management (ex-ante controls*)

Stage 2 – Evaluation – Award phase

Main Internal Control Objectives: Effectiveness, efficiency and economy. Compliance, legality and regularity. Fraud prevention and detection.

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|---|---|--|---|
| The most economically advantageous offer not being selected due to a biased inaccurate or unfair evaluation process | Existence of formal evaluation process – Opening and evaluation committee for tenders | 100% of tenders are analysed. Depth: Check of all submitted documents | Effectiveness: Number of tenders cancelled. Numbers of complaints received. Number of litigation cases. Number of tenders received non-favourable CPAC opinion. Number of tenders extended beyond the standstill period. Efficiency: Average cost per tender Economy: Estimation of total cost of staff involved in the procurement process |
| | The decision of the evaluation committee is documented | 100% of tenders | |
| | Guidelines and templates to be used are accessible in the Intranet | Guidelines are constantly kept up to date and are easily accessible to all staff | |

*No ex-post controls are carried out in DG CLIMA

Procurement – direct management (ex-ante controls*)

Stage 3 – Implementation phase

Main Internal Control Objectives: Ensure that the implementation of the contract is in compliance with the signed contract

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|--|--|--|--|
| The products/services/ works foreseen are not (totally or partially) provided in accordance with the requirements of the signed contract | Reinforced monitoring on deliverables submission timing | 100% of contracts | <p>Effectiveness: Number of tenders cancelled. Numbers of complaints received. Number of litigation cases. Number of tenders received. Non-favourable CPAC opinion. Number of tenders extended beyond the standstill period.</p> <p>Efficiency: Average cost per tender</p> <p>Economy: Estimation of total cost of staff involved in the procurement process</p> |
| | Operational and financial checks in accordance with the financial circuits (“certified correct”) | 100% of payments Depth: The depth of controls depends on risk criteria | |
| | AOSD authorization for transactions | 100% of payments are authorized by AOSD | |
| The contractor fails to deliver | Request for a bank guarantee (to cover pre financing payments) | 100% of “risky” contracts | |
| The amounts paid exceeds the amounts due, (as those defined in the contract) | Non-performance contractual clauses | 100% of contracts | |
| | Check for plagiarism – double funding for the same study / service | In suspicious / risky cases using appropriate IT tools | |

*No ex-post controls are carried out in DG CLIMA

Grants – direct management (ex-ante controls*)

Stage 1 – Evaluation ranking and selection of proposals

Main Internal Control Objectives: Ensure that the most promising projects for meeting the policy objectives are among the proposals selected. Compliance, legality and regularity. Fraud prevention and detection.

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|---|--|--|--|
| The evaluation, ranking and selection of proposals are not carried out in accordance with the established procedures, the policy objectives, and the eligibility, selection and award criteria. | Assignment of staff (operational officers) to evaluate proposals. | 100% vetting of technical expertise and independence (conflicts of interest, nationality bias, ex-employer bias etc.). | <p>Effectiveness: Number of proposals received over proposals expected. Number of proposals challenged.</p> <p>Efficiency: Average cost per proposal</p> <p>Economy: Estimation of total cost of staff involved in the grant management process</p> |
| | Assessment of proposals by staff. | 100% of proposals are evaluated. | |
| | Review by a mixed panel and hierarchical validation by the responsible AOSD of ranked list of proposals. | 100% of ranked lists of proposals. Depth of review depends on risk factors. | |
| | Additional checks by the financial unit. | Prior to the evaluation of proposals, the financial unit is consulted. | |
| | Red flags checked. | For all proposals, red flags are checked. | |

*No ex-post controls are carried out in DG CLIMA

Grants – direct management (ex-ante controls*)

Stage 2 – Grant awarding phase

Main Internal Control Objectives: Effectiveness, efficiency and economy. Compliance, legality and regularity. Fraud prevention and detection.

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|--|---|---|--|
| <p>The description of the actions in the grant agreement includes tasks, which do not contribute to the objectives set. The budget foreseen overestimates the costs necessary to carry out the action. The beneficiary lacks operational and/or co-financing capacity to carry out the action. Procedures do not comply with the regulatory framework.</p> | <p>Assignment of staff (operational officers) to review and negotiate the grant agreements with Beneficiaries. Hierarchical validation of proposed adjustments.</p> | <p>100% of the selected proposals are scrutinized</p> | <p>Effectiveness: Amount of proposed costs rejected</p> <p>Efficiency: Time to grant</p> <p>Economy: Estimation of total cost of staff involved in the grant management process</p> |
| | <p>In depth financial verification, especially of the budget figures by the financial unit.</p> | <p>100% of the selected proposals are scrutinized by the financial unit</p> | |
| | <p>Signature of the grant agreement by the AOSD.</p> | <p>100% of grant agreements</p> | |

*No ex-post controls are carried out in DG CLIMA

Grants – direct management (ex-ante controls *)

Stage 3 – Implementation phase

Main Internal Control Objectives: Ensure that the operational results (deliverables) from the projects are of good value and are in accordance with the signed grant agreement. Ensure that the related financial operations comply with the regulatory and contractual provisions.

| Main Risks: | Mitigating Controls: | Coverage Frequency and depth of Controls: | Possible cost effectiveness indicators |
|--|--|---|--|
| <p>The products/services/ works foreseen are not (totally or partially) provided in accordance with the requirements of the signed grant agreement</p> <p>The contractor fails to deliver</p> <p>The amounts paid exceed the amounts due, (as those defined in the grant agreement)</p> <p>Ineligible costs paid</p> | Reinforced monitoring on deliverables and reports, submission timing | 100% of grant agreements are controlled | <p>Effectiveness: Rejected costs as a percentage of total costs claimed</p> <p>Efficiency: Time to pay</p> <p>Economy: Estimation of total cost of staff involved in the grant management process</p> |
| | Operational and financial checks in accordance with the financial circuits | 100% of payments. Operational and financial checks in accordance with financial circuits. Technical reports have to be approved by the operational unit before the payment. Depth: The depth of controls depends on risk criteria | |
| | AOSD authorization for transactions | 100% of payments are authorized by AOSD | |
| | Non-performance contractual clauses | 100% of grant agreements | |
| | Check for plagiarism – double funding for the same study / service | In suspicious / risky cases using appropriate IT tools | |

*No ex-post controls are carried out in DG CLIMA

Indirect management (Ex-ante controls*)

Stage 1 Establishment or prolongation of the mandate to the entrusted entity

Main Internal Control Objectives: Ensure that the legal framework for the management of the relevant funds is fully compliant with the regulatory framework. Ensure that the management of the funds is delegated to an appropriate entity (best value for public money, economy, efficiency) and that there is no conflict of interest.

| Main risks | Mitigating controls | Coverage frequency and depth of | Possible control |
|------------|---------------------|---------------------------------|------------------|
|------------|---------------------|---------------------------------|------------------|

| | | controls | indicators |
|--|--|--|---|
| <p>The actions supported through the Financial Instrument do not adequately reflect the policy objectives (no compliance with Fin. Reg. art. 140 and instrument specific objectives)</p> <p>The entrusted International Financial Institution does not have the experience to ensure effective implementation of this type of Financial Instrument</p> <p>Financial Institutions are not selected based on an open, transparent, justified on objective grounds procedure, or there are conflicts of interests in the selection process.</p> | <p>Ex-ante evaluation of the International Financial Institution – Hierarchical validation by AOSD</p> | <p>100% of cases. Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.</p> | <p>Effectiveness: Number of litigation cases. Number of European Court of Auditors requirements. Number of control failures.</p> <p>Economy Estimation of the cost of staff involved in the management of the financial instruments.</p> |

Indirect management (Ex-ante controls*)

Stage 2 Ex-ante assessment of the entrusted entity's financial and control framework

Main Internal Control Objectives: Ensure that the entrusted entity is fully prepared to start/continue implementing the delegated funds autonomously.

| Main risks | Mitigating controls | Coverage frequency and depth of controls | Possible control indicators |
|--|---|--|---|
| <p>The financial and control framework deployed by the entrusted entity is not fully mature to assure the management of funds in accordance with the regulatory provisions</p> <p>The design of the accounting and reporting arrangements of the entrusted entity does not ensure sufficient transparency</p> <p>The investment strategy and the risk profile of the financial institution or Final Recipient is not clearly defined</p> | <p>Ex-ante evaluation of the International Financial Institution or Final Recipient– Prior eligibility confirmation of the Designated Service involved, for every entrusted entity - Hierarchical validation by AOSD</p> <p>Ensure the provision of justification and prior consent of the Designated Service for any deviation from the signed agreement with the entrusted entity</p> | <p>100% of cases. Depth: May be determined after considering the type and nature of the entrusted entity and/or the value of the budget concerned</p> <p>100% of cases. Depth: Study of reports by the entrusted entity, of the summary of audits and controls carried out, of independent audit opinions etc., all to be taken into account before the prolongation</p> | <p>Economy Estimation of the cost of staff involved in the management of the financial instruments</p> |

*No ex-post controls are carried out in DG CLIMA

Indirect management (Ex-ante controls*)

Stage 3 Operations - monitoring supervision reporting

Main Internal Control Objectives: Ensure 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 impact. Ensure that the Commission fully assesses the management situation of the entrusted entity before any payment or decision to suspend / interrupt the contribution.

| Main risks | Mitigating controls | Coverage frequency and depth of controls | Possible control indicators |
|---|---|--|--|
| <p>The Designated Service is not timely informed of relevant management issues encountered by the entrusted entity and does not timely react upon notified issues It may also pay the contribution to the entity without being informed on problematic issues This may reflect negatively on the Commission’s governance reputation.</p> <p>The Financial Institutions, fail to</p> | <p>Delegation Act/Contribution agreement specifying the control, accounting, audit, publication etc. related requirements</p> | <p>100% of signed agreements</p> | <p>Effectiveness: Quality of reports. Relevance of the reported data. European Court of Auditors and Internal Audit Service findings. Amount of unused budget recovered/suspended.</p> <p>Efficiency: Cost benefit ratios. Average cost per entrusted entity. Ratio of cost over amount delegated.</p> |
| | <p>Monitoring/supervision of the entrusted entity, review of reporting control results and management audit reports</p> | <p>100% of entities involved are monitored/supervised on a regular basis. In case of operational/financial issues measures are reinforced. Depth: This depends on the mandate, and on the type of the entity. It also depends on risk criteria such as past experience with the entity, complexity or lack of experience in the area of financed actions or the management modalities.</p> | |

| | | | |
|--|--|---|--|
| <p>produce a number of operations significant to give conclusive results</p> <p>Internal controls weaknesses irregularities errors and fraud are not detected/corrected by the entrusted entities.</p> | <p>Management review of the supervision results. Ex-ante in depth operational and financial verification. Validation of any payment or recovery by the AOSD, and if deemed appropriate suspension or interruption of payments.</p> | <p>100% of payments. Depth: This depends on the mandate, and on the type of the entity. If needed suspension or interruption of payments or even application of an exit strategy.</p> | <p>Time to pay.</p> <p>Economy Estimation of the cost of staff involved in the management of the financial instruments.</p> <p>Asset management fees.</p> |
|--|--|---|--|

*No ex-post controls are carried out in DG Climate Action

ANNEX 7: Specific annexes related to "Financial Management"

Audit observations and recommendations (section 2.1.2)

There was one 'very important' recommendation addressed to both DG CLIMA and DG ENV following the 2021 IAS audit on relations with decentralised agencies (EEA and ECHA) in the Directorates General for Environment and for Climate Action :

- Recommendation No 2: DG CLIMA's oversight role in relation to the EEA's resources
Original due date: 31/12/2022

The IAS observed that, for activities where the EEA, DG ENV, DG CLIMA and other Commission services work together, the resourcing arrangements were not always in place prior to starting projects, de facto increasing the resources pressure on the Agency. This weakness might lead to inefficiencies and negatively impact the delivery of activities by pulling resources away from them, ultimately putting at risk the achievement of the operational and strategic objectives.

The auditors also noted that roles and responsibilities in the implementation of certain activities between DG ENV, DG CLIMA and the EEA were not always clear. As this is (generally) not clarified when implementing those activities, it results in non-optimal financial management practices, which might lead to lack of transparency in the use of the budget and ultimately jeopardise sound financial management.

Therefore, the IAS recommended that DG ENV and DG CLIMA should enhance controls and guidance for the preparation of the financial fiches, strengthen the coordination with other Commission services as regards the financing of non-core activities and clarify roles and responsibilities for shared projects at planning stage including to the extent possible the financing sources to ensure optimal financing practices.

DG CLIMA and DG ENV have developed a joint action plan, which outlined a number of actions to be taken by the end of 2022. Namely, improvements to the financial fiches, strengthening the structured dialogues with the EEA as well as coordination activities with other Commission services by setting up a permanent inter-service group, and also preparing a supervision strategy and guidance clarifying the roles, responsibilities of all actors and instructions for the financing of non-core activities and shared projects with EEA. The final elements of the action plan will be completed by the end of Q1 2023.

Table Y - Overview of DG's estimated cost of controls at Commission (EC) level:

NB. The absolute values are presented in million EUR.

| CLIMA | Ex ante controls*** | | | Ex post controls | | | Total | |
|--|-----------------------|------------------------|------------------------|------------------|-------------------------------------|----------------------|---|------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Relevant Control System (RCS) / Other as defined in Annex 6 of the AAR* | EC total costs | related payments Made | Ratio (%)** (a)/(b) | EC total costs | total value verified and/or audited | Ratio (%) (d)/(e) | EC total estimated cost of controls (a)+(d) | Ratio (%)** (g)/(b) |
| Procurement/Others/SLA/AA | 1,008,585.00 € | 31,845,824.20 € | 3.17% | - € | - € | 0.00% | 1,008,585.00 € | 3.17% |
| Grant Management | 43,015.00 € | 1,220,799.40 € | 3.52% | - € | - € | 0.00% | 43,015.00 € | 3.52% |
| Indirect Management | 237,473.00 € | 10,553,516.34 € | 2.25% | - € | - € | 0.00% | 237,473.00 € | 2.25% |
| | - € | - € | 0.00% | - € | - € | 0.00% | - € | 0.00% |
| | - € | - € | 0.00% | - € | - € | 0.00% | - € | 0.00% |
| | - € | - € | 0.00% | - € | - € | 0.00% | - € | 0.00% |
| | - € | - € | 0.00% | - € | - € | 0.00% | - € | 0.00% |
| | - € | - € | 0.00% | - € | - € | 0.00% | - € | 0.00% |
| OVERALL total estimated cost of control at EC level for expenditure | 1,289,073.00 € | 43,620,139.94 € | 2.96% | - € | - € | 0.00% | 1,289,073.00 € | 2.96% |

ANNEX 8: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (not applicable)

ANNEX 9: Specific annexes related to "Control results" and "Assurance: Reservations"

Table X: Estimated risk at payment and at closure

| DG CLIMA | Payments made (2022;MEUR) | minus new prefinancing [plus retentions made] (in 2022;MEUR) | plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2022;MEUR) | Relevant expenditure (for 2022;MEUR) | Detected error rate or equivalent estimates | Estimated risk at payment (2022;MEUR) | Adjusted Average Recoveries and Corrections (adjusted ARC; %) | Estimated future corrections [and deductions] (for 2022;MEUR) | Estimated risk at Closure (2022;MEUR) |
|---|---------------------------|--|---|--------------------------------------|---|---------------------------------------|---|---|---------------------------------------|
| -1 | -2 | -3 | -4 | -5 | -6 | -7 | -8 | -9 | -10 |
| Procurement Contracts | 24.53 | - 0.06 | 0.30 | 24.77 | 0.50% - 0.50% | 0.12 - 0.12 | 0.00% - 0.00% | 0.00 - 0.00 | 0.12 - 0.12 |
| Contribution Agreements | 10.55 | - 6.35 | 0.97 | 5.18 | 0.50% - 0.50% | 0.03 - 0.03 | 0.00% - 0.00% | 0.00 - 0.00 | 0.03 - 0.03 |
| Service Level Agreement/Admin Arrangement | 4.38 | - 2.96 | 0.00 | 1.42 | 0.50% - 0.50% | 0.01 - 0.01 | 0.00% - 0.00% | 0.00 - 0.00 | 0.01 - 0.01 |
| Grants | 1.22 | - 0.89 | 0.27 | 0.60 | 0.50% - 0.50% | 0.00 - 0.00 | 0.00% - 0.00% | 0.00 - 0.00 | 0.00 - 0.00 |
| Others | 2.94 | 0.00 | 0.00 | 2.94 | 0.50% - 0.50% | 0.01 - 0.01 | 0.00% - 0.00% | 0.00 - 0.00 | 0.01 - 0.01 |
| DG total | 43.62 | - 10.26 | 1.55 | 34.91 | | 0.17 - 0.17 | 0.00% - 0.00% | 0.00 - 0.00 | 0.17 - 0.17 |
| | | | | | Overall risk at payment in % | 0.50% - 0.50% (7) / (5) | | Overall risk at closure in % | 0.50% - 0.50% (10) / (5) |

Notes to the table X

(1) Relevant Control Systems differentiated per relevant portfolio segments and at a level which is lower than the total.

(2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.

In all cases of Co-Delegations (Internal Rules Article 3), "payments made" are reported by the Delegated departments. For Cross-SubDelegations (Internal Rules Article 12), the reporting remains with the Delegating departments.

(3) New pre-financing actually paid by out by the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department). as per note 2.5.1 to the Commission annual accounts thus excluding "Other advances to Member States" which are covered on a purely payment-made basis (note 2.5.2). Pre-financing paid/cleared" are always covered by the Delegated departments, even for Cross-SubDelegations.

Retentions: in Cohesion, the 10% retention applied during the year.

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').

Retentions: in Cohesion, the retentions released during the year by the Commission.

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (see the ECA's Annual Report methodological annex 1.1), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [& adds the retentions made], and adds the pre-financing actually cleared [& subtracts the retentions released; and any deductions of *expenditure made by MS*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In this column, we disclose the detected error rates or equivalent estimates.

For low-risk types of expenditure, where there are indications that the equivalent error rate might be close to 'zero' (e.g. *administrative expenditure, operating contributions to agencies*), the rate which should be used is 0.5% as a conservative estimate, unless the department has a more precise estimate based on evidence.

(8) The adjusted average recovery and corrections percentage is based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective measures each department applied over the past years as a result of ex post controls.

(9) For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

1. Reservations

| | |
|--|---|
| DG | Environment and Climate Action |
| Title of the reservation, including its scope | Security Weakness in the union Registry of the Emissions Trading System (EU ETS) |
| Reason for the reservation | <p>Since 2010, DG Climate Action has issued a reservation in all its AARs on reputational/legal/financial grounds related to security weaknesses identified in the Union Registry for the EU ETS.</p> <p>Operational since January 2005, the registries system ensures the accurate accounting of allowances issued under the EU ETS. In 2010/11 several successful cyber-attacks occurred against national registries and theft of allowances was reported. Since the migration of the national registries in June 2012 to a single Union Registry, classified as a critical system and operated by the Commission, the Union Registry would have been exposed to a reputational risk and legal/financial liabilities if new cyber-attacks would have succeeded.</p> <p>The Union Registry – the main information system underpinning the EU ETS, and available to its users through the Internet – is constantly exposed to cyber-threats, entailing the risk of attacks that can result in loss of its confidentiality and, most importantly, its integrity. Eventual theft or misappropriation of allowances may therefore not only lead to financial loss or legal litigation, would equally cause considerable damage to the Commission's reputation and credibility.</p> <p>Periodic risk assessments have evaluated the overall security of the Union Registry. The first risk assessment (2013) was followed by a deeper one in 2014. Also in 2014, an IAS audit confirmed the existence of risks and 9 recommendations were issued. To address those recommendations, DG Climate Action implemented an action plan of more than 40 actions by 2018 and the IAS audit was formally closed in May 2019.</p> <p>The 2019 risk assessment confirmed a number of vulnerabilities to be addressed in a 'security plan' involving 12 reinforcing security measures. As the Director General could not accept the residual risks, in compliance with Commission Decision 2017/46 and its implementing rules (CD 2017/8841), the unusually high residual risk situation was escalated in September 2019 to the IT and Cybersecurity Board (ITCB) for advice.</p> <p>In order to address the identified weaknesses and threats, the measures indicated below were taken and the ITCB has been updated regularly on this matter:</p> <ul style="list-style-type: none"> - The 2019 risk assessment resulted in a security plan of 12 security measures to implement. The ITCB endorsed it and monitored progress on CLIMA's proposal to plan and implement with DIGIT all measures in a two-year timeframe (September 2019-2021). The degree of progress of the 12 measures was around 75% completed at the end of 2021 to reach 90.08% at the end of 2022. Despite the hard work of CLIMA and DIGIT teams, the measures in the 2019 security plan were slower in their implementation, not managing to close the measures by September 2021 (as expected) nor closing completely by the end of 2022. The reason for the slower progress can largely be attributed to stretched resources as well as the underestimation of the complexity to develop technical designs in the interplay between CLIMA, the different DIGIT services and contractors. - In 2019 a request was made for additional resources to the Corporate Management Board (CMB). The two-year plan for allocating resources aimed to establish an operational model supported by the European Banking Authority (EBA) for financial institutions. Five additional posts were allocated and filled in 2020. Still the Climate systems and owner units lacks sufficient staff. There were no additional posts attributed to this in 2021 nor in 2022 due to the need to concentrate the recent reinforcements on the political priorities, including the 'Fit for 55' package and the Recovery and Resilience Facility. Moreover, the 5 additional human |

resources allocated could only partially achieve their initial objective.

In addition, an independent **study** was commissioned in **2019 to benchmark the resources and operating model of the Union Registry** (the main information system underpinning the EU ETS) against other institutions with comparable systems. The results highlighted **significant weaknesses** in terms of economic and human resources, and suboptimal alignment with the kind of IT services observed in financial institutions.

As the conclusions and identified risks levels in the study seem to point to structural issues, a **subsequent study** was launched in December **2020** on **potential alternative operating models** for the Union Registry. The evaluation of the options put forward by the consultant at the end of 2021 concluded that there was a pressing need to reduce the persistently high risks resulting from holding and handling high value assets that the current operating model fails to address.

As part of the risk management cycle, a **risk assessment** was finalised in July 2022. It reconfirmed that the risk landscape had evolved in such a way that the 2019 measures even upon completion would not result in acceptable risk levels.

A new security plan was proposed in 2022 that recommends finalising the implementation of the measures from the previous plan (2019) and suggested a number of additional measures.

But other challenges to operate the system in the Commission internal governance structure facing the budgetary and HR constraints, remain.

Therefore, a new business operating model may be required to address thoroughly the remaining issues. An assessment of both external as well as internal options to a future-proof operating model for the Emission Trading System's registry is envisaged. Should the risk landscape be similar (or higher) in the future (asset value, visibility of the system, etcetera), even if the security plan is completed, the Union Registry and the EU Transaction Log would **still be exposed to major security threats** that may possibly affect the confidentiality of the data, the integrity of the transactions and the availability of the system for the Member States and all account holders. This ultimately may result in legal disputes and reputational consequences for the Commission with potential financial losses. The trading of EU allowances (emissions rights) is regulated as trading of 'financial instruments' under the revised 'Markets in Financial Instruments Directive (MiFID)'. Financial risks are proportional to asset value. The carbon price has overall been rising since 2014 (from approximately €6 in 2014 to above €85 by the end of 2022), and at current prices the Union Registry holds allowances in the value of over 200 billion Euro.

The **unmitigated residual risks** at the end of 2022 remain **too high to be acceptable**. No cyber-attacks have succeeded since 2010 and no security incident has been recorded so far; however, some minor reputational risks materialised in 2020. Under these conditions, no 'reasonable' assurance can currently be provided, that the existing security measures could successfully prevent future attacks to succeed.

| | |
|--|--|
| Materiality criterion/criteria | <p>The significance of the events of 2010/11 was assessed against the following 3 criteria, that still remain valid:</p> <ul style="list-style-type: none"> - nature of the impact on reputation of the Commission vis-à-vis stakeholders to manage a market based instrument : medium-term negative stakeholder perception with limited impact on ability of the Commission (DG Climate Action) to meet key objectives, - breadth of awareness of the events : international and national press coverage, pro-active communication with the MS in full transparency by the Commission via the dedicated website 'EU Climate Action', via a webpage dedicated to ETS on the Europa server and in the Climate Change Committee. - duration: a series of incidents started in November 2010 continuing in January 2011 led to a suspension of trading of allowances on the 'spot' market that accounts for less than 20% of the ETS. Another incident occurred in a national registry in October 2011. |
| Quantification of the financial impact (amount at risk) | <p>Non-quantifiable – impossible to assess the financial impact accurately.</p> <p>The financial risks are proportional to asset value. The carbon price has overall been rising since 2014 (from approximately €6 in 2014, above €32 by the end of 2020 and €85 at the end of 2022), and at current prices the Union Registry holds allowances that fluctuate in value but that in 2022 exceeded € 200 Billion several times during the year.</p> <p>More significant is the reputational risk which is critical and impossible to quantify.</p> <p>The EU ETS is a key element of the “European Green Deal”, and a potential interest of certain groups to disrupt the system cannot be entirely discarded. Not with the intention to steal, but simply with the intention to damage the reputation of the Commission or the reliability of the ETS as an effective tool to combat climate change.</p> |
| Impact on the assurance | <p>The event falls within the scope of the declaration as it is a core activity of EU climate policy, managed by the Commission (DG Climate Action) with high visibility and media coverage and to which considerable human and financial resources are and will continue to be allocated in the future.</p> <p>The EU ETS is one of the main instruments for achieving and implementing the 2030 target: at least 55% net greenhouse gas emissions reduction compared to 1990 levels covering three quarters of the economy. The critical IT system supporting EU ETS is managed in-house by the Commission. However, the weakness does not invalidate the declaration of <u>reasonable</u> assurance by the Director General</p> |
| Responsibility for the weakness | <p>The Commission (DG Climate Action), as central administrator, has a key role in the functioning of the EU ETS in managing the Union Registry and the Union Transaction Log.</p> |
| Responsibility for the corrective action | <p>IAS formally closed the 2014 security audit on the security of the EU ETS IT system in DG Climate Action in May 2019. The auditors in their closure note acknowledged, however, that the inherent risk linked to the system remains very high and that they will continue to monitor closely the evolution of this cyber-security risk. The risk assessment of 2019, endorsed by DIGIT, revealed ‘critical’ and ‘very critical’ risk levels. The latest risk assessment of 2022 still showed risks at ‘very high’ level. Despite good collaboration and continued efforts between DIGIT and DG Climate Action implementing security measures over the years, the risk of successful cyberattack remained too high to be acceptable.</p> <p>Observing the suggestion of the ITCB, DG Climate Action presented a request for resources to the CMB as part of the standard HR allocation process. The two-year plan for allocating resources aimed to implement an operational model supported by the European Banking Authority (EBA) for financial institutions. A number of additional human resources were allocated and filled in 2020</p> <p>While the implementation of the measures of the 2019 security plan for the Union Registry shall continue, the ulterior causes of this persistent high risk seem to point to structural issues that DG Climate Action and/or DIGIT cannot solve alone.</p> <p>DG Climate Action finalised a new risk assessment in July 2022. In conclusion, 10</p> |

additional security measures were proposed. **The implementation of these measures will continue in 2023, in full collaboration with the Directorate-General for Informatics (DIGIT).** However, it should be noted that upon completion of the security plan, including these new measures, the residual risk would still remain too high to be acceptable.

In parallel, an inter-service group led by DG Climate Action and comprising the Secretariat-General, DG Budget, DG Informatics, DG Financial Stability, Financial Services and Capital Markets Union, and DG Taxation and Customs Union is exploring alternative operating models for the Union Registry. It is expected that, in the course of 2023, an in-depth feasibility assessment and a cost-benefit analysis will be conducted to inform a possible decision on the new modus operandi of the Union Registry (e.g. outsourcing through a delegation agreement). Meanwhile DG Climate Action and DG Informatics will continue to implement and enhance security measures to minimise the risks associated with the internal operation of the system.

It is to be added that the IAS is currently carrying out a limited review of the 2022 security plan and associated security measures of the EU ETS information system managed by the Directorate-General for Climate Action (DG CLIMA). The results of the audit are to be known in the course of 2023.

Conclusion

The measures requested in the action plan that followed the IAS audit of 2014 were implemented in full. Despite fulfilling all the requirements, the measures did not lower the risks to business acceptable levels. Unfortunately, the increased risks and threats coupled with the growth in value (due to the rising carbon price in recent years) seem to outpace the implementation rate of the security measures that DG Climate Action and DIGIT can sustain.

This may add to the structural issues that the studies in 2019 and 2020 referred. Namely, that the staff and financial strength is not proportionate to the total value of assets managed, and that the IT services of the Commission do not match those of the financial sector. Also, that there is a need to evaluate alternative operating models for the Union Registry and that it appears to be increasingly necessary to change to a new operating model for the ETS Registry.

The unmitigated residual risks at the end of 2022 remain too high to be acceptable. The ensuing financial and reputational risks are still material.

ANNEX 10: Reporting – Human resources, digital transformation and information management and sound environmental management

Objective: DG CLIMA 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

| Baseline (2019) | Interim milestone (2022) | Target (2024) | Latest known results (31/12/2022) |
|--|--|---------------------|--|
| 33% of female in middle management positions (4 middle managers out of 12) | DG CLIMA will need to make 1 female appointment to middle management position by December 2022 | Still to be defined | 17% of all heads of unit nomination in 2022 1 female appointment to middle management position in 2022 36% of women in middle management positions |

Indicator 2: DG CLIMA staff engagement index

Source of data: Commission staff survey

| Baseline (2018) | Target (2024) | Latest known results (31/12/2021) |
|-----------------|---|-----------------------------------|
| 75% | 76%-80% and maintain above the Commission average (72% in 2021) | 74% |

Main outputs in 2022:

| Output | Indicator | Target | Latest known results (31/12/2022) |
|-------------------------|--|--|--|
| DG CLIMA HR Strategy | Adoption | Adoption by senior management by end of Q1 | Adopted |
| DG CLIMA HR action plan | Implementation of actions | Implementation of actions foreseen in 2022 on track | 100% actions implemented |
| Gender balance | 1st time female appointments in management positions | A 1st time woman appointment to middle management by the end of 2022 ⁴⁰ | 1 female appointment to middle management position in 2022 |

⁽⁴⁰⁾ As set out in the Commission Decision SEC(2020) 146 of 1 April 2020

| Output | Indicator | Target | Latest known results (31/12/2022) |
|---|--|--|---|
| Newcomers welcome sessions | Number of sessions | 3 | 1 However, the intranet page for the newcomers was updated to provide the extensive Welcome Package |
| Programme of internal communication actions such as: - Lunchtime conferences - Debriefing breakfasts with Senior Management | Series of presentations organised and participation rate | On average, 50 participants for lunchtime conferences and 120 participants for debriefs with Senior Management | 20 internal events organised in total (mainly hybrid events). Lunchtime conference average 71 participants, townhall meetings 189 participants. |

Objective: The authorising officer by delegation has reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that cost-effective controls are in place which give the necessary guarantees concerning the legality and regularity of underlying transactions

Indicator: Estimated risk at closure

Source of data: DG CLIMA Annual Activity Report

| Baseline (2019) | Target (2024) | Latest known results (31/12/2022) |
|----------------------------------|------------------------------|-----------------------------------|
| Below 2% of relevant expenditure | < 2% of relevant expenditure | 0.5% |

Main outputs in 2022:

| Output | Indicator | Target | Latest known results |
|--|--|---------------------------------------|----------------------|
| Effective controls: Legal and regular transactions | Risk at payment | Remains < 2 % of relevant expenditure | 0.5% |
| | Estimated risk at closure | remains < 2 % of relevant expenditure | 0.5% |
| Effective controls: Safeguarded assets and information | Degree of implementation of the 12 security measures in the Union Registry ⁴¹ | 90% | 90,08% |

(⁴¹) Expressed as a percentage, representing the average of the degree of implementation of the 12 measures

| Output | Indicator | Target | Latest known results |
|---|---|--|---|
| Efficient controls | Budget execution in the DG Time-to-pay | Remains at 100 % of commitment and payment appropriations Remains > 97% of payments (in value) made within the time limit | 100% on commitment 99% on payment Appropriations 100% |
| Economical controls | Overall estimated cost of controls | Maintain the cost of controls below or equal to 2020 levels (i.e. 3.2 % of funds managed) | 2.96% |
| Open recommendations from European Court of Auditors (ECA) and Internal Audit Service (IAS) | Number of recommendations from ECA and IAS overdue for more than 6 months | None | 1 ⁴² |

measures and the implementation of the Commission Anti-Fraud Strategy aimed at the prevention, detection and correction of fraud

Indicator : Implementation of the actions included in DG CLIMA anti-fraud strategy over the whole strategic plan lifecycle (2020-2024)

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

| Baseline | Target (2024) | Latest known results (31/12/2022) |
|--|--|-----------------------------------|
| 100% of actions points of the 2021 anti-fraud strategy (AFS) | 100% of action points (of the revised AFS) implemented in time | Fully implemented ⁴³ |

Main outputs in 2022:

| Description | Indicator | Target | Latest known results |
|--|---|---------------------------|----------------------|
| Awareness trainings organised for target population as identified in DG Climate Action's anti-fraud strategy | % of target population having attended training sessions on antifraud | 100% of target population | Fully Implemented |

⁽⁴²⁾ 1 overdue recommendation from a special report 'Floods Directive progress in assessing risks while planning and implementation need to improve – the revised expected completion date is 31/12/2024, by which the Commission will finalise the evaluation of the Member States 2nd Flood Risk Management Plans.

⁽⁴³⁾ DG CLIMA revised its anti-fraud strategy in July 2021 which replaced the 2016 AFS.

| Description | Indicator | Target | Latest known results |
|---|------------------------------------|---------|----------------------|
| Perform risk assessment exercise on a yearly basis and include assessment of fraud vulnerability. Ensure that this analysis is taken into account in the general risk assessment exercise of the DG | 1 documented fraud risk assessment | Q4 2022 | Fully Implemented |

Objective: DG CLIMA is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and data-driven Commission⁴⁴

Indicator 1: Degree of implementation of the digital strategy principles by the EU ETS Union registry

Source of data: a state-of-play on the implementation of the 11 core principles defined by the EC Digital Strategy for the EU ETS Union registry. It reflects the degree of implementation of each of the 11 principles (“2-well implemented”/ “1-partially implemented”/ “0-not implemented”), and is expressed as a percentage of the implementation (a total score of 22 being 100%).

| Baseline (2018) | Interim milestone (2022) | Target (2024) | Latest known results (31/12/2022) |
|-----------------|--------------------------|---------------|-----------------------------------|
| 23% | 50% | 73% | 67,65% |

Indicator 2: Percentage of DG CLIMA key data assets for which corporate principles for data governance have been implemented

Source of data: Key data assets as defined in CLIMA’s contribution to the Commission’s data inventory of November 2019, the baseline estimate represents a numerical average of a preliminary assessment by local data correspondent and data stewards of the degree of current application of the four principles to each of the seven identified key data assets under CLIMA responsibility. What is measured is the extent to which corporate principles for data governance are implemented for CLIMA ’s key data assets

| Baseline (2019) | Interim milestone (2022) | Target (2024) | Latest known results (31/12/2022) |
|-----------------|--------------------------|---------------|-----------------------------------|
| 50% | 66% | 80% | 74% |

(⁴⁴) No information is reported for the following indicator “Review of existing ARES files to identify those that can be usefully shared with other DGs”. This is due to a lack of data (data collection was discontinued in 2021), mainly because the priority of the DG in that field has shifted to introducing paperless processes, managing sensitive information and protecting personal data (Cf. [DG CLIMA Management plan 2022](#)).

Indicator 3: Percentage of staff attending awareness raising activities on data protection compliance

Source of data: DG CLIMA Annual Activity Report

| Baseline (2018) | Interim milestone (2021) | Target (2024) | Latest known results (31/12/2022) |
|-----------------|--------------------------|---------------|-----------------------------------|
| 25% | 50% | 100% of staff | 67% |

Main outputs in 2022:

| Output | Indicator | Target | Latest known results (31/12/2022) |
|---|--|--|---|
| Collaboration tools | Coaching sessions on modern collaboration tools | 70% of CLIMA staff attended M365 trainings | Approximately 35% has attended in-person training. For the rest of the DG a group in teams with all information related to M365 was created. |
| SNC data handling on Welcome | Update of handling instructions to cover SNC functionalities in Welcome Training to users | Instructions updated by the end of 2022 100% of target population (i.e. Managing SNC documents) | Handling instructions policy was updated with specific instructions to cover SNC in welcome. The document is available on DG CLIMA intranet. 100% of target population has been informed |
| Proactive dissemination of up-to-date information on personal data protection | Number of trainings organised for specific groups and information on DG CLIMA intranet | Number of trainings organised for specific groups and information on DG Climate Action intranet | 1 Training for managers 1 Training for newcomers 7 Unit presentations 1 team training 9 Intranet News flashes |

Objective: DG CLIMA takes account of its environmental impact in their actions and actively promotes measures to reduce the related day-to-day impact of the administration and its work, with the support their respective EMAS Correspondents/EMAS Site Coordinators.

Main outputs in 2022:

I. More efficient use of resources (energy, water, paper):

| Output | Indicator | Target (2021 as baseline) | Latest known results (31/12/2022) |
|---|--|---|--|
| Staff awareness actions to reduce waste and energy use in the framework of EMAS corporate campaigns and/or awareness actions about DG's total energy consumption in collaboration with OIB/OIL ⁽⁴⁵⁾ where appropriate. | Number of trainings and number of participants | 1 lunchtime conference on "The Greening of the Commission Communication – what does it mean for CLIMA staff?" | 1 lunchtime conference organised. Participation – 57 staff members |
| | Number of articles in CLIMA weekly | 4 articles in CLIMA weekly | 2 articles about greening the Breydel Courtyard 2 articles published encouraging greener missions. 1 article about Waste reduction 1 article published on Greening the Commission |
| Participation in the end of the year energy saving action, by closing down DG's buildings during the Christmas and New Year's holiday period (BEST initiative). | Participation of DG CLIMA | 100% of DG CLIMA buildings participating | 100% of DG CLIMA buildings participating |

II. Reducing CO₂, equivalent CO₂ and other atmospheric emissions

| Output | Indicator | Target (2021 as baseline) | Latest known results (31/12/2022) |
|---|-------------------------------|---------------------------|--|
| Staff awareness actions on reducing GHG emissions (such as actions on | Number or % of staff informed | 100% of staff informed | Actions promoted on the intranet and CLIMA weekly. |

⁽⁴⁵⁾ See [OIB – Environmental Building Performances for Brussels](#) and [OIL- Environmental Building Profiles for Luxembourg](#).

| Output | Indicator | Target (2021 as baseline) | Latest known results (31/12/2022) |
|---|--|---|---|
| sustainable commuting during EU Mobility week and VeloWalk corporate events) and/or raise staff awareness on sustainable commuting in collaboration with OIB or OIL (e.g. availability of bike parking facilities, lockers and showers, promote the reduction of parking spaces' use amongst staff). | % of staff participating in VeloWalk | 60% of staff participated in VeloWalk | 81 people from CLIMA participated in Vélo Mai 2022. CLIMA won the first spot. 28 people participated in the Walking challenge 2022, walking a total of 19 249 381 km. More staff are using sustainable commuting methods since the move to Breydel 2 as was shown in the staff survey results (-9% of staff use a combustion engine. Walking is up by 17%). |
| Analysis of DG's missions trends /patterns (based on corporate EC-staff's professional trips (missions) ⁽⁴⁶⁾), optimise and gradually reduce CO ₂ emissions (e.g. by optimising the number of participants in the same mission, promoting more sustainable travelling options, promoting videoconferencing/ virtual events as an alternative). | Number of missions | Number of missions | 2022: 410 missions took place. (2019: 842 missions) |
| | CO ₂ (t) emissions from DG's missions (<i>% means of transportation used</i>) | 30% reduction of CO ₂ emissions / person (baseline in 2019 = 4.7 t CO ₂ / person) | 2022: emissions 24.14 t CO ₂ (2019: 720 t CO ₂) We reduced by nearly 2/3 our emissions from missions. |
| Staff awareness on digital pollution and gradual change of behaviours avoiding heavy emails, encouraging the use of (shared) ICT platforms, avoiding unnecessary storage of data. | Number of events organised | 1 event organised | Promotion of the event on Digital mindfulness lunchtime conference in DG CLIMA |

⁽⁴⁶⁾ data provided by HR.D.02

III. Reducing and managing waste

| Output | Indicator | Target (2021 as baseline) | Latest known results (31/12/2022) |
|--|-------------------|---|---|
| Staff awareness actions about waste reduction and sorting in the framework of EMAS corporate campaigns and/or staff awareness actions about DG's waste generation in collaboration with OIB/OIL where appropriate (for example, promote and label the waste sorting schemes in place). | Number of actions | 1 action on avoiding packaging waste from lunches | Reducing the waste in your lunch was promoted in the article on waste reduction. The Easy ways to live a greener life webinar organised by DG AGRI was promoted in an article on the CLIMA intranet and in the CLIMA weekly during the European Waste Reduction Week. |
| | % staff informed | 100% of staff informed | Sorting stations have been installed in Breydel 2. The waste sorting is labelled. 1 article published on waste reduction and the sorting system. |
| | | 1 CLIMA weekly article reminding of the waste separation system | 1 article published on waste reduction and the sorting system. |
| Implementation of the EC Guidelines for sustainable meetings and events, e.g. reduce/eliminate single-use plastics, gadgets/gifts. | % of green events | 100% | Reminder to the staff to not use single-use plastic in the waste reduction article and also when orders are placed through for EC internal meetings |

IV. Promoting green public procurement (GPP)

| Output | Indicator | Target (2019 as baseline) | Latest known results (31/12/2022) |
|---|-------------------|--|---|
| Staff awareness actions on the promotion of "green items" among EC office supplies' catalogue (for example, introduce a DG-specific office supplies' catalogue, including only 100% "green items"). | Number of actions | 1 training targeted at staff procuring office supplies | Most items in our catalogue are "green items". Reminder to the staff of the possibility of ordering recharges for their office supplies in the article on Waste reduction. |

ANNEX 11: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 12: EAMR of the Union Delegations (not applicable)

**ANNEX 13: Decentralised agencies and/or EU Trust Funds
(not applicable)**