



# Annual Activity Report 2021

## Annexes

DIRECTORATE-GENERAL FOR ENERGY  
(DG ENER)

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

### **For 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<sup>1</sup>, I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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

Brussels, 31 March 2022

**Anne MONTAGNON**

e-signed

### **For the Director taking responsibility for the completeness and reliability of management reporting on results and on the achievement of objectives:**

I hereby certify<sup>2</sup> that the information provided in Section 1 of the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31 March 2022

**Cristina LOBILLO BORRERO**

e-signed

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

<sup>2</sup> On the basis of the AOSD reports submitted by the Directors in DG ENER

## ANNEX 2: Performance tables

### General objective 1: European Green Deal

#### Impact indicator:

#### Share of renewable energy in gross final energy consumption<sup>3</sup>

Source of the data: Eurostat (Eurostat online data code: [sdg\\_07\\_40](#))

Baseline (2018)	Interim Milestone (2020)	Target (2030)	Latest known results (2020)
19,1%	20%	32%	22,1%

#### Impact indicator: Primary energy consumption<sup>4</sup>

Source of the data: Eurostat (Eurostat online source code: [sdg\\_07\\_10](#))

Baseline (2018)	Interim Milestone (2020)	Target (2030)	Latest known results (2020)
1377 MTOE <sup>5</sup>	1312 MTOE (EU 27) 1483 MTOE (EU 27+UK)	1273 MTOE	1236,5 MTOE In 2020 a significant drop of primary energy consumption (PEF) was observed of 1236,5 MTOE. (EU27), which is 5.7% below the 2020 target.  A significant part of the drop of PEC recorded in 2020 is related to the impact of COVID-19. In 2021 a rebound of the energy consumption is expected.

#### Impact indicator: Greenhouse gas emissions intensity of energy consumption<sup>6</sup>

Source of the data: Eurostat (Eurostat online data code: [sdg\\_13\\_20](#))

Baseline (2017)	Interim Milestone (2022)	Target (2024)	Latest known results (2019)
86,9%	decrease	decrease	82,6%

<sup>3</sup> Renewable energy generation is given as the share of renewable energy consumption in gross final energy consumption. The gross final energy consumption is the energy used by end consumers (final energy consumption) plus grid losses and self-consumption of power plants

<sup>4</sup> Primary energy consumption covers the energy consumption by end users such as industry, transport, households, services and agriculture, plus energy consumption by the energy sector itself for the production and transformation of energies, losses occurring during the transformation of energies (for example, the efficiency of electricity production from combustible fuels) and the transmission and distribution losses of energy. Expressed in million tonnes of oil equivalent (MTOE)

<sup>5</sup> MTOE = million tonnes of oil equivalent

<sup>6</sup> The greenhouse gas emissions intensity of energy consumption is the ratio between energy-related greenhouse gas emissions and gross inland consumption of energy. It expresses how many tonnes of CO2 equivalent of energy-related greenhouse gases are emitted per unit of energy consumed. A decrease signifies either burning relatively less fossil fuels or switching to fossil fuels with lower carbon intensity (e.g. from coal to natural gas). Index: 2000 = 100

**Specific objective 1:** Energy is clean, affordable and secure

*Related to spending programme(s): Recovery and Resilience Facility, European Structural and Investment Funds, InvestEU, Horizon Europe, Connecting Europe Facility, LIFE, Renewable Financing Mechanism* **Result indicator:** Adoption of the Energy System Integration Strategy and the Hydrogen Strategy<sup>7</sup>

**Source of the data:** DG ENER

<b>Baseline</b> (2019)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (year)
	(2020)		
Announcement of the Energy System Integration Strategy in the European Green Deal roadmap for June 2020	Adoption of the Strategies	100% of the actions stemming from Strategies are in line with the European Green Deal objectives	The ESI strategy has 40 actions. In Jan. 2022, 22 of the actions have been implemented, 8 actions are ongoing, 7 actions are on track to be achieved, and 3 actions have not started yet.

<sup>7</sup> This indicator measures the fulfilment of one of the initiatives included in the roadmap of the European Green Deal and the actions which will be triggered

**Result indicator:** Completion of EU Market Coupling<sup>8</sup>**Source of the data:** DG ENER & European Union Agency for the Cooperation of Energy Regulators (ACER)

<b>Baseline</b> (2019)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
Market coupling for electricity trade in the “intraday” and “day-ahead” timeframe not completed in parts of Europe (notably South-East Europe)	(2022)Day-ahead market coupling at all EU borders (inclusion of 11 outstanding borders in Single Day Ahead Coupling”) by the end of 2022.	Completion of day-ahead and intraday market coupling at all EU borders.	
19 Member States coupled to the pan-EU day-ahead market; 22 coupled to the pan-EU intraday market.	All Member States with interconnector coupled for day-ahead electricity trading.	All Member States with interconnectors coupled for day-ahead and intraday trading	<u>2020/21 achievements for day-ahead coupling:</u> <ul style="list-style-type: none"> <li>• December 20: Greece coupled</li> <li>• January 21: Great Britain bidding zones and interconnectors with EU exiting Single Day-ahead Coupling</li> <li>• May 21: Bulgaria coupled</li> <li>• June 21: Czech-Republic, Slovakia, Hungary and Romania coupled with the rest of the EU market.</li> <li>• October 21: Bulgaria-Romania border coupled.</li> </ul> Only the Croatian-Hungarian border remains uncoupled <u>Achievements in 2021 for intraday coupling:</u> <ul style="list-style-type: none"> <li>• coupling of Italy in September.</li> </ul> Only Slovakia and Greece remain uncoupled.

<sup>8</sup> The indicator measures the status of the expansion of EU-wide electricity market coupling (i.e. central trading platform) for “day-ahead” and “intraday” electricity trading.

**Result indicator:** Adoption and full implementation in line with the European Green Deal objectives of the revised TEN-E Regulation and 6th Project of Common Interest (PCI) list<sup>9</sup>  
**Source of the data:** DG ENER

Baseline (2019)	Interim Milestone	Target (2024)	Latest known results (2021)
	(2020)		
Current TEN-E framework which, while having broad progress on market integration, security of supply and integratin of renewables, is not fully aligned yet with Green Deal objectives.	Adoption of the Commission proposal.	Entry into force of 6th Project of Common Interest (PCI) list based on new legislative framework and hence fully in line with the European Green Deal objectives.	Political agreement between the co-legislators was reached on 15 December 2021 on the revised TEN-E Regulation. Following the endorsement by COREPER on 22 December and the on-going legal linguistic review, the revised TEN-E should be formally adopted in Q1 2022. The 6th Project of Common Interest (PCI) list is expected to be adopted in autumn 2023.

**Result indicator:** National Energy and Climate Plans (NECPs) implement European Green Deal and EU post-2020 energy and climate goals, and thereby contribute to economic recovery<sup>10</sup>  
**Source of the data:** DG ENER

Baseline (2019)	Interim Milestone	Target (2024)	Latest known results (2021)
	(2023)		
Final National Energy and Climate Plan (NECPs) detailing existing and additional policies and measures to be implemented in the period 2020-30	100% of the policies and measures introduced by Member States, reflected in their National Energy and Climate Plans (NECPs) and Integrated Progress Reports, are in line with the European Green Deal objectives and contribute to the economic recovery	100% of the policies and measures introduced by Member States in their revised National Energy and Climate Plans (NECPs) are in line with the European Green Deal objectives and thereby contribute to the economic recovery	EU level assessment shows high level of compliance. To be reassessed in 2023 revised NECPs.  The 2021 State of the Energy Union report evidenced the progress in the implementation of the EU energy and climate policies.

<sup>9</sup> This indicator measures the fulfilment of one of the initiatives included in the roadmap of the European Green Deal including adoption of the Commission proposal, agreement by the co-legislator and full implementation.

<sup>10</sup> Under the Governance Regulation Member States are required to submit progress reports every 2 years starting in 2021 and an updated National Energy and Climate Plan (NECP) to the Commission by 2024. The indicator measures how Member States - via their progress reports and revised NECPs - implement their national energy and climate policies to contribute towards the achievements of EU 2030 energy and climate targets and climate neutrality in 2050, including increased ambition level for 2030, thereby contributing to economic recovery.

**Result indicator:** Share of nuclear material under full scope safeguards verification activities<sup>11</sup>

**Source of the data:** DG ENER

<b>Baseline</b> (2019)	<b>Interim Milestone</b> (2022)	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
99,94%	Value to be kept above 99.90 %	Value to be kept above 99.90 %	99,95% Both interim milestone and target were defined before the Covid pandemic. The pandemic complicated inspection activities and had a negative impact on the result indicator. Out of the current perspective, however, neither the interim milestone 2022 nor the target for 2024 are out of reach. The future development regarding Covid limitations will be decisive.

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<sup>11</sup> Percentage share of all civil nuclear materials held in the EU subject to accountancy verifications, physical inventory verifications and material balance evaluation



**Result indicator:** Supporting the highest standards on nuclear safety in the EU12

**Source of the data:** Commission’s data on the Member States’ transposition and implementation of the abovementioned directives, including notified transposition measures, information from Member States received through EU Pilots and infringement procedures, complaints, and Member States’ implementation reports as required by the Directives and data provided by nuclear operators. Detailed/final decommissioning plans; Commission’s work programmes; biyearly monitoring reports and inspections; EVM (Earned Value Management) data per each programme

Baseline (2020)	Interim Milestone		Target (2024)	Latest known results (2021)
	(2021)	(2022)		
Progress of the implementation of the Euratom legal framework:				

<sup>12</sup> This indicator measures the achieved levels of transposition and implementation of the recently adopted Euratom Directives in the area of nuclear energy with a view to ensuring nuclear safety, radiation protection, and the responsible management of radioactive waste and spent fuel. The indicator also measures the progress in the implementation of the EU Nuclear Decommissioning Assistance Programmes in Lithuania, Bulgaria and Slovakia towards the decommissioning end states defined in the relevant detailed plans.

Baseline (2020) Progress of the implementation of the Euratom legal framework:	Interim Milestone		Target (2024)	Latest known results (2021)
	(2021)	(2022)		
<p>- Nuclear Safety Directive (NSD) completeness transposition checks finalised; EU Pilots launched on conformity aspects;</p> <p>- Basic Safety Standards (BSS) Directive completeness transposition checks ongoing at advanced level, several infringement procedures pending;</p> <p>- Radioactive Waste Directive (RWD) Completeness and conformity transposition checks finalised - follow-up of open infringement procedures ongoing;</p>	<p>- Nuclear Safety Directive (NSD) conformity checks completed, i.e. all infringement procedures launched (if any);</p> <p>- Basic Safety Standards (BSS) Directive completeness checks completed, i.e. all infringement procedures launched (if any);</p>	<p>- adoption of the 2nd Commission report on the implementation of the NSD;</p> <p>- adoption of 3rd Commission report on the implementation of the Radioactive Waste Directive (RWD)</p> <p>- adoption of 4th Commission report on the implementation of the Shipment Directive</p>	<p>Completeness and conformity checks completed for the Nuclear Safety Directive (NSD), Basic Safety Standards (BSS) Directive and Radioactive Waste Directive (RWD), i.e. all infringement procedures launched (if any) and where possible closed, or in Court</p>	<p>- Nuclear Safety Directive (NSD): conformity checks almost completed</p> <p>- the internal assessment of the input received from the MS in the framework of the 23 EUPilots opened in 2021 was completed at the end of 2021; decisions on the way forward to be adopted at the beginning of 2022.</p> <p>- Basic Safety Standards (BSS) Directive: the completeness of transposition of all MS has been examined and the respective checks are almost completed. Overall, 26 infringement cases were launched. The current situation is as follows: 4 cases are at LFN (letter of formal notice) stage, 5 at RO stage, 1 CJEU judgement has been rendered and 16 cases have been closed. As regards the remaining cases, for some of them the adoption of additional transposition measures is pending, while for others, the assessment of MS replies is ongoing and decisions will be taken in the first infringement cycles of 2022 Conformity checks have begun and two infringement cases were launched in 2021.</p> <p>- Adoption of the 2nd Commission report on the implementation of the NSD.</p>

<b>Baseline</b> (2020) Second Topical Peer Review (TPR) under the NSD: (2020)	<b>Interim Milestone</b>  (2021)	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
- Launch of preparatory work	- decision on the topic of the 2nd Topical Peer Review (TPR);	2nd Topical Peer Review (TPR) completed based on the reports submitted by nuclear operators and Member States' competent authorities.	ENSREG approved "Fire Protection" as the TPR-II topic at the 41 <sup>st</sup> ENSREG plenary in November 2020. In line with the "TPR overall process document" approved at the same meeting, ENSREG WG1 was required to prepare draft ToR in 2021, for approval at the ENSREG plenary in 2022.
Baseline (2020) Progress of the EU NuclearDecommissioning Assistance Programmes:	Interim Milestone  (2023)	Target (2024)	Latest known results (2021)
(2020, Q1) - Ignalina Programme (LT) Earned Value (EV) = 1252 MEUR (Million Euros) (37%) - Kozloduy Programme (BG) EV = 734 MEUR (55%) - Bohunice Programme (SK) EV = 628 MEUR (51%)	- Ignalina Programme (LT) EV = 1637 MEUR (48%) - Kozloduy Programme (BG) EV = 1106 MEUR (82%) - Bohunice Programme (SK) EV = 1093 MEUR (89%)	- Ignalina Programme (LT) Earned Value (EV) = 1731 (51%) - Kozloduy Programme (BG) EV = 1146 MEUR (84%) - Bohunice Programme (SK) EV = 1177 MEUR (95%) A update of the Detailed Decommissioning Plan for the Bohunice Programme is under preparation reflecting the new end date (Dec 2027) agreed with the Commission. This new baseline will influence both interim milestone 2023 and target 2024.	The current EV values (1 <sup>st</sup> half 2021) reflect that the programmes are progressing well, but that there are risks of deviations from the baseline. Earn Value figures as of June 2021: - Ignalina Programme (LT) EV = 1348 MEUR (40%) - Kozloduy Programme (BG) EV = 789 MEUR (59%) - Bohunice Programme (SK) EV = 785 MEUR (64%)

## Main outputs in 2021:

### New policy initiatives

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Revision of Renewable Energy Directive [PLAN/2020/7536]	Adoption	Q2 2021	FINALISED <a href="#">COM(2021)557</a> Adopted 14.7.2021
Revision of Gas Directive 2009/73/EC [PLAN/2020/8564]	Adoption	Q4 2021	FINALISED <a href="#">COM(2021)803</a> Adopted 15.12.2021
Revision of Gas Regulation (EC) No 715/2009 [PLAN/2020/8563]	Adoption	Q4 2021	FINALISED <a href="#">COM(2021)804</a> Adopted 15.12.2021
Proposal for a legislative act on methane emissions in the energy sector [PLAN/2020/8648]	Adoption	Q4 2021	FINALISED <a href="#">COM(2021)805</a> Adopted 15.12.2021

### Evaluations and fitness checks

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Evaluation of Commission Regulation (EURATOM) on the application of Euratom Safeguards [PLAN/2021/10774]	Evaluation Roadmap	Q1 2021	The evaluation roadmap was prepared, but not published as agreed with SG during the Decide planning process (sensitive file).  The evaluation was validated in Decide on 27 May 2021. Its adoption is planned <b>for Q1 2022</b>

### Public consultations

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Public consultation for the revision of the Renewable Energy Directive [PLAN/2020/7536]	Publication	Q1 2021	FINALISED Roadmap published: 03 August 2020 - 21 September 2020 <a href="#">Public consultation:</a> 17 November 2020 - 09 February 2021
Public consultation for the revision of Gas Directive and Gas Regulation [PLAN/2020/8563] [PLAN/2020/8564]	Publication	Q2 2021	FINALISED Roadmap published: 10 February 2021 - 10 March 2021 <a href="#">Public consultation:</a> 26 March 2021 - 18 June 2021

<b>Enforcement actions</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Assessment of MS' transposition of the Renewable Energy Directive	Assesment and potential infringement procedures	Beginning of the assessment on 1st July 2021	ONGOING Assessment ongoing. Infringement proceedings have been launched in relation to all Member States for incomplete transposition of the Directive. In the meantime, five Member States declared full transposition of the Directive.
Assessment of MS' transposition of the recast Electricity Directive	Assesment and potential infringement procedures	Beginning of the assessment on 1 st January 2021	ONGOING Assessment of Member States' transposition is ongoing with the support of the consultant.
<b>External communication actions</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Conference "Towards 61 GW of offshore energy by 2030: sharing experiences throughout the EU", 12 October	Number of participants	150	150
7th Energy Infrastructure Forum	Number of participants	250	250
High Level Group meeting on Central and South Eastern European Connectivity (CESEC)	Adoption of conclusions	Q3 2021	FINALISED
<b>Other important outputs</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Implementing Act on the award of CEF grants for actions contributing to Projects of Common Interest under CEF (call for proposals 2021) [PLAN/2020/9392]	Adoption	Q3 2021	DELAYED Due to the later than expected entry into force of the CEF2 Regulation, the adoption of the multi-annual work programme and the launch of the call for proposal was delayed. The Implementing Act is expected to be adopted in Q1 2022.
Delegated Act on cross-border projects in the field of renewable energy [PLAN/2018/3336]	Adoption	Q1 2021	FINALISED <a href="#">C(2021)9875</a> Adopted 21.12.2021
Implementing Act on guidance on EU biomass sustainability criteria [PLAN/2020/9939 <sup>13</sup> ]	Adoption	Q1 2021	DELAYED ISC concluded Adoption in preparation; Adoption foreseen Q1 2022

<sup>13</sup> In the MP 2021 this was encoded as PLAN/2019/6112

Report on the status of production expansion of relevant food and feed crops worldwide [PLAN/2020/7299]	Adoption	Q2 2021	<p>DELAYED</p> <p>Delay in the work of the consultant due to unforeseen methodology and data availability issues combined with higher than expected workload related to the REDII (Renewable Energy Directive II) revision and some of the implementing and delegated acts under REDII.</p> <p>Adoption planned for Q2 2022</p>
Implementing Act on rules for the voluntary schemes recognised by the European Commission [PLAN/2019/6114]	Adoption	Q3 2021	<p>DELAYED</p> <p>ISC concluded</p> <p>Adoption in preparation; an updated version was presented to the Biofuels Committee meeting on 3 February 2022; a vote on the Implementing Act is currently scheduled for 10 March 2022.</p> <p>Adoption foreseen Q1 2022</p>
Implementing acts (first wave) on interoperability requirements and procedures for access to data, in accordance with article 24 of Directive (EU) 2019/944 [PLAN/2021/11359]	Adoption	Q4 2021	<p>ONGOING</p> <p>Year 2021 was a preparation phase for this activity. Work is ongoing. Moreover, this deliverable is linked to the Digitalisation of Energy action Plan that is also scheduled in 2022.</p>
Guidelines on the regional cooperation in the gas markets [PLAN/2020/8317]	Adoption	Q2 2021	<p>FINALISED</p> <p>Initiative Abandoned</p> <p>The Commission adopted in Article 6 and recital 134 of the revised Gas Directive of the Hydrogen and Gas decarbonisation Package a reference to such guidelines.</p>
Implementing regulation on the Member States' reporting of information foreseen in the Governance of the Energy Union [PLAN/2018/4711]	Adoption	Q4 2021	<p>DELAYED</p> <p>The launch of the supporting contract was delayed from late 2020 to July 2021 due to the absence of the MOVE-ENER SRD framework contract. New planned adoption date Q3 2022</p>
Commission Decision amending the composition of the Electricity Coordination Group [PLAN/2020/9049]	Adoption	Q2 2021	<p>DELAYED</p> <p>Delayed due to the delay in the adoption of the Rules of Procedure for the Electricity Coordination Group that Member States challenged.</p> <p>New planned adoption date: Q2 2022</p>
Assessment of the Directive on safety of offshore oil and gas operations [PLAN/2018/2823]	Adoption	Q2 2021	<p>FINALISED</p> <p>This initiative has been replaced by PLAN/2020/7590 already adopted on 16.11.2020 <a href="#">COM(2020)732</a></p>

Commission Opinion on the statutory documents on the establishment of the EU DSO entity [PLAN/2020/8980]	Establishment in December 2020	Q1 2021	FINALISED <a href="#">C(2020)8067</a> Adopted 25.11.2020
Second Commission Report to the Council and the European Parliament on Member States' implementation of the Nuclear Safety Directive [PLAN/2020/6893]	Adoption of the Report	Q3 2021	DELAYED ISC concluded in December 2021, the comments of services have been incorporated and the Report is ready for adoption. New planned adoption date:2022
2021 Annual Progress Report on the Nuclear Decommissioning Assistance Programmes for Bulgaria (Kozloduy) Lithuania (Ignalina) and Slovakia (Bohunice) [PLAN/2020/9462]	Adoption of the Report	Q4 2021	DELAYED The delay in the preparation of the financing decisions has impacted the preparation of the progress report. Further, this will be the first report to be drafted in common with the JRC and establishing an effective collaboration takes more time than expected. New planned adoption date: Q1 2022
2021-2022 financing decision for the Nuclear Decommissioning Assistance Programme in Lithuania [PLAN/2020/9464]	Adoption of the Financing Decision	Q1 2021	FINALISED C(2021)9337 Adopted 16.12.2021
2021-2022 financing decision for the Nuclear Decommissioning Assistance Programmes in Bulgaria and Slovakia [PLAN/2020/9467]	Adoption of the Financing Decision	Q1 2021	FINALISED C(2021)8857 Adopted 9.12.2021
Establishment of the Group of Experts on Financial Aspects of Nuclear Decommissioning and Spent Fuel and Radioactive Waste Management [PLAN/2017/2006]	Adoption of the Commission Decision	Q1 2021	FINALISED C(2021)2109 Adopted 7.4.2021
Revision of the Nuclear Safeguards Approach (IETS-II, CSWD) [PLAN/2016/431]	Adoption	Q1 2021	FINALISED <a href="#">SWD(2021)215</a> Adopted 23.7.2021

**Specific objective 2:** Building, renovations and application of the Energy Efficiency first principle<sup>14</sup>

**Related to spending programme(s):** Recovery and Resilience Facility, European Structural and Investment Funds, InvestEU, Horizon Europe, LIFE, European Energy Efficiency Fund

**Result indicator:** Final energy consumption

**Source of the data:** Eurostat (Eurostat online source code: sdg\_07\_10)

Baseline (2017)	Interim Milestone	Target (2030)	Latest known results (2021)
	(2020)		
988 MTOE <sup>15</sup> (for EU27_2020)	1086 MTOE (EU28) 959 MTOE (for EU27_2020)	846 MTOE (for EU27_2020)	In 2020 a significant drop of final energy consumption (FEC) was recorded of 907 Mtoe, (EU27).  A significant part of the drop of FEC obtained in 2020 is related to the impact of COVID-19. In 2021 a rebound of the energy consumption is expected.

**Result indicator:** Final energy consumption in households by type of fuel<sup>16</sup>

**Source of the data:** Eurostat (Eurostat online source code: ten00125)

Baseline (2017)	Interim Milestone	Target (2030)	Latest known results (2021)
	(2020)		
250 676 KTOE (for EU27_2020)	243.156,000 (for EU27_2020)	213.074,000 (for EU27_2020)	In 2020, the FEC in households was 248.243,382 (EU27), which is higher than the interim milestone by approximately 2%.  From 2017 to 2019 a decreasing trend for the FEC in households can be observed, however in 2020 this value increased. This increase can be in part attributed to the COVID-19 impacts that led to an increased energy use in residential buildings.

<sup>14</sup> Final energy consumption covers the total energy consumed by end users, such as households, industry and agriculture. It is the energy which reaches the final consumer's door and excludes that which is used by the energy sector itself. Expressed in million tonnes of oil equivalent (MTOE)

<sup>15</sup> MTOE = million tonnes of oil equivalent

<sup>16</sup> Final energy consumption in households covers the energy consumption of households individual dwellings, apartments, etc.) for space heating, water heating, cooling, and cooking as well as electricity consumption by various electrical appliances. Expressed in thousand tonnes of oil equivalent (KTOE)



**Main outputs in 2021:****New policy initiatives**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results (situation on 31/12/2021)</b>
Revision of the Energy Performance of Building Directive 2010/31/EU [PLAN/2020/8667]	Adoption	Q4 2021	FINALISED <a href="#">COM(2021)802</a> Adopted 15.12.2021
Sustainable Products Initiative (SPI) which incorporates the Revision of the Ecodesign Directive 2009/125/EC [PLAN/2020/7714] DG ENV is in the lead and GROW and ENER are co-responsible	Adoption	Q4 2021	DELAYED Negative Regulatory Scrutiny Board (RSB) opinion received on 15.9.2021 Positive opinion with reservations received on 21.1.2022 Adoption planned on 30.3.2022
Review of Directive 2012/27/EU on energy efficiency [PLAN/2020/6834]	Adoption	Q2 2021	FINALISED <a href="#">COM(2021)558</a> Adopted 14.7.2021
Review of ecodesign requirements for standby and off mode electric power consumption [PLAN/2016/444]	Adoption	Q4 2021	DELAYED Draft published on Have Your Say portal <sup>17</sup> for feedback and notified to WTO <sup>18</sup> . The delay was solely due to extra-ordinary work from other priorities, principally from the SPI. Planned adoption Q4 2022
Energy Efficiency First principle guidelines [PLAN/2020/8823]	Adoption	Q1 2021	FINALISED <a href="#">C(2021)7014</a> Adopted 28.9.2021

**Public consultations**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results (situation on 31/12/2021)</b>
Revision of the Energy Performance of Building Directive 2010/31/EU [PLAN/2020/8667]	Publication	Q1-Q2 2021	FINALISED Roadmap published: 22 February 2021 - 22 March 2021 <a href="#">Public consultation:</a> 30 March 2021 - 22 June 2021

<sup>17</sup> [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/1558-Review-of-ecodesign-requirements-for-standby-and-off-mode-electric-power-consumption\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/1558-Review-of-ecodesign-requirements-for-standby-and-off-mode-electric-power-consumption_en)

<sup>18</sup> WTO = World Trade Organization

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Public consultation for the review of Directive 2012/27/EU on energy efficiency [PLAN/2020/6834]	Publication	Q2 2021	FINALISED Roadmap published: 03 August 2020 - 21 September 2020 <a href="#">Public consultation:</a> 17 November 2020 - 09 February 2021
<b>Enforcement actions</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Assessment of MS's transposition of the amendment of the Energy Performance of Buildings Directive	Assessment and potential infringement procedures	Assessment on-going (tbd)	ONGOING The assessment of transposition is almost completed and our legal contractor submitted a good progress report on 17/12/2021. However, due to the prioritisation of other tasks and a lack of resources, infringements have not been pursued. Nevertheless, the preparation of infringement procedures is well underway and is expected to be carried out and intensified during 2022.
Assessment of MS's transposition of the amendment of the Energy Efficiency Directive	Assessment and potential infringement procedures	Assessment on-going (tbd)	ONGOING Steady progress was made to close open infringement cases at both the completeness and conformity stage under both the EED 2012 and 2018. Minor delays may be encountered following the expiry of the current contract and the start of the new contract for the assessment of transposition of Member States under the EED 2018.
<b>External communication actions</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Webpage with online public consultation the review of Directive 2012/27/EU on energy efficiency [PLAN/2020/6834]	Publication	Q1 2021	FINALISED Roadmap published: 03 August 2020 - 21 September 2020 Public consultation: 17 November 2020 - 09 February 2021
<b>Other important outputs</b>			
<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Staff Working Document: Analysis of Member States' Long-Term Renovation Strategies [PLAN/2020/9316]	Publication	Q1 2021	FINALISED <a href="#">SWD(2021)365</a> Published 6.12.2021

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
<p>Ecodesign and energy labelling regulations on ecodesign for water pumps review [PLAN/2016/489], on ecodesign and energy labelling for tumble dryers review [PLAN/2019/5480 &amp; 5479], on ecodesign and energy labelling for vacuum cleaners review [PLAN/2019/5366 &amp; 5367], on ecodesign for circulators review [PLAN/2019/5563] and on ecodesign for local space heaters review [PLAN/2019/5387]</p>	Adoption	Q3 2021	<p>DELAYED</p> <p>Causes for delays: excessive workload on the team due to a mismatch between a very extensive number of legally required reviews and planned regulations and available resources.</p> <p>New TENTATIVE Planned Adoption Dates subject to confirmation in new ED/EL working plan to be adopted by college at the end of March 2022:</p> <p>PLAN/2016/489 Call for Evidence (CfE) was published January 2022. New planned adoption date: Q1 2023<sup>19</sup></p> <p>PLAN/2019/5480 &amp; 5479 CfE was published January 2022 New planned adoption date: Q2 2023</p> <p>PLAN/2019/5366 &amp; 5367 CfE to be published Q1 2022. New planned adoption date: Q2 2023</p> <p>PLAN/2019/5563 New planned adoption date: Q3 2023<sup>20</sup></p> <p>PLAN/2019/5387 CfE was published January 2022<sup>21</sup> New planned adoption date: Q2 2023</p>
<p>Implementing and Delegated Regulation for the Smart Readiness Indicator</p>	Publication	Q4 2021	<p>FINALISED</p> <p>The Implemented and Delegated regulations on SRI adopted in October 2020 entered into force. The test phase is ongoing in three countries already, with more having expressed interest in joining it.</p>

<sup>19</sup> timing is subject to high uncertainty /resource availability

<sup>20</sup> timing is subject to high uncertainty /resource availability

<sup>21</sup> [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12834-Energy-efficiency-ecodesign-requirements-for-local-space-heaters-review\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12834-Energy-efficiency-ecodesign-requirements-for-local-space-heaters-review_en)

**Specific objective 3:** Mobilising research and fostering innovation

**Related to spending programme(s):** Related to spending programme(s): Horizon Europe, Invest EU, Innovation Fund, LIFE, ITER

**Result indicator:** Annual publication of the “Clean Energy Transition – Technologies and Innovations Report”, an evidence based analysis of clean energy Research & Innovation priorities<sup>22</sup>

**Source of the data:** internal analysis and stakeholders consultation

Baseline (2020)	Interim Milestone (2020)	Target (2024)	Latest known results (2021)
1 report	1 report	1 report	Annual Report on the Competitiveness of Clean Energy Technologies adopted on 26 October 2021 <a href="#">COM(2021)952</a>

**Result indicator:** Share of Horizon Europe funds allocated to the following research activities: renewable energy and Carbon Capture, Utilisation and Storage (CC(U)S), buildings & industry, smart grids, energy storage, smart cities and market uptake of energy innovation activities<sup>23</sup>

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

Baseline (2021)	Interim Milestone (2023)	Target (2024)	Latest known results (2021)
Horizon Europe allocations	Share of the energy funds allocated to Cluster 5 (Energy, Climate and Mobility)	Share of the energy funds allocated to Cluster 5 (Energy, Climate and Mobility)	The Horizon Europe budget allocated to clean energy projects in Cluster 5 in 2021-27 shall represent about 47% of the Cluster budget, itself representing about 16% (EUR 15 billion) of the total Horizon Europe budget (EUR 95.5 billion), thus an expected share of ca. 7%. The ratio in the Work Programme 2021 is close to this figure. The final committed budget is not yet known.

<sup>22</sup> One of the priorities is building a common ground of evidence to assess the technology and innovation needs for our 2030 and 2050 objectives, better prioritize the Research & Innovation objectives and, eventually, reduce the overall cost of the energy transformation.

<sup>23</sup> Budget allocated to clean energy projects.

**Result indicator:** An investment alliance for clean energy transition to boost private investments in R&I and deployment<sup>24</sup>

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

Baseline (2021)	Interim Milestone	Target (2024)	Latest known results (2021)
	(2023)		
50	200	250	N/A (Service contract signed in Dec. 2021 to create such an alliance).

**Result indicator:** Clean energy Research & Innovation projects implemented at transnational level to reach the agreed targets under the European Strategic Energy Technology Plan (SET Plan) in Implementation Plans<sup>25</sup>

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

Baseline (2016-2019)	Interim Milestone	Target (2024)	Latest known results (2021)
	(2022)		
312 projects launched	400 projects launched	450 projects launched	The number of clean energy projects funded under the Horizon Europe WP 2021 is expected to be in the order of 200. However, the exact figure will only be known in the course of 2022.

**Result indicator:** Percentage of completion of International Thermonuclear Experimental Reactor (ITER) construction until “First Plasma” (First Experiments)<sup>26</sup>

**Source of the data:** Bimonthly reports to the ITER Council

Baseline (2019)	Interim Milestone	Target (2024)	Latest known results (2021)
	(2022)		
68.7%	86%	95%	75.3% (at the end of October 2021) The progress of the indicator is lower than planned. It would not reach the Interim milestone mark at the end of 2022. This is mainly due to the impact of COVID-19 and the First of the Kind nature of the project resulting in technical difficulties, including in the procurement of the Vacuum Vessel sectors by the Euratom Domestic Agency (F4E). Nevertheless, the progress of the project is significant.

<sup>24</sup> 80% of Research & Innovation funding comes from the private sector, therefore it is crucial for policies to orientate private investments toward climate neutral solutions. As we are keen to support the commitments and initiatives from the private sector to complement those by the public sector, a European alliance of companies and investors willing to increase their level of Research & Innovation spending in clean energy technologies or to deploy available solutions in order to reduce their own carbon footprint will be established.

<sup>25</sup> The European Strategic Energy Technology Plan (SET Plan) is a framework to coordinate Research & Innovation actions on clean energy technologies at national and European level. 13 Implementation Plans have been developed, combined with agreed targets to reach.

<sup>26</sup> This indicator measures the progress of the preparatory construction and installation works of the fusion reactor to be ready for the First Plasma at the end of 2025

**Result indicator:** Strategic Agenda for Medical Ionising Radiation Applications (SAMIRA)<sup>27</sup>**Source of the data:** Progress reporting to be decided at the time of meeting the interim milestone

Baseline (2019)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
	(Q4 2020)		
Preparatory work conducted within the Commission's SAMIRA InterService Working Group	Finalisation of the action plan by the Commission	Implementation in the relevant EU programmes	<ul style="list-style-type: none"> <li>- SAMIRA <a href="#">SWD(2021) 14 final</a> published on 5 February 2021.</li> <li>- Several implementation activities launched under the ENER budget, the EU4Health and the Euratom research and training programme.</li> <li>- New Steering Group on Quality and Safety of medical applications convened in November.</li> <li>- Framework contract for administrative and technical support signed in Dec 2021.</li> </ul>

**Main outputs in 2021:****New policy initiatives**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Progress Report on Competitiveness [PLAN/2020/9524]	Publication	Autumn 2021	FINALISED <a href="#">COM(2021)952</a> Adopted 26.10.2021

**External communication actions**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Public event on the digitalisation of the energy system	Number of participants	150	FINALISED High-level virtual event on the digitalisation of the energy sector on 27 October 2021 during the EUSEW. More than 150 participants.

**Other important outputs**

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Proposal for a Council Decision amending the Statutes <sup>12</sup> of the Joint Undertaking for ITER and the development of fusion energy (F4E) (PLAN/2020/9447)	Adoption of the proposal	Q3 2021	DELAYED Following the announcement of the 2021 IAS audit on F4E/ENER the activity on revising the Statutes of F4E was put on hold. The draft IAS report was transmitted to ENER at the end of 2021 and the activity on the F4E Statutes is expected to resume once the related action plan has been accepted by IAS. New planned adoption date: Q2 2022

<sup>27</sup> This indicator measures the progress towards establishing and implementing an EU action plan on medical applications of nuclear and radiation technology

Commission Decision on approval of the conclusion of an amendment to the agreement between the Commission and the European Joint Undertaking for ITER and the development of fusion energy (F4E) on the financial participation of the European Atomic Energy Community in F4E Joint Undertaking and related matters (PLAN/2020/6578)	Adoption of the Decision	Q1 2021	<p>DELAYED</p> <p>Following the announcement of the 2021 IAS audit on F4E/ENER the activity on revising the Administrative Agreement (AA) with F4E was put on hold.</p> <p>The draft IAS report was transmitted to ENER at the end of 2021 and the activity on the AA is expected to resume once the related action plan has been accepted by IAS.</p> <p>New planned adoption date: Q2 2022</p>
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**Specific objective 4:** All stakeholders are involved and a Just transition is ensured

**Result indicator:** Local authorities are committed to the the Covenant of Mayors initiative<sup>28</sup>

**Source of the data:** Covenant of Mayors, JRC

Baseline	Interim Milestone	Target	Latest known results (2021)
a) (2019) signatories b) 2017 consumption reduction c) 2017 renewable energy	a) 2022 b) 2020 c) 2020	a) 2024 b) 2024 c) 2024	
a) 908500 b) 757 TWh c) 191 TWh	a) 11,000 b) 946 TWh c) 232 TWh	a) 13000 b) 1198 TWh c) 511 TWh	a) 2022 interim target of 11000 signatories reached in 2021, one year ahead. b) data not available until 2022/23 c) data not available until 2022/23

**Result indicator:** Adoption, implementation and revision of just transition plans under the Just Transition Fund<sup>29</sup>

**Source of the data:** DG ENER and DG REGIO

Baseline	Interim Milestone	Target	Latest known results (2021)

<sup>28</sup> The indicator measures the impact of local authorities that have committed to meeting or exceeding the EU headline targets for GHG emission reductions, climate change adaptation and clean energy access. It covers the numbers of signatories, monitored energy consumptions reductions (vs baseline emission inventories in TWh) and annual monitored increase of local energy production from renewable sources (in TWh) compared to baseline year.

<sup>29</sup> The indicator measures the progress achieved in the drafting, adoption, implementation and revision of just transition plans under the Just Transition Fund in coal, peat and oil shale, which will closely involve local stakeholders in beneficiary regions.

(2020)	(2021)	(2024)	
Preparatory work conducted in view of adopting the just transition plans by Q1 2021.	100% of just transition plans are adopted and implementation started in all coal, peat and oil shale beneficiary regions	100% of just transition plans updated based on NECP revision and other developments	So far, no territorial just transition plan was adopted, most Member States experiencing significant delays in the programming of the JTF and Cohesion policy funds. We expect all plans to be adopted in 2022

## Main outputs in 2021:

### External communication actions

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
EPOV second edition high-level kick-off conference	Number of representatives of local, municipal and/or regional authorities, academic institutions, private sector stakeholders involved	(Q1 2021)	FINALISED Conference took place 22 and 23 November. Out of 523 registered organisations, on day 1, 22 November, the launch event was attended by 261 participants and on day 2, 23 November by 274 participants. Overall, the event was attended by 341 unique participants.
High-level event under Covenant of Mayors	Number of cities involved	300	FINALISED The Event was held in Q3 2021 with the participation of 400 cities
European Sustainable Energy Week (EUSEW)	Number of participants	3000	3100 active participants from 98 countries (4500 registered participants)
Annual Political Dialogue of the initiative for EU coal regions in transition	Number of participants	300	DELAYED Postponed to the Q2 2022 due to COVID-19 pandemic situation
Annual Clean Energy for EU Islands Forum	Number of participants	250	FINALISED Forum was held on 21-22 of May, with around 270 participants
13th Citizens Energy Forum	Number of participants	300	FINALISED The Forum was held on 8-9/12/2021 with approx. 200 participants

### Other important outputs

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Second edition of the EU Energy Poverty Observatory (2021-2024)	Contract signature scheduled for beginning of December	Q1 2021	FINALISED Contract was signed on 22/12/2020



<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results (situation on 31/12/2021)</b>
Revised Covenant of Mayors framework, integrating new EU policy developments	New framework agreed and integrated in the initiative	Q4 2021	FINALISED Delivered in Q2 2021
Delivery of START programme under initiative for EU coal regions in transition	START assistance finalised in 5 out of 7 regions	Q4 2021	FINALISED Delivered on time.
Launch of exchange programme under initiative for EU coal regions in transition	Exchange programme launched	Q2 2021	FINALISED Contract was signed on 11/05/2021
Launch of the Energy Communities Repository under the dedicated pilot project for energy communities	Start data collection through the repository to prepare for technical assistance	Q1 2021	ONGOING Contract was signed on 22/12/2021
Launch of the Stage II Clean Energy for EU Islands Secretariat	EU Islands Secretariat II set-up and operational	Q1 2021	ONGOING Contract was signed on 04/02/2021 and implementation is ongoing
Clean Energy for EU Islands: High Level (Ministerial) Group	Launch of the High Level Group in line with the Memorandum of Split	Q3 2021	ONGOING Memorandum of Understanding (MoU) Split designated their representatives to the High Level group. Meeting to be held in Q2 2022

**Specific objective 5:** The EU acts as energy global leader**Result indicator:** Modernisation of the Energy Community<sup>30</sup>**Source of the data:** Conclusions of the Energy Community Ministerial Council, Reports from Council Energy Working Party meetings, Commission Decisions on Proposals the Council, Decisions of the Council and the European Parliament

<b>Baseline</b> 2020	<b>Interim Milestone</b> 2021	<b>Target</b> 2024	<b>Latest known results</b> (2021)
Progress towards completion of Energy Community modernisation negotiations	Adoption by the Energy Community Contracting Parties of the EU 2030 Targets	2030 Targets implemented and enforced by the Energy Community Contracting Parties in order to progress towards 2030 Targets and advance towards decarbonisation in line with the EU objectives	At the Energy Community Ministerial Council on 30/11/2021 in Belgrade/Serbia, the Contracting Parties adopted, as envisaged, a set of key EU legal acts on a 2030 climate and energy framework (Directive on renewable energy, Directive on energy efficiency and Regulation on Governance the Energy Union and Climate Action). The aforementioned key EU legal acts on a 2030 climate and energy framework did not include the targets yet but all other provisions, as a modelling study is still going on and will provide the analytical ground for setting the 2030 targets in 2022. The challenge in 2022 will be to convince the Contracting Parties to agree to a high level of ambition.

<sup>30</sup> The EU and Energy Community Contracting Parties are currently in the process of modernizing the Energy Community Treaty in view of bringing the relevant legislation in Energy Community Contracting Parties closer to the EU acquis.

**Result indicator:** Implementation of the Intergovernmental Agreement (IGA) Decision<sup>31</sup>

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

Baseline (2020)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
	(2020-2024)		
Assessment on an ongoing basis of draft Intergovernmental Agreements received from EU member states	Commission decisions on individual draft Intergovernmental Agreements adopted in a timely manner - advising member states on how to ensure compliance with EU acquis, if required	IGAs in the field of energy signed by EU Member States compliant with EU acquis	All draft and existing IGAs between an EU Member State and a third country notified to the Commission under the IGA Decision were assessed in time and the EU Member States concerned were notified accordingly of the Commission's opinion. This applies notably to IGAs between an EU Member State and the UK that has become a third country after the Brexit.

**Result indicator:** Energy Charter Treaty (ECT) Modernisation<sup>32</sup>

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

Baseline (2020)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
	(2022)		
Completion of initial negotiation rounds based on the EU text proposals Progress report on the ECT Modernisation	Make decisive progress in the Energy Charter Treaty modernisation negotiation	Finalisation of the Energy Charter Treaty modernisation negotiations	Six negotiation rounds took place in 2021 during which significant progress was made. However, for now, no agreement could be reached on the definition of economic activity/exclusion of investments in fossil fuels.

<sup>31</sup> In line with the Intergovernmental Agreement (IGA) Decision, the Commission examines the international agreements in the field of energy before they are signed by member states in order to ensure that they are in line with the EU acquis.

<sup>32</sup> The EU seeks to modernise the provisions of the Energy Charter Treaty (ECT) so that it takes account of sustainable development and climate goals, as well as modern standards of investment protection and investor-to-state dispute settlement. The objective of the modernised Energy Charter Treaty should be to facilitate investment in the energy sector in a sustainable way, provide for legal certainty and ensure a high level of investment protection.

**Result indicator:** Continued follow-up of nuclear safety and conduct of stress tests in third countries<sup>33</sup>

**Source of the data:** [European Nuclear Safety Regulators Group \(ENSREG\)](#)

Baseline (2020)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
	(2022)		
Progressing stress test process in neighbouring countries	<ul style="list-style-type: none"> <li>- Peer reviews of Turkey's and Iran's national stress test reports completed;</li> <li>- Peer review of implementation of Belarus's stress test national action plan complete;</li> <li>- If necessary, preparation of further follow-up peer reviews</li> </ul>	<ul style="list-style-type: none"> <li>- Peer reviews of implementation of Turkey's and Iran's national action plans underway;</li> <li>- Other peer reviews of neighbouring countries's nuclear power projects to be organised as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>- The review of the implementation of of Belarus's stress test national action plan, which included experts' missions to the Astravets NPP, was successfully completed in September. The interim and final mission reports were both approved by ENSREG in plenary.</li> <li>- The preparatory work for the stress test peer review in Turkey commenced directly following the completion of the Belarus peer review exercise.</li> <li>- The peer review of Iran's national nuclear safety action plan will depend upon Iran's return to compliance with the Joint Comprehensive Plan of Action.</li> </ul>

**Result indicator:** Global Covenant of Mayors for Climate and Energy<sup>34</sup>

**Source of the data:** [Global Covenant of Mayors](#)

Baseline (2019)	<b>Interim Milestone</b>	<b>Target</b> (2024)	<b>Latest known results</b> (2021)
	(2022)		
10239	13000	16000	On track (11800 Jan 2022) but at some risk due to delayed Bloomberg asset sharing decision and staff changes

<sup>33</sup> It is necessary to promote the EU's nuclear safety standards internationally. To date, six countries from the broader region (Armenia, Belarus, Iran, Switzerland, Turkey, and Ukraine) have or are currently engaging in the EU's stress test process, carried out in conjunction with the European Nuclear Safety Regulators Group (ENSREG). Specifically, the objective concerns organization of ENSREG peer review of national stress test reports and national stress test action plans.

<sup>34</sup> The indicator reflects the growth of Global Covenant, an instrument to promote EU energy transition policies and business to European Neighbourhood, Africa, Asia and Americas.

## Main outputs in 2021:

### New policy initiatives

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Commission Communication – Renewed strategy for external energy relations [PLAN/2020/8654]	Adoption and publication	Q4 2021	<p>DELAYED</p> <p>Due to Council Conclusions of January 2021 on energy and climate diplomacy as well as recent political developments on gas prices the original political approach has to be adapted.</p> <p>Call for Evidence 22.11.2021-20.12.2021</p> <p>Foreseen adoption 3.5.2022</p>

### Other important outputs

Output	Indicator	Target	Latest known results (situation on 31/12/2021)
Commission Decision concerning the compatibility of the IGA between a [Member State] and the UK in the field of energy	Adoption	Q4 2021	<p>ONGOING</p> <p>Assessment ongoing, as agreed with Member States concerned. Two COM Decisions issued for 2 IGAs in 2021. One Decision issued already for one IGA in January 2022, 3 more decisions upcoming in Q1 2022 for the remaining 9 IGAs (for Ireland, Netherlands and Denmark).</p>
Commission Decisions concerning the compatibility of an IGA between a Member State and third countries other than UK	Adoption	Q1-Q4 2021	<p>FINALISED</p> <p>All draft and existing IGAs between an EU Member State and a third country notified to the Commission under the IGA Decision were assessed in time and the EU Member States concerned were notified accordingly of the Commission's opinion.</p>
Commission Decision on a Proposal for a COUNCIL DECISION on the position to be taken on behalf of the European Union in the Ministerial Council of the Energy Community and in the Permanent High Level Group of the Energy Community (Belgrade, 24-25 November 2021, tbc) [PLAN/ 2021/10128]	Proposal adopted and transmitted to the Council for adoption	Q4 2021	<p>FINALISED</p> <p>Adopted by the Commission Decision of 5/11/2021(COM(2021) 690 final), endorsed by the Council and adopted at the Energy Community Ministerial Council on 30/11/2021</p>
Commission Decision on a Proposal to the Energy Community for Energy Community acts establishing the 2030 energy and climate targets for energy efficiency, renewables and GHG for the Energy Community and its Contracting Parties [PLAN/ 2021/10129]	Proposal adopted and sent to the Energy Community for adoption by the Ministerial Council on 25 November 2021	Q3 2021	<p>FINALISED</p> <p>C(2021)7044</p> <p>Adopted 24.9.2021</p>

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Commission Decision on a Proposal to the Energy Community for Energy Community acts incorporating the electricity part of the Union' Clean Energy Package [PLAN/2021/10130]	Proposal adopted and sent to the Energy Community for adoption by the Ministerial Council on 25 November 2021	Q3 2021	FINALISED C(2021)7041 Adopted 24.9.2021
Commission Decision on a Proposal to the Energy Community for the appointment of the next Director of the Energy Community Secretariat [PLAN/2021/10131]	Proposal adopted and sent to the Energy Community for adoption by the Ministerial Council on 25 November 2021	Q3 2021	FINALISED C(2021)7021 Adopted 24.9.2021
Commission Decision on a Proposal to the Energy Community for the adoption of the biannual Energy Community budget for the years 2022 and 2023 [PLAN/2021/10132]	Proposal adopted and sent to the Energy Community for adoption by the Ministerial Council on 25 November 2021	Q3 2021	FINALISED C(2021)7050 Adopted 24.9.2021
Commission Decision on a Proposal for a COUNCIL DECISION on the conclusion of the amendments of the Energy Community Treaty [PLAN/ 2021/10133]	Proposal adopted and sent to the Council for adoption	Q2 2021	DELAYED Initiative on hold The negotiations on Energy Community Treaty amendments could not be finalised in 2021 due to the need of unanimity – this despite enormous efforts of the Commission to find reasonable compromise solutions with the nine non EU Contracting Parties of the Energy Community. The negotiations will therefore be discontinued temporarily and focus will be made on alternative solutions within the framework of the current Energy Community Treaty in order to achieve progress in the integration of electricity markets.

<b>Output</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b> (situation on 31/12/2021)
Euratom mandate for negotiation of the amendment of the Energy Charter Treaty [PLAN/2020/9509]	Adoption	Q4 2021	FINALISED COM(2021)263 Adopted 1.6.2021
Draft request of the EU to the East Mediterranean Gas Forum (EMGF) for an observer status in the EMGF [PLAN/2020/8761]	Becoming observer at the EMGF	Q2 2021	FINALISED C(2021)2402 Adopted 13.4.2021
Commission Decision on the notification by the European Atomic Energy Community to the IAEA of the laws and regulations giving effect to the Convention on the Physical Protection of Nuclear Material and its Amendment [PLAN/2020/6798]	Adoption of the Decision	Q1 2021	FINALISED C(2021)9247 Adopted 16.12.2021
Extension of the ECURIE system to the Republic of Belarus [PLAN/2020/7336]	Adoption of the decision on extension	Q2 2021	DELAYED There is some progress in this file, but discussions are still ongoing with the authorities. New planned adoption date: Q2 2022
Extension of the ECURIE system to the Republic of Bosnia and Herzegovina [PLAN/2020/6740]	Adoption of the decision on extension	Q2 2021	FINALISED C(2021)1676 Adopted 18.3.2021
Peer review of implementation of Belarus's stress test national action plan	Approval of final report by ENSREG	Q1 2021	FINALISED The overall peer review exercise needed to be reorganised into two phases owing to pandemic-related travel difficulties delaying the second and final phase mission until September 2021. The results of the peer review were conclusive so that it was not deemed necessary to organise a dedicated ENSREG plenary meeting to approve the report.
Preparation for phase 1 of the peer review of Turkey's Akkuyu stress test report	Post-mission review report prepared	Q4 2021	ONGOING The start of preparations for the Akkuyu peer review was delayed due to the delays in completion of the Belarus peer review. However, construction of the plant has been delayed, which will likely impact the schedule for the peer review.

## ANNEX 3: Draft annual accounts and financial reports

AAR 2021 Version 2

### Annex 3 Financial Reports - DG ENER - Financial Year 2021

**Table 1 : Commitments**

**Table 2 : Payments**

**Table 3 : Commitments to be settled**

**Table 4 : Balance Sheet**

**Table 5 : Statement of Financial Performance**

**Table 5 Bis: Off Balance Sheet**

**Table 6 : Average Payment Times**

**Table 7 : Income**

**Table 8 : Recovery of undue Payments**

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

**Table 10 : Waivers of Recovery Orders**

**Table 11 : Negotiated Procedures**

**Table 12 : Summary of Procedures**

**Table 13 : Building Contracts**

**Table 14 : Contracts declared Secret**

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

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

Refresh date : 23/03/2022



**Additional comments**

<b>TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for DG ENER</b>					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
<b>Title 01 Research and Innovation</b>					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	3.02	0.95	31.35 %
	01 02	Horizon Europe	2.15	2.15	100.00 %
	01 04	International Thermonuclear Experimental Reactor (ITER)	873.79	857.96	98.19 %
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	1.00	1.00	100.00 %
<b>Total Title 01</b>			<b>879.95</b>	<b>862.05</b>	<b>97.97 %</b>
<b>Title 02 European Strategic Investments</b>					
02	02 01	Support administrative expenditure of the "European Strategic Investments" cluster	1.09	0.46	42.13 %
	02 02	InvestEU Fund	4.98	0.00	0.00 %
	02 03	Connecting Europe Facility (CEF)	4.73	1.76	37.09 %
	02 10	Decentralised agencies	15.11	14.82	98.06 %
	02 20	Pilot projects, preparatory actions, prerogatives and other actions	9.19	9.15	99.56 %
<b>Total Title 02</b>			<b>35.11</b>	<b>26.19</b>	<b>74.58 %</b>
<b>Title 09 Environment and Climate Action</b>					
09	09 01	Support administrative expenditure of the 'Environment and Climate Action' Cluster	2.58	2.44	94.60 %
	09 02	Programme for the Environment and Climate Action (LIFE)	9.38	9.38	100.00 %
<b>Total Title 09</b>			<b>11.96</b>	<b>11.82</b>	<b>98.84 %</b>
<b>Title 12 Security</b>					
12	12 03	Nuclear decommissioning for Lithuania	72.50	72.50	100.00 %
	12 04	Nuclear Safety and decommissioning including for for Bulgaria and Slovakia	36.50	36.50	100.00 %
	12 20	Pilot projects, preparatory actions, prerogatives and other actions	17.79	17.13	96.30 %
<b>Total Title 12</b>			<b>126.79</b>	<b>126.13</b>	<b>99.48 %</b>
<b>Title 14 External Action</b>					
14	14 02	Neighbourhood, Development and International Cooperation Instrument (NDICI)	0.00	0.00	0.00 %
<b>Total Title 14</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00 %</b>
<b>Title 15 Pre-accession Assistance</b>					
15	15 02	Instrument for Pre-accession Assistance (IPA III)	0.09	0.00	0.00 %
<b>Total Title 15</b>			<b>0.09</b>	<b>0.00</b>	<b>0.00 %</b>
<b>Title 20 Administrative expenditure of the European Commission</b>					
20	20 01	Members, officials and temporary staff	0.15	0.15	100.00 %
	20 02	Other staff and expenditure relating to persons	0.05	0.01	19.05 %
	20 03	Administrative Operating expenditure	0.13	0.13	100.00 %

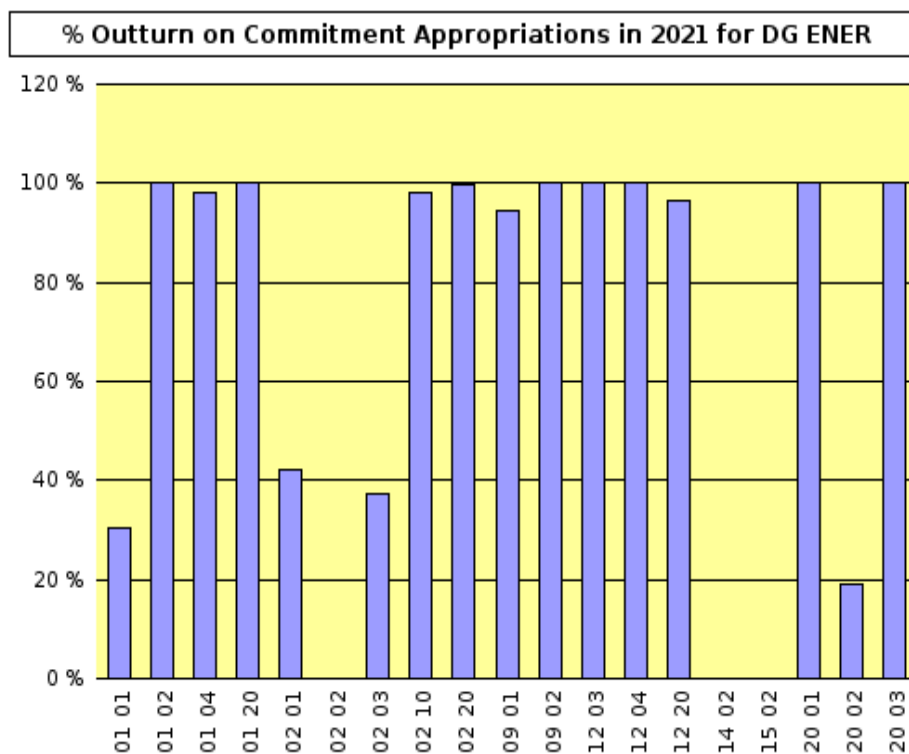
Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Refresh date : 23/03/2022

<b>TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for DG ENER</b>			
	Commitment appropriations authorised	Commitments made	%
	1	2	3=2/1
<b>Total Title 20</b>	<b>0.33</b>	<b>0.29</b>	<b>88.59 %</b>
<b>Total Excluding NGEU</b>	<b>1,054.23</b>	<b>1,026.47</b>	<b>97.37 %</b>

<b>Title 01 Research and Innovation</b>					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	0.11	0.00	0.00 %
<b>Total Title 01</b>			<b>0.11</b>	<b>0.00</b>	<b>0.00 %</b>
<b>Total NGEU Only</b>			<b>0.11</b>	<b>0.00</b>	<b>0.00 %</b>
<b>Total DG ENER</b>			<b>1,054.34</b>	<b>1,026.47</b>	<b>97.36 %</b>

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



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

Refresh date : 23/03/2022

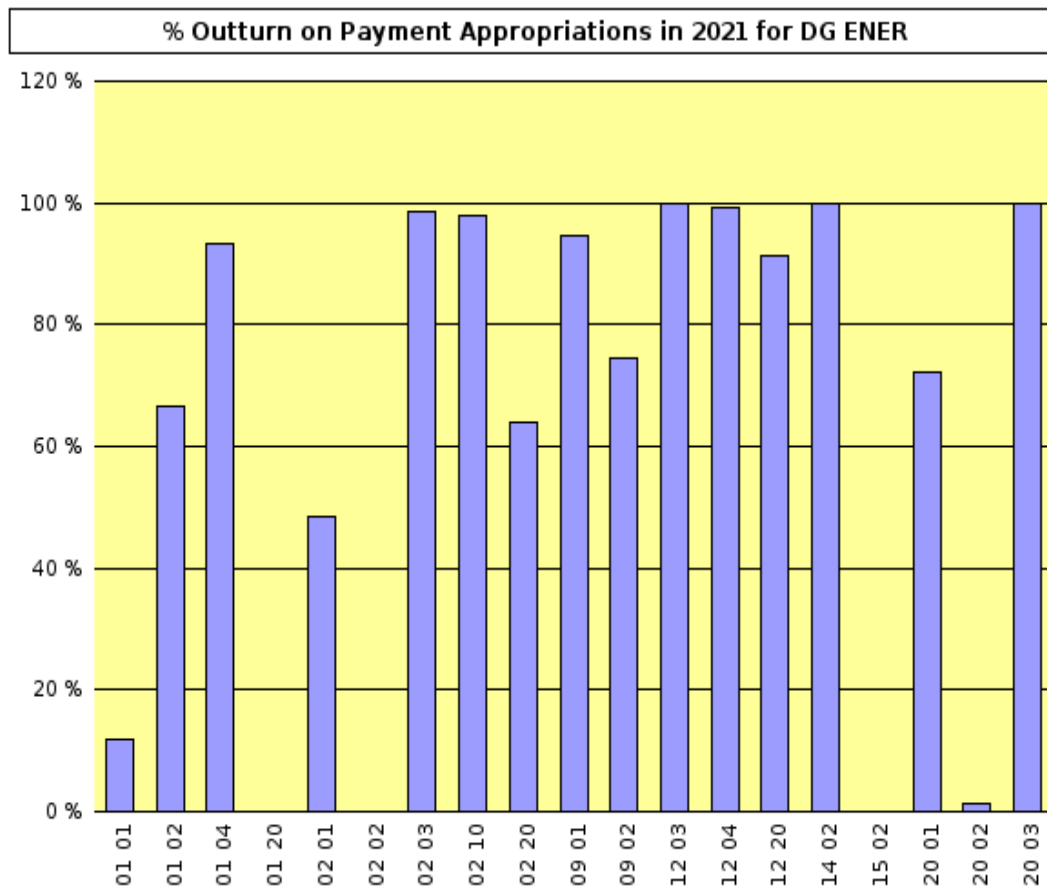
<b>TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2021 (in Mio €) for DG ENER</b>					
			<b>Payment appropriations authorised *</b>	<b>Payments made</b>	<b>%</b>
			<b>1</b>	<b>2</b>	<b>3=2/1</b>
<b>Title 01 Research and Innovation</b>					
01	01 01	Support administrative expenditure of the "Research and Innovation" cluster	3.39	0.40	11.81 %
	01 02	Horizon Europe	85.36	56.84	66.59 %
	01 04	International Thermonuclear Experimental Reactor (ITER)	651.56	607.60	93.25 %
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	0.25	0.00	0.00 %
<b>Total Title 01</b>			<b>740.56</b>	<b>664.84</b>	<b>89.78%</b>
<b>Title 02 European Strategic Investments</b>					
02	02 01	Support administrative expenditure of the "European Strategic Investments" cluster	1.52	0.73	48.35 %
	02 02	InvestEU Fund	4.33	0.00	0.00 %
	02 03	Connecting Europe Facility (CEF)	45.55	44.86	98.48 %
	02 10	Decentralised agencies	15.11	14.82	98.06 %
	02 20	Pilot projects, preparatory actions, prerogatives and other actions	16.33	10.43	63.86 %
<b>Total Title 02</b>			<b>82.84</b>	<b>70.84</b>	<b>85.51%</b>
<b>Title 09 Environment and Climate Action</b>					
09	09 01	Support administrative expenditure of the 'Environment and Climate Action' Cluster	2.58	2.44	94.60 %
	09 02	Programme for the Environment and Climate Action (LIFE)	1.98	1.48	74.63 %
<b>Total Title 09</b>			<b>4.56</b>	<b>3.92</b>	<b>85.92%</b>
<b>Title 12 Security</b>					
12	12 03	Nuclear decommissioning for Lithuania	46.05	46.04	99.97 %
	12 04	Nuclear Safety and decommissioning including for for Bulgaria and Slovakia	47.80	47.49	99.36 %
	12 20	Pilot projects, preparatory actions, prerogatives and other actions	19.14	17.46	91.19 %
<b>Total Title 12</b>			<b>112.99</b>	<b>110.98</b>	<b>98.22%</b>
<b>Title 14 External Action</b>					
14	14 02	Neighbourhood, Development and International Cooperation Instrument (NDICI)	1.09	1.09	100.00 %
<b>Total Title 14</b>			<b>1.09</b>	<b>1.09</b>	<b>100.00%</b>
<b>Title 15 Pre-accession Assistance</b>					
15	15 02	Instrument for Pre-accession Assistance (IPA III)	0.09	0.00	0.00 %
<b>Total Title 15</b>			<b>0.09</b>	<b>0.00</b>	<b>0.00%</b>
<b>Title 20 Administrative expenditure of the European Commission</b>					
20	20 01	Members, officials and temporary staff	0.19	0.14	72.18 %
	20 02	Other staff and expenditure relating to persons	0.07	0.00	1.20 %
	20 03	Administrative Operating expenditure	0.13	0.13	100.00 %
<b>Total Title 20</b>			<b>0.39</b>	<b>0.27</b>	<b>68.74%</b>
<b>Total Excluding NGEU</b>			<b>942.53</b>	<b>851.95</b>	<b>90.39%</b>

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

Refresh date : 23/03/2022

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2021 (in Mio €) for DG ENER					
			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	0.00	0.00	0.00 %
<b>Total Title 01</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00%</b>
<b>Total NGEU Only</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00%</b>
<b>Total DG ENER</b>			<b>942.53</b>	<b>851.95</b>	<b>90.39 %</b>

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



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

Refresh date : 23/03/2022

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			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	0.95	0.11	0.83	88.07%	0.00	0.83	0.37
	01 02	Horizon Europe	2.15	0.81	1.33	62.06%	99.20	100.53	156.67
	01 04	International Thermonuclear Experimental Reactor (ITER)	857.96	257.91	600.05	69.94%	711.69	1,311.74	1,061.38
	01 20	Pilot projects, preparatory actions, prerogatives and other actions	1.00		1.00	100.00%	0.00	1.00	0.00
<b>Total Title 01</b>			<b>862.05</b>	<b>258.83</b>	<b>603.22</b>	<b>69.97%</b>	<b>810.88</b>	<b>1,414.10</b>	<b>1,218.42</b>
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
02	02 01	Support administrative expenditure of the "European Strategic Investments" cluster	0.46	0.32	0.14	29.62%	0.00	0.14	0.43
	02 02	InvestEU Fund	0.00		0.00	0.00%	0.00	0.00	0.00
	02 03	Connecting Europe Facility (CEF)	1.76	0.00	1.76	100.00%	47.62	49.37	97.46
	02 10	Decentralised agencies	14.82	14.82	0.00	0.00%	0.00	0.00	0.00
	02 20	Pilot projects, preparatory actions, prerogatives and other actions	9.15	1.41	7.75	84.63%	31.50	39.25	40.74
<b>Total Title 02</b>			<b>26.19</b>	<b>16.55</b>	<b>9.64</b>	<b>36.80%</b>	<b>79.12</b>	<b>88.76</b>	<b>138.63</b>

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Refresh date : 23/03/2022

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			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	2.44	2.44	0.00	0.00%	0.00	0.00	0.00
	09 02	Programme for the Environment and Climate Action (LIFE)	9.38	0.00	9.38	100.00%	1.76	11.14	3.24
<b>Total Title 09</b>			<b>11.82</b>	<b>2.44</b>	<b>9.38</b>	<b>79.36%</b>	<b>1.76</b>	<b>11.14</b>	<b>3.24</b>
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
12	12 03	Nuclear decommissioning for Lithuania	72.50	0.00	72.50	100.00%	304.61	377.11	350.64
	12 04	Nuclear Safety and decommissioning including for for Bulgaria and Slovakia	36.50	0.00	36.50	100.00%	214.70	251.20	262.20
	12 20	Pilot projects, preparatory actions, prerogatives and other actions	17.13	4.07	13.06	76.26%	8.11	21.17	24.48
<b>Total Title 12</b>			<b>126.13</b>	<b>4.07</b>	<b>122.06</b>	<b>96.78%</b>	<b>527.41</b>	<b>649.48</b>	<b>637.31</b>
TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			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 (NDICI)	0.00	0.00	0.00	0.00%	1.03	1.03	2.12
<b>Total Title 14</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00%</b>	<b>1.03</b>	<b>1.03</b>	<b>2.12</b>

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Refresh date : 23/03/2022

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			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	0.00	0.00
<b>Total Title 15</b>			<b>0.00</b>		<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
20	20 01	Members, officials and temporary staff	0.15	0.10	0.05	34.47%	0.00	0.05	0.04
	20 02	Other staff and expenditure relating to persons	0.01	0.00	0.01	90.40%	0.00	0.01	0.02
	20 03	Administrative Operating expenditure	0.13	0.13	0.00	0.00%	0.00	0.00	0.00
<b>Total Title 20</b>			<b>0.29</b>	<b>0.23</b>	<b>0.06</b>	<b>20.65%</b>	<b>0.00</b>	<b>0.06</b>	<b>0.07</b>
<b>Total Excluding NGEU</b>			<b>1,026.47</b>	<b>282.12</b>	<b>744.36</b>	<b>72.52%</b>	<b>1,420.21</b>	<b>2,164.57</b>	<b>1,999.80</b>

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for DG ENER									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2020	Total of commitments to be settled at end of financial year 2021	Total of commitments to be settled at end of financial year 2020
			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
<b>Total Title 01</b>			<b>0.00</b>		<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

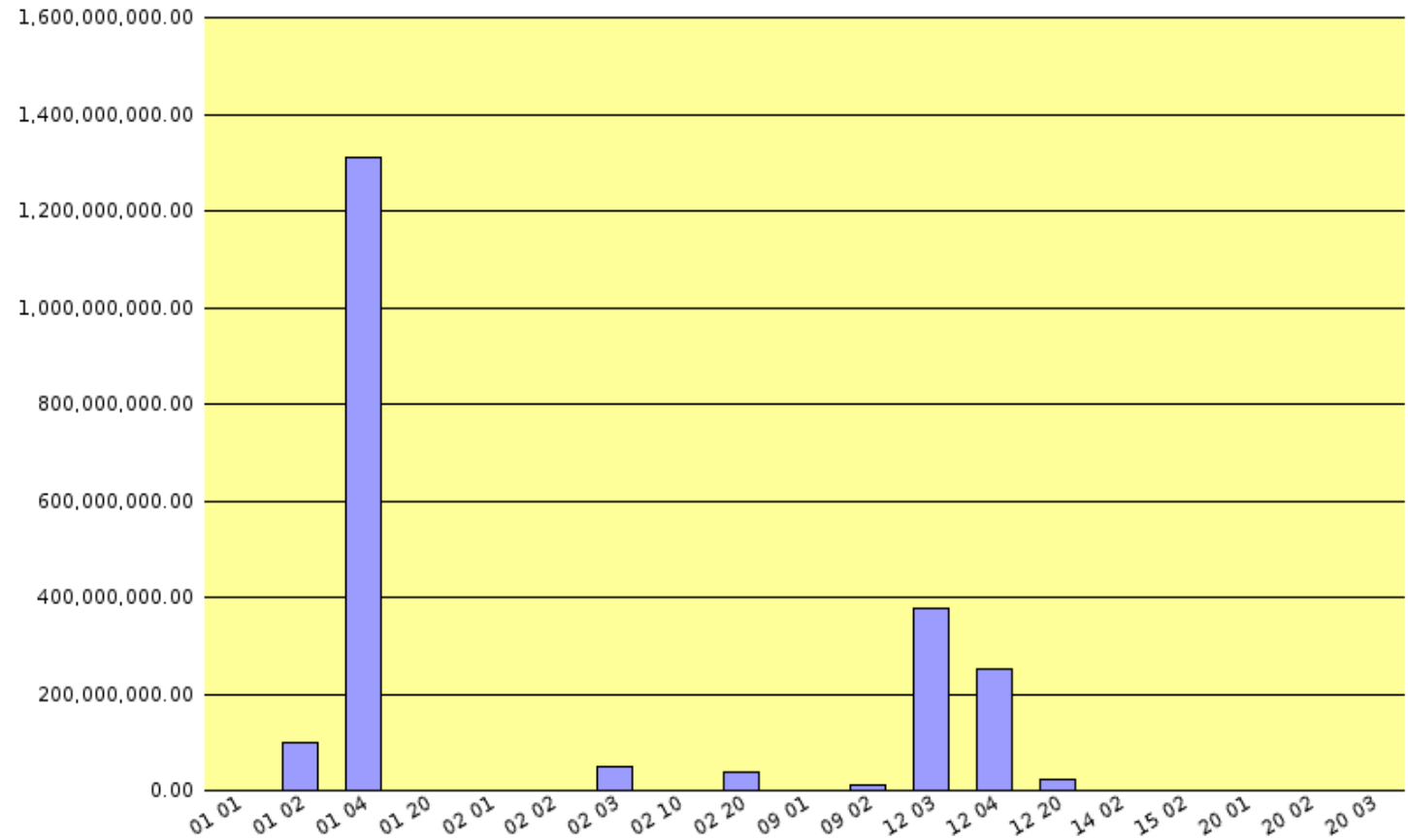
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<b>Total NGEU Only</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
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<b>Total for DG ENER</b>	<b>1026.47</b>	<b>282.12</b>	<b>744.36</b>	<b>72.52 %</b>	<b>1,420.21</b>	<b>2,164.57</b>	<b>1,999.80</b>
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**Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2021 ENER**



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

Refresh date : 23/03/2022

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

<b>BALANCE SHEET</b>	<b>2021</b>	<b>2020</b>
<b>A.I. NON CURRENT ASSETS</b>	<b>591,561,366.03</b>	<b>542,186,426.15</b>
A.I.1. Intangible Assets	531,981.14	133,735.72
A.I.2. Property, Plant and Equipment	6,215,176.26	6,212,358.75
A.I.3. Invstmnts Acctnd For Using Equity Meth	0.00	0.00
A.I.4. Non-Current Financial Assets	205,897,440.21	204,683,539.83
A.I.5. Non-Current Pre-Financing	378,447,877.29	331,156,791.85
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	468,891.13	
<b>A.II. CURRENT ASSETS</b>	<b>221,347,450.03</b>	<b>290,113,825.52</b>
A.II.1. Current Financial Assets		0.00
A.II.2. Current Pre-Financing	205,948,683.98	272,071,792.02
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	15,398,766.07	18,042,033.52
A.II.6. Cash and Cash Equivalents	-0.02	-0.02
<b>ASSETS</b>	<b>812,908,816.06</b>	<b>832,300,251.67</b>
<b>P.III. NET ASSETS/LIABILITIES</b>	<b>0.00</b>	<b>-7,822,252.61</b>
P.III.1. Reserves	0.00	-7,822,252.61
<b>P.II. CURRENT LIABILITIES</b>	<b>-33,561,247.39</b>	<b>-76,028,515.40</b>
P.II.3. Current Financial Liabilities	-534,168.34	
P.II.4. Current Payables	-5,121,987.60	-6,116,353.97
P.II.5. Current Accrued Charges & Defrd Income	-27,905,091.45	-69,912,161.43
<b>LIABILITIES</b>	<b>-33,561,247.39</b>	<b>-83,850,768.01</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>779,347,568.67</b>	<b>748,449,483.66</b>
<b>P.III.2. Accumulated Surplus/Deficit</b>	<b>5,926,678,188.52</b>	<b>5,009,621,564.48</b>
<b>Non-allocated central (surplus)/deficit*</b>	<b>-6,706,025,757.19</b>	<b>-5,758,071,048.14</b>
<b>TOTAL DG ENER</b>	<b>0.00</b>	<b>0.00</b>

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

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

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

Refresh date : 23/03/2022

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

<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>2021</b>	<b>2020</b>
<b>II.1 REVENUES</b>	<b>7,409,389.26</b>	<b>555,588.08</b>
II.1.1. NON-EXCHANGE REVENUES	-2,582.05	-2,238,852.99
II.1.1.6. RECOVERY OF EXPENSES	0.00	-2,228,619.58
II.1.1.8. OTHER NON-EXCHANGE REVENUES	-2,582.05	-10,233.41
II.1.2. EXCHANGE REVENUES	7,411,971.31	2,794,441.07
II.1.2.1. FINANCIAL INCOME	-2,279,399.05	-1,148,334.14
II.1.2.2. OTHER EXCHANGE REVENUE	9,691,370.36	3,942,775.21
<b>II.2. EXPENSES</b>	<b>814,403,959.12</b>	<b>924,323,288.57</b>
II.2. EXPENSES	814,403,959.12	924,323,288.57
II.2.10. OTHER EXPENSES	12,110,168.13	9,413,039.22
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	60,348,464.08	101,510,846.15
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	614,516,869.51	649,454,191.48
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	89,243,735.02	116,943,497.97
II.2.5. EXP IMPLM BY OTHER ENTITIES (IM)	37,320,120.24	47,457,591.57
II.2.6. STAFF AND PENSION COSTS	-199,210.00	-470,580.00
II.2.8. FINANCE COSTS	1,063,812.14	14,702.18
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>821,813,348.38</b>	<b>924,878,876.65</b>

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

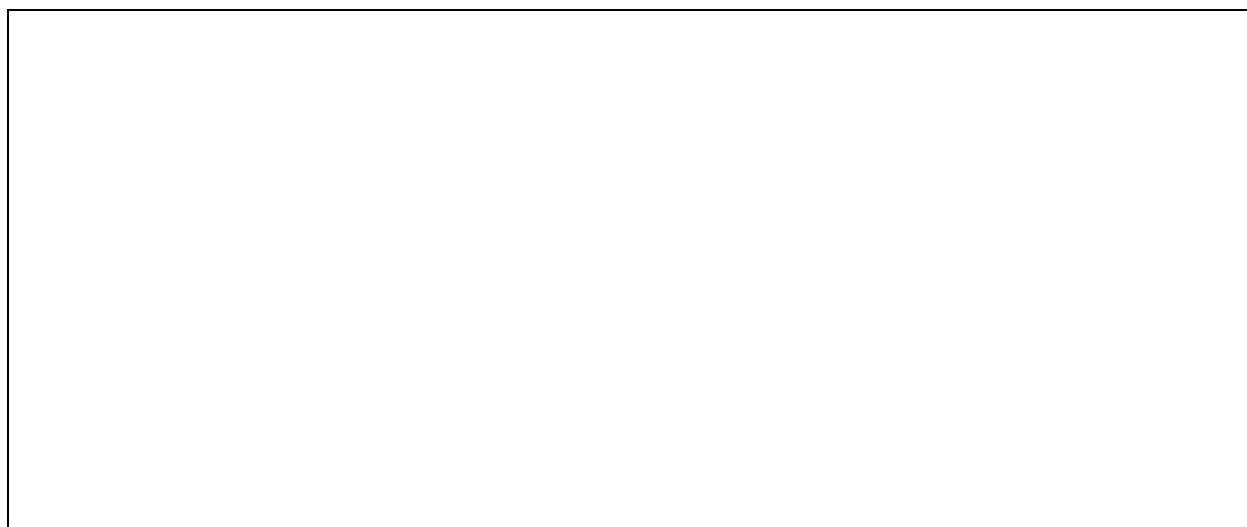
Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

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

Refresh date : 23/03/2022

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

<b>OFF BALANCE</b>	<b>2021</b>	<b>2020</b>
OB.1. Contingent Assets	0.00	19,012,364.90
GR for pre-financing	0.00	19,012,364.90
OB.2. Contingent Liabilities	-312,477,109.08	-318,973,678.08
OB.2.1. Guarantees given for EU FI	-9,277,109.08	-9,277,109.08
OB.2.7. CL Legal cases OTHER	-303,200,000.00	-309,696,569.00
OB.3. Other Significant Disclosures	-2,130,669,563.03	-1,924,191,691.07
OB.3.2. Comm against app. not yet consumed	-2,130,669,563.03	-1,924,191,691.07
OB.4. Balancing Accounts	2,443,146,672.11	2,224,153,004.25
OB.4. Balancing Accounts	2,443,146,672.11	2,224,153,004.25
<b>OFF BALANCE</b>	<b>0.00</b>	<b>0.00</b>



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

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

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

Refresh date : 23/03/2022

**TABLE 6 : AVERAGE PAYMENT TIMES for DG ENER**

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	686	679	98.98 %	13.77	7	1.02 %	33	22,184.07	0. %
40	1	1	100.00 %	30				0.00	0. %
45	4	4	100.00 %	20.25				0.00	0. %
60	230	225	97.83 %	31.33	5	2.17 %	66.6	259,866.88	0. %
90	16	16	100.00 %	58.06				0.00	0. %

Total Number of Payments	937	925	98.72 %		12	1.28 %		282,050.95	0. %
Average Net Payment Time	19.22			18.86			47		
Average Gross Payment Time	22.70			22.34			49.92		

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
1	41	79	8.43 %	937	70,100,297.90	8.35 %	839,964,077.89

DG	GL Account	Description	Amount (Eur)

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

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

Refresh date : 23/03/2022

**TABLE 7 : SITUATION ON REVENUE AND INCOME in 2021 for DG ENER**

Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
33	Other administrative revenue	1,219,480.05	163,801.26	1,383,281.31	1,219,480.05	22,902.92	1,242,382.97	140,898.34
60	Single market, innovation and digital	5,307,907.80	0.00	5,307,907.80	5,307,907.80	0.00	5,307,907.80	0.00
66	Other contributions and refunds	1,128,821.66	0.00	1,128,821.66	332,448.81	0.00	332,448.81	796,372.85
67	Completion for outstanding recovery orders prior to 2021	-1,314,364.94	17,804,914.03	16,490,549.09	-1,314,364.94	3,451,593.65	2,137,228.71	14,353,320.38
<b>Total DG ENER</b>		<b>6,341,844.57</b>	<b>17,968,715.29</b>	<b>24,310,559.86</b>	<b>5,545,471.72</b>	<b>3,474,496.57</b>	<b>9,019,968.29</b>	<b>15,290,591.57</b>

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

Refresh date : 23/03/2022

**TABLE 8 : RECOVERY OF PAYMENTS in 2021 for DG ENER  
(Number of Recovery Contexts and corresponding Transaction Amount)**

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2012			1	2,582.05		
2013			1	135,250.51		
2014			4	2,018,530.57		
2015			2	3,232,197.67		
2016			2	92,713.67		
2019			2	90,428.11		
2020			4	2,108,841.00		
<b>Sub-Total</b>			<b>16</b>	<b>7,680,543.58</b>		

EXPENSES BUDGET	Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES							1	32,167.16		
NON ELIGIBLE IN COST CLAIMS	7	489,447.41			7	489,447.41	10	829,359.87	70.00%	59.02%
CREDIT NOTES	12	173,582.39			12	173,582.39	35	773,324.85	34.29%	22.45%
<b>Sub-Total</b>	<b>19</b>	<b>663,029.80</b>			<b>19</b>	<b>663,029.80</b>	<b>46</b>	<b>1,634,851.88</b>	<b>41.30%</b>	<b>40.56%</b>
<b>GRAND TOTAL</b>	<b>19</b>	<b>663,029.80</b>			<b>19</b>	<b>663,029.80</b>	<b>62</b>	<b>9,315,395.46</b>	<b>30.65%</b>	<b>7.12%</b>

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

Refresh date : 23/03/2022

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for DG ENER**

	Number at 01/01/2021	Number at 31/12/2021	Evolution	Open Amount (Eur) at 01/01/2021	Open Amount (Eur) at 31/12/2021	Evolution
2011	1	1	0.00 %	379,208.55	379,208.55	0.00 %
2014	7	7	0.00 %	1,926,254.07	1,926,254.07	0.00 %
2015	1	1	0.00 %	1,027,913.46	1,027,913.46	0.00 %
2016	1		-100.00 %	201,833.74		-100.00 %
2017	3	1	-66.67 %	836,246.82	753,373.65	-9.91 %
2018	6	6	0.00 %	2,906,267.36	2,906,267.36	0.00 %
2019	4	3	-25.00 %	8,301,657.44	7,761,095.98	-6.51 %
2020	6		-100.00 %	2,649,228.20		-100.00 %
2021		1			796,372.85	
	<b>29</b>	<b>20</b>	<b>-31.03 %</b>	<b>18,228,609.64</b>	<b>15,550,485.92</b>	<b>-14.69 %</b>

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

Refresh date : 23/03/2022



**TABLE 10 :Recovery Order Waivers >= 60 000 € in 2021 for DG ENER**

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
0	3233210166		-61,121.15	Private Companies		
1	3233210187	3242007801	-513,430.64	Private Companies		
2	3233210188	3241606499	-201,833.74	Private Companies		
3	3233210228	3241913156	-540,561.46	Private Companies		

<b>Total DG ENER</b>	<b>-1,316,946.99</b>
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<b>Number of RO waivers</b>	<b>4</b>
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There are 1 waivers below 60 000 € for a total amount of -21,752.02

- 3233210166: Waiver in accordance with the provisions of Article 101.2 of the Financial Regulation
- 3233210187: Waiver following the adoption of the written procedure PE/2021/1516 on 16/03/2021 (cote: C(2021)1609)
- 3233210188: Waiver following the adoption of the written procedure PE/2021/1516 on 16/03/2021 (cote: C(2021)1609)
- 3233210228: Waiver following the adoption of the written procedure PE/2021/8752 on 30/11/2021 (cote: C(2021)8575)

**TABLE 11 : Negotiated Procedures in 2021 for DG ENER**

<b>Negotiated Procedure Legal base</b>	<b>Number of Procedures</b>	<b>Amount (€)</b>
<b>Total</b>		

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

*Refresh date : 23/03/2022*

**TABLE 12 : Summary of Procedures in 2021 for DG ENER****Internal Procedures > € 60,000**

<b>Procedure Legal base</b>	<b>Number of Procedures</b>	<b>Amount (€)</b>
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	1,500,000.00
Open procedure (FR 164 (1)(a))	28	40,211,098.00
<b>Total</b>	<b>29</b>	<b>41,711,098.00</b>

**Additional Comments:**

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

*Refresh date : 23/03/2022*

**TABLE 13 : BUILDING CONTRACTS in 2021 for DG ENER**

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

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

*Refresh date : 23/03/2022*

**TABLE 14 : CONTRACTS DECLARED SECRET in 2021 for DG ENER**

<b>Legal Base</b>	<b>LC Date</b>	<b>Contract Number</b>	<b>Contract Subject</b>	<b>Contracted Amount (€)</b>

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

*Refresh date : 23/03/2022*

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

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

*Refresh date : 23/03/2022*

**TABLE 16 : Commitments co-delegation type 3 in 2021 for DG ENER**

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

*Refresh date : 23/03/2022*

## 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 2021, 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)<sup>35</sup>:

- Commitment Appropriations (CA) Implementation
- CA Forecast Implementation
- Payment Appropriations (PA) Implementation
- PA Forecast Implementation
- Global Commitment Absorption
- Timely Payments
- Timely Decommitments
- Invoice Registration Time
- Accounting Data Quality
- Management Data Quality

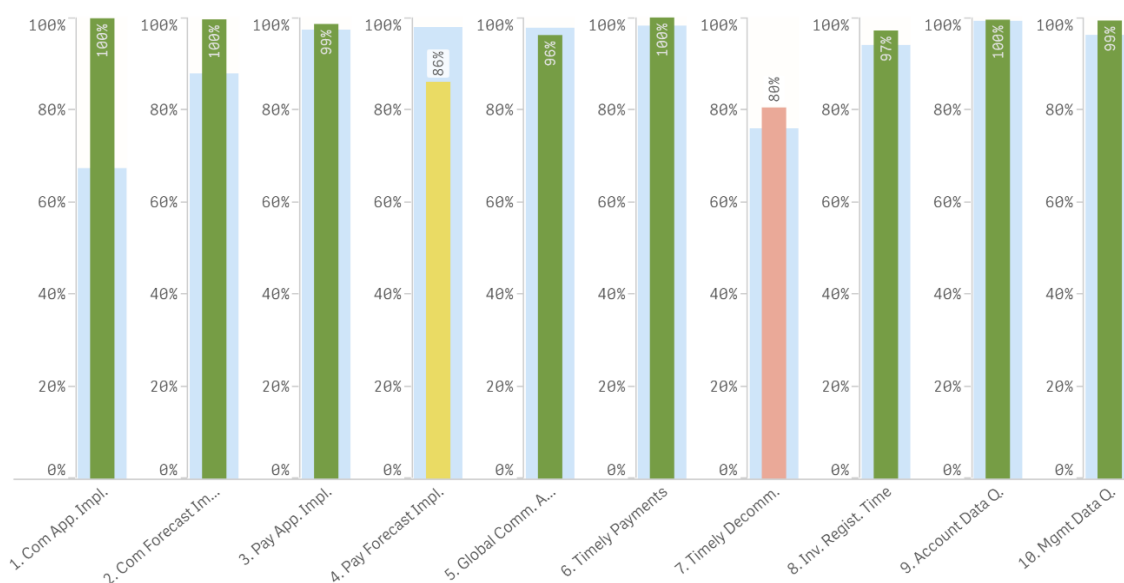
For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator's value and the target is colour coded as follows:

- 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.

ENER Indicator Scores 2021



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

<sup>35</sup> If the EC service did not perform any transaction in the area measured by the indicator or the information is not available in the central financial system, the indicator is not calculated (i.e. displayed as “-”) in this Annex.



Indicator	Objective	Comment	ENER Score	EC Score
1. Commitment Appropriations Implementation	Ensure efficient use of commitment appropriations expiring at the end of Financial Year		100%	67%
2. Commitment Forecast Implementation	Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year		100%	88%
3. Payment Appropriations Implementation	Ensure efficient use of payment appropriations expiring at the end of Financial Year	Optimisation of payment appropriations through global transfer and internal re-balancing.	99%	97%
4. Payment Forecast Implementation	Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year		86%	98%
5. Global Commitment Absorption <sup>36</sup>	Ensure efficient use of already earmarked commitment appropriations (at L1 level)	The situation was closely monitored and acted upon through weekly reporting to senior management and early warnings about transactions at risk.	96%	98%
6. Timely Payments	Ensure efficient processing of payments within the legal deadlines	DG ENER closely monitors the payments and issues weekly reports about outstanding invoices.	100%	98%
7. Timely Decommittments	Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle	In 2021 priority was given to budget execution and timely commitments and payments (despite new MFF and COVID constraints). Decommittments and extension of FDIs, which have no budget impact, were given second priority. A task force was set up in February 2022 to remedy the situation and proceed to the decommitments of expired commitments. A parallel exercise for the extension of FDI will be launched in March 2022. The objective is to reach the Commission target of 100% at the end of 2022.	80%	76%
8. Invoice Registration Time	Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC	Evolution of the situation was closely monitored on a monthly basis through accounting controls.	97%	94%

<sup>36</sup> Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

9. Accounting Data Quality	Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts	DG ENER implemented consistently its accounting quality plan.	100%	99%
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%	96%

## ANNEX 5: Materiality criteria

DG ENER's expenditure is composed of (in order of importance), indirectly managed grants, directly managed grants and financial instruments and other direct spending mostly of an administrative nature. The error rate affecting payments is estimated yearly and per management system, following a methodology that takes into account the risk associated to the type of expenditure (in terms of probability and final financial impact).

### Research framework programmes – common aspects

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

#### Assessment of the effectiveness of controls

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

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

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

This results in a residual error rate, which is calculated as follows:

$$\text{Re } sER\% = \frac{(\text{Re } pER\% * (P - A)) - (\text{Re } pER_{sys}\% * E)}{P}$$

where:

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

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

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

- P** total requested EC contribution (€) in the auditable population (i.e. all paid financial statements).
- A** total requested EC contribution (€) as approved by financial officers of all audited financial statements. This will be collected from audit results.
- E** total non-audited requested EC contribution (€) of all audited beneficiaries.

The Common Representative Sample (CRS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of the Seventh Framework Programme (FP7)/Horizon 2020 (H2020). This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

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

Should a calculation of the residual error rate based on a representative sample not be possible for a FP for reasons not involving control deficiencies,<sup>37</sup> the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would then be considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

### ***Multiannual approach***

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

Because of its multiannual nature, the effectiveness of the Research and Innovation (R&I) family services' control strategy can only be fully measured and assessed at the final

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<sup>37</sup> Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

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

Notwithstanding the multiannual span of their control strategy, the Directors-General of the Research DGs (and the Directors of the Executive Agencies implementing R&I Framework Programmes) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen.

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

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

### ***Adequacy of the audit scope***

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

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

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

### European Court of Auditors' observations

The European Court of Auditors observed in its 2018 and 2019 Annual Reports that the error rate of Horizon 2020 was understated due to the fact that the "*ex-post audits aim for*

*maximum coverage of the accepted costs, but rarely cover all the costs. The error rate is calculated as a share of all the accepted costs, instead of the amount actually audited. This means that the denominator in the error calculation is higher, so the error rate is understated. In case the errors found are of a systemic nature, the error is extrapolated which partially compensates for the above-mentioned understatement. However, since extrapolation is not performed for non-systemic errors, the overall error rate is nevertheless understated. The understatement of the error rate cannot be quantified. It is, then, impossible to determine whether the impact of this understatement is significant”.*

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

In this respect, an additional 0.37% (calculated on 1 304 H2020 audit participations by difference with the previous methodology) has been used to top up the detected error rate for 2021.

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

The IAS has carried out a limited review on the methodology for calculation of the error rates of Horizon 2020 in the year 2020. The findings of this limited review confirmed that there is no weakness in the calculation of the detected error rate and that the impact of these findings on the accuracy of the calculation of the residual error rate is minor. The IAS recommended that:

- The Common Implementation Committee (CIC) should:
  - 1.1. Calculate the corporate H2020 residual error rate based on the actual level of implementation of audit results and extension of audit findings stemming from data encoded by the Authorising Officers;
  - 1.2. Considering that there is no data on the sampled amounts for audits closed before 2020, estimate the amount actually audited by calculating the ratio of costs actually audited to the total amount of the related accepted cost claims for all the audits closed since 1 January 2020 ('A' parameter in the formula for calculating the residual error rate) and adapt parameter 'E' accordingly;
  - 1.3. Formalise the changes in the residual error rate calculation (e.g. in a written CAS procedure).
- The Common Audit Service (CAS) should:
  - 2.1. Change the audit report template to include a line in the table of Annex 1 with the audited amounts (sampled);
  - 2.2. Include fields in AUDEX to encode the audited amounts per participation and cost category and any other IT tool used to register the ex post audits' data which feed the Microsoft Access database for the calculation of the representative detected error rate;

- 2.3. Calculate the top-up automatically in the Microsoft Access database. For Horizon Europe, the calculation will be in line with the new methodology and no top up calculation will be required.

Recommendations 1.1 to 2.1 were implemented in 2021. Recommendations 2.2 and 2.3 will be implemented in time within 2022.

## **Research Framework programmes – specific aspects**

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

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

### **Seventh Framework Programme**

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

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

### **Horizon 2020 Framework Programme**

The Commission's proposal for the Regulation establishing the H2020 framework programme<sup>38</sup> states that

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

*Taking these elements in balance, it is proposed that the Directorates General charged with the implementation of the research and innovation budget will establish a cost-effective internal control system that will give reasonable assurance that the risk of error over the course of the multiannual expenditure period is, on an annual basis, within a range of 2-5*

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<sup>38</sup> COM(2011) 809/3 Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 – the Framework programme for Research and Innovation (2014-2020), see point 2.2, pp 98-102.

*%, with the ultimate aim to achieve a residual level of error as close as possible to 2 % at the closure of the multi-annual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.*

Further, it explains also that

*Horizon 2020 introduces a significant number of important simplification measures that will lower the error rate in all the categories of error. However, [...] the continuation of a funding model based on the reimbursement of actual costs is the favoured option. A systematic resort to output based funding, flat rates or lump sums appears premature at this stage [...]. Retaining a system based on the reimbursement of actual costs does however mean that errors will continue to occur.*

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

*The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.*

In summary, the control system established for Horizon 2020 is designed to achieve a control result in a range of 2-5% detected error rate, which should be as close as possible to 2%, after corrections. Consequently, this range has been considered in the legislation as the control objective set for the framework programme.

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

### **Horizon Europe Framework Programme**

For Horizon Europe, the general control objective, following the standard quantitative materiality threshold proposed in the standing instructions for Annual Activity Reports, is to ensure that the cumulative residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2%<sup>39</sup>.

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<sup>39</sup> No representative error rate for Horizon Europe will be available in 2022 and 2023 as the ex-post audit campaign for the Programme will start at the earliest end of 2023



## EEPR

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

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

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

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

### Particularities for EEPR

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

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

Besides, it has to be noted that in addition to the results of DG ENER's own ex-post audits, the calculation of the error rates for EEPR also takes into account the audit results from ECA audits, if not complemented by a own audit and only for the amounts confirmed by DG ENER's analysis of ECA's findings<sup>40</sup>.

### Effectiveness of controls

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<sup>40</sup> This is in line with DG BUDG guidance on the calculation of error rates (<\\myintracomm.ec.europa.eu@SSL\DavWWWRoot\budgweb\EN\replaar\Documents\additional-guidance-error-rates.doc>), when the DG's audit strategy aims for an exhaustive 100% coverage of its entire programme population.

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

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

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

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

where:

<b>ResER%</b>	residual error rate, expressed as a percentage.
<b>P</b>	Total aggregated amount in € of EC share of all cost claims approved
<b>A1</b>	Total audited EC contribution amount from own audits + Non-audited part of EC contribution of audited companies with no or positive adjustment(s) + Total EC contribution from ECA audits not included in own audits, expressed in €
<b>A2</b>	Total EC share of audited cost statements, expressed in €
<b>Err</b>	Total amount (€) of negative adjustments as a result of audits
<b>NonImpErr</b>	Total EC share of audit adjustments (only results in favour of the Commission) not implemented (recovery, offsetting or forecast of revenue) by 1Q2022.

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

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

## Other directly managed expenditure

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

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

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

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

Since 2019<sup>41</sup>, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

Of course, this is without prejudice of maintaining a reservation for its reputational reasons if applicable.

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<sup>41</sup> Agreement of the Corporate Management Board of 30/4/2019.

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

### RCS 1) Grants under direct management – Research and Innovation (FP7, Horizon 2020 and Horizon Europe)

Research and Innovation Grants implemented directly by DG ENER are split in two RCSs. RCS 1a covers research programme FP7 and Horizon 2020 for which the controls are very similar although they have different materiality criteria. RCS 1b covers Horizon Europe, although there were no new Horizon Europe grants in 2022. For FP7 only stages D to F are applicable at this late stage of the programme.

Separate sets of RCS tables are provided for (see below) on one side for FP7 and H2020, on the other side on Horizon Europe

#### RCS 1a FP7 and H2020

Stage 1: Ex-ante controls for FP7 and H2020 For H2020, DG R&I centralises the majority of the ex-ante controls performed. DG ENER participates in the different committees and working groups that contribute to the governance of the programmes, and reports on the relevant indicators. DG ENER monitors and reports on the indicators that remain within its remit, in particular as regards financial and budgetary performance.

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

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

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

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

Main risks	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)
The work programme and subsequent	<ul style="list-style-type: none"><li>Common Implementation Centre (CIC) in DG Research and</li></ul>	<b>Coverage/Frequency:</b> 100%	<b>Effectiveness:</b> The work

<p>calls for proposals do not adequately reflect the policy objectives and priorities, are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals.</p> <p>The Horizon 2020 implementation (procedures, monitoring arrangements, communication with beneficiaries, budget planning, etc.) has serious shortcomings.</p>	<p>Innovation provides all DGs involved in the implementation of Horizon 2020 with harmonised procedures, guidance and IT tools.</p> <ul style="list-style-type: none"> <li>• The Common Policy Centre (CPC) in DG Research and Innovation under Horizon Europe centralises the budget planning and the monitoring of the Horizon 2020's budget implementation. The CIC/CPC governance structure ensures that programme implementation experience gathered feeds back to the programme design. Hierarchical validation of the work programme and call for proposals within the DG. Inter-service consultation includes all relevant services.</li> <li>• Adoption by the Commission.</li> </ul>	<p><b>Depth:</b> Thoroughly review at all levels, including for operational and legal aspects.</p>	<p>programme is adopted by the Commission in time to allow implementation of the programmes.</p> <p>Success ratios in terms of budget implementation: commitments implemented / commitments allocated.</p>
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## B - Selecting and awarding: Evaluation, ranking and selection of proposals

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

Main risks	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)
<p>The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, the policy objectives, priorities and/or the essential eligibility, selection and award criteria.</p> <p>Conflict of interest regarding the expert evaluators</p>	<ol style="list-style-type: none"> <li>1) Procedure for selecting and appointing expert evaluators includes background &amp; conflict of interest checks</li> <li>2) Conflict of interest checks - assessment by independent experts</li> <li>3) All proposals assessed by multiple independent experts; harmonization of results</li> <li>4) An IT system supporting the evaluation stage and allowing the monitoring of the process</li> <li>5) Validation by the AOSD of ranked list of proposals / opinion of advisory bodies / comitology / inter-service consultation (as needed)</li> </ol>	<p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- 100% experts vetted for technical expertise and independence</li> <li>- 100% of proposals evaluated by 3 evaluators</li> <li>- 100% of selected proposals are reviewed by AOSD</li> <li>- 100% of contested decisions are analysed by redress committee</li> </ul>	<p><b>Effectiveness:</b></p> <p>The work programme is adopted by the Commission in time to allow implementation of the programmes.</p>

	6) Adoption by the Commission / publication 7) Redress procedure for beneficiaries	<b>Frequency:</b> once for each call, except establishing the reserve list of experts.	
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## C - Contracting

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

Main risks	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)
<p>The selected beneficiaries lack the operational and/or financial capacity to successfully carry out the actions as per their proposal.</p> <p>Procedures do not comply with regulatory framework.</p> <p>The evaluation stage hasn't detected a potentially fraudulent proposal/beneficiary.</p>	<p>1) Validation of beneficiaries' financial and operational capacity</p> <p>2) Systematic checks on operational and legal aspects performed before signature of the GA*</p> <p>3) Risk assessment and risk based checks before the grant agreement signature and reinforced monitoring flagging if necessary</p> <p>4) Ad hoc anti-fraud checks for riskier beneficiaries</p> <p>5) Mandatory payments to the Participant Guarantee Fund.</p> <p>* This control is carried out by the REA for all Research family DGs</p> <p>6) Horizon 2020 Participants Guarantee Fund (PGF ) Now MIM (See RCS 1b)</p>	<p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>- 100% of the selected beneficiaries for financial/operational checks</li> <li>- risk-based checks according to risk assessment criteria</li> <li>- fraud checks according for risk criteria</li> </ul> <p><b>Depth</b></p> <p>Differentiated, according to type of beneficiary (e.g. SMEs, joint ventures) and/or modalities (e.g. substantial subcontracting) and/or total value of the grant.</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- % of projects / grants completed</li> </ul> <p><b>Efficiency Indicators:</b></p> <ul style="list-style-type: none"> <li>- % of Time-to-grant on time</li> </ul>

## D - Monitoring the implementation

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The actions foreseen are not carried out in accordance with the grant agreement (for example deliverables, open access to results and publications...)</p> <p>The amounts paid exceed what is due in accordance with the applicable contractual and regulatory provisions.</p> <p>The cost claims are irregular or fraudulent.</p> <p>Lack of harmonised approach within the family with the consequence of unequal treatment of the beneficiaries</p> <p>Ethics requirements are not fulfilled.</p>	<ol style="list-style-type: none"> <li>1) Kick-off meetings and launch events involving the beneficiaries in order to avoid project management and reporting errors</li> <li>2) Effective external communication / guidance to beneficiaries</li> <li>3) Anti-fraud awareness raising &amp; training for project officers</li> <li>4) Operational and financial verification in accordance with the financial circuits</li> <li>5) Operational authorisation by the Authorising Officer</li> <li>6) For selected projects / beneficiaries: <ul style="list-style-type: none"> <li>- Enhanced ex-ante controls</li> <li>- Selection and appointment of expert for scientific reviews of intermediate and/or final reporting</li> <li>- On-site verification visits</li> </ul> </li> <li>7) In case of irregularities: <ul style="list-style-type: none"> <li>- Suspension/interruption of payments</li> <li>- Penalties or liquidated damages</li> <li>- Referring grant/beneficiary to OLAF/EPPO</li> </ul> </li> <li>8) Audit certificates when relevant</li> </ol>	<p><b>Coverage / Frequency:</b></p> <ul style="list-style-type: none"> <li>- 100% of the payments for ex-ante checks</li> <li>- ex-post checks according to Research Audit Strategy &amp; AFS</li> </ul> <p><b>Depth:</b></p> <ul style="list-style-type: none"> <li>- ex-ante controls: per Manual of Procedures</li> <li>- High risk operations identified by risk criteria.</li> <li>- Red flags: suspicions raised by staff, audit results, EDES, individual or "population" risk assessment</li> <li>- Audit certificates required for any beneficiary claiming more than: EUR 375 000 (FP7), EUR 325 000 (Horizon 2020).</li> </ul>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- % error rate</li> </ul> <p><b>Efficiency:</b></p> <ul style="list-style-type: none"> <li>- Time-to-pay: % of payments made on time</li> </ul>

Stage 2: Ex post controls

## E - Reviews, audits and monitoring

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

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

## F - Corrections

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The errors, irregularities and cases of fraud detected are not addressed or not addressed in a timely manner</p>	<p>1) Systematic registration of audit / control results to be implemented and actual implementation</p> <p>2) Validation of recovery in accordance with financial circuits</p> <p>3) Authorisation of recovery/waiving of recovery by AO</p> <p>4) Regular follow up of reported fraud cases with OLAF</p> <p>5) Monitoring of recoveries / AO approval for waiving recoveries</p>	<p><b>Coverage:</b> 100% of final audit results with a financial impact</p> <p><b>Depth:</b> Standardized in MoP</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- % of adjustments recovered / offset vs. total value of new adjustments</li> <li>- Number/value/% of audit results pending implementation</li> <li>- Number/value/% of audit results implemented</li> </ul> <p><b>Efficiency:</b></p> <ul style="list-style-type: none"> <li>- total (average) annual cost of implementing audit audits compared with benefits</li> </ul>



## RCS 1b Horizon Europe

The Control Strategy for Horizon Europe is under preparation. However, the new Horizon Europe controls already in place are reported in section 1 “Ex-ante controls” (sub-sections A, C and D).

### 1. Ex-ante controls

#### A - Preparation, adoption and publication of the Work Programmes for indirect actions and Calls for proposals

**Main control objectives:** Ensuring that the Commission selects the proposals that contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy); due consideration of other horizontal priorities (ethics, gender balance, security aspects)

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
<p>The work programmes and the subsequent calls for proposals do not adequately reflect the policy objectives, priorities, are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals. Horizon Europe implementation (procedures, monitoring arrangements, communication with beneficiaries, budget planning, etc.) has serious shortcomings.</p>	<p>Hierarchical validation within the authorising department Inter-service consultation, including all relevant services.</p> <p>Adoption by the Commission</p> <p>Explicit allocation of responsibility. Under Horizon Europe, the work programmes proposed by the Directors' Groups according to the Commission decision C(2021)4472 are co-created with the work of the various instances and with the processes established in this decision.</p> <p>In particular, the Common Implementation Centre (CIC) in DG Research and Innovation provides all DGs involved in the implementation Horizon Europe research with harmonised procedures, guidance and IT tools.</p>	<p><b>Coverage / Frequency:</b> 100%</p> <p><b>Depth:</b></p> <p>All work programmes are thoroughly reviewed at all levels, including for operational and legal aspects and all underlying implementation tools are defined and developed according to common rules.</p> <p>Under Horizon Europe, all business processes follow a governance system under the due supervision of instances like</p>	<p><b>Effectiveness:</b></p> <p>The work programmes are adopted by the Commission. Success rates in terms of "over-subscription": number of proposals retained for funding compared to number of eligible proposals received.</p> <p><b>Qualitative Benefits:</b></p> <p>A good Work Programme and well publicised calls should generate a large number of good quality projects, from which the most excellent can be chosen.</p>

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
	<p>The Common Policy Centre (CPC) in DG Research and Innovation under Horizon Europe centralises the budget planning and the monitoring of the Horizon Europe budget implementation.</p> <p>The CIC/CPC governance structure ensures that programme implementation experience gathered feeds back to the programme design.</p>	the Steering Board, the Executive Committee, the Directors Groups and key user groups.	<p>There will therefore be real competition for funds.</p> <p>Optimised procedures, common approach on multiple issues (audits, fraud, legal aspects, reporting); better reporting on the whole programme – better management of the programme<sup>42</sup>.</p>

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

**Main control objectives:** Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected; Compliance; Prevention of fraud and other horizontal priorities (ethics, gender balance, security aspects)

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, the policy objectives, priorities and/or the essential	<p>Selection and appointment of external expert evaluators</p> <p>Conflict of interest checks</p>	100% vetting (including selecting) of experts for technical expertise and independence (e.g. conflicts of interests, nationality	<p><b>Effectiveness:</b></p> <p>Number of proposals evaluated</p> <p><b>Efficiency Indicators:</b></p>

<sup>42</sup> The mutualisation of the support services represents a quantitative benefit which is certain but not accurately quantifiable in the context of reorganisations, new programme's setting up, general HR offsetting through the Commission.

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
<p>eligibility, or with the selection and award criteria defined in the work programme and subsequent calls for proposals.</p> <p>Conflict of interest regarding the expert evaluators.</p>	<p>Assessment by independent experts</p> <p>Comprehensive IT system supporting the evaluation of proposals and allowing better monitoring of the process</p> <p>Validation by the AOSD of ranked list of proposals. In addition, if applicable: Opinion of advisory bodies; comitology; inter-service consultation and adoption by the Commission; publication</p> <p>Systematic checks on operational and legal aspects performed before signature of the Grant Agreement Redress procedure</p>	<p>bias, ex-employer bias, collusion)</p> <p>100% of proposals are evaluated.</p> <p><b>Coverage:</b> 100% of ranked list of proposals. Supervision of work of evaluators.</p> <p>100% of contested decisions are analysed by redress committee</p>	<p>% of Time-To-Inform on time.</p> <p>% of number of (successful) redress challenges upheld / total number of proposals evaluated.</p> <p><b>Qualitative benefits:</b></p> <p>Expert evaluators from outside the Commission bring independence, state of the art knowledge in the field and a range of different opinions. This will have an impact on the whole project cycle : better planned, better implemented projects.</p>

## C - Contracting

**Main control objectives:** Ensuring that the most promising projects for meeting the policy objectives are among the proposals contracted; Sound Financial Management (optimal allocation of the budget available); Compliance; Prevention of fraud and other horizontal priorities (ethics, gender balance, security aspects)

Main risks It may happen (again) that...	Mitigating controls	coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
<p>The beneficiary lacks operational and/or financial capacity to carry out the actions.</p> <p>Procedures do not comply with</p>	<p>Validation of beneficiaries (financial capacity checks on demand).</p> <p>Systematic checks on operational and legal aspects performed</p>	<p>100% of the selected proposals and beneficiaries are scrutinised.</p> <p><b>Coverage:</b> 100% of draft grant</p>	<p><b>Effectiveness:</b> Number of grants signed</p>

Main risks It may happen (again) that...	Mitigating controls	coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
<p>regulatory framework.</p> <p>The evaluation stage has not detected a potentially fraudulent proposal/beneficiary.</p> <p>The project implementation might not comply with Ethics requirements</p> <p>Sensitive/classified information in future deliverables of a selected projects might not be handled with the adequate Security measures</p>	<p>before signature of the grant agreement</p> <p>Risk assessment and risk based checks before the grant agreement signature and reinforced monitoring flagging if necessary</p> <p>Ad hoc anti-fraud checks for riskier beneficiaries</p> <p>Signature of the grant agreement by the AO.</p> <p>Financial verification where necessary</p> <p>Mutual Insurance Mechanism (MIM).</p> <p>An ethics review is carried out systematically in all HE calls, starting with an ethics pre-screening, which results in detailed screening or assessment if necessary</p> <p>Ad hoc security checks and screenings</p> <p>Security review is carried out systematically in all HE calls, starting with pre-screening, which may result in detailed security scrutiny.</p>	<p>agreements.</p> <p><b>Depth</b> will be differentiated following the conclusion of the risk assessment.</p> <p>Controls implemented when justified by the call/proposal content</p>	<p><b>Efficiency Indicators:</b></p> <p>% of Time-to-grant on time</p> <p>Average Time-to-grant</p>

## D - Monitoring the implementation

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

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
<p>The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement (for examples deliverables, open access to results and publications,...)</p> <p>The amounts paid exceed what is due in accordance with the applicable contractual and regulatory provisions.</p> <p>The cost claims and or deliverables are irregular or fraudulent.</p> <p>Lack of harmonised approach within the family with the consequence of unequal treatment of the beneficiaries</p> <p>Ethics requirements are not fulfilled.</p>	<p>Kick-off meetings and "launch events" involving the beneficiaries in order to avoid project management and reporting errors</p> <p>Specialized webinars targeting reduction of errors</p> <p>Specialized aid with web based tools to inform most error-prone beneficiaries (i.e SMEs who participate first time) about cost calculation practices</p> <p>Effective external communication about guidance to the beneficiaries (eg Funding and Tender portal, info days for the calls)</p> <p>Anti-fraud awareness raising training for the project officers</p> <p>IT Plagiarism detection tool for deliverables</p> <p>Enhanced family approach (anti-fraud cooperation; common legal and audit service; comprehensive and common IT system for all the family)</p> <p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by the AO</p> <p>For riskier operations, reinforced monitoring</p> <p>Selection and appointment of expert for scientific reviews of</p>	<p>100% of the projects are controlled, including only value-adding checks.</p> <p>Riskier operations subject to more in-depth controls.</p> <p>The <b>depth</b> depends on risk criteria. However, as a deliberate policy to reduce administrative burden, and to ensure a good balance between trust and control, the level of control at this stage is reduced to a minimum</p> <p>High risk operations identified by risk criteria.</p> <p>Red flags: suspicions raised by staff, audit results, EDES, individual or "population" risk assessment</p> <p>Audit certificates required for any beneficiary claiming more than EUR 430 000 (Horizon Europe)</p>	<p><b>Effectiveness:</b></p> <p>Number of payments (interim and final)</p> <p><b>Efficiency:</b></p> <p>Time-to-pay: % of payments (in value) made on time</p> <p>Time-to pay: Average number days net/gross + suspension days</p> <p><b>Qualitative Benefits:</b></p> <p>Projects are executed and produce benefits for the community</p>

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
	intermediate and/or final reporting  If needed: application of Suspension/interruption of payments,  Referring grant/beneficiary to OLAF/EPPO		

Common for RCS 1a and RCS 1b

**Overall economy for ex-ante control**

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (effectiveness, efficiency, economy)
			<p><b>Economy</b></p> <p>a. <u>Estimation of cost of staff involved in the ex-ante checks</u></p> <ul style="list-style-type: none"> <li>- Programme management and monitoring</li> <li>- Financial management</li> <li>- Budget and accounting</li> <li>- General Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management</li> <li>- Anti-fraud</li> <li>- Development and support of IT systems linked to managing funding programmes</li> </ul> <p>b. <u>Estimation of other costs linked to ex-ante checks</u></p> <ul style="list-style-type: none"> <li>- Cost of experts and costs of experts management</li> <li>- Costs of IT external contracts of CIC</li> </ul>

## RCS 2) Grants under direct management – EEP

Stage 1: Ex-ante controls

Effectiveness, efficiency, and qualitative benefits are detailed per stages.

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

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

*No longer applicable*

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

*No longer applicable*

### C – Contracting

*No longer applicable*

### D - Monitoring the implementation

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The actions foreseen are not, carried out in accordance with the deliverables, open access to results and publications...).	1) Kick-off meetings and launch events involving the beneficiaries in order to avoid project management and reporting errors 2) Effective external communication / guidance to beneficiaries	<b>Coverage / Frequency:</b> - 100% of the payments - risk-based selection subject to in-depth controls.	<b>Effectiveness:</b> % and value of reductions made to EU contribution paid out through the ex-ante desk checks

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The amounts paid exceed what is due in accordance with the applicable contractual and regulatory provisions.</p> <p>The cost claims are irregular or fraudulent.</p>	<p>3) Anti-fraud awareness raising &amp; training for project officers</p> <p>4) Operational and financial verification in accordance with the financial circuits</p> <p>5) Operational authorisation by the Authorising Officer</p> <p>6) For selected projects / beneficiaries:</p> <ul style="list-style-type: none"> <li>- Enhanced ex-ante controls</li> <li>- Selection and appointment of expert for scientific reviews of intermediate and/or final reporting</li> <li>- On-site verification visits</li> </ul> <p>7) In case of irregularities:</p> <ul style="list-style-type: none"> <li>- Suspension/interruption of payments</li> <li>- Penalties or liquidated damages</li> <li>- Referring grant/beneficiary to OLAF</li> </ul> <p>8) Audit certificates required for beneficiaries claiming more than EUR 375.000</p>	<p><b>Depth:</b> depending on risk criteria.</p> <ul style="list-style-type: none"> <li>- Risk criteria: red flags, suspicions raised by POs, audit results, EDES, individual or "population" risk assessment.</li> </ul>	<p>/ total value of EU contribution claimed.</p> <p><b>Efficiency:</b></p> <p>Time-to-pay: % of payments made on time</p> <p>Time-to pay: Average number days net/gross + suspension days.</p>

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

Stage 2: Ex-post controls

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

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



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

## F - Corrections

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

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

## RCS 3) Directly managed procurement

This RCS covers, amongst others, the contracts to procure studies, goods and services, including the contracts implemented under the heading “other operational expenditure” and “nuclear energy”.

Stage 1 – Ex-ante controls

### A - Planning

**Main internal control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-effectiveness indicators (three E's)
<p>The needs are not well defined (operationally and economically) and the decision to procure was inappropriate to meet the operational objectives.</p> <p>Discontinuation of the services provided due implementation issues or lack of appropriate planning.</p> <p>The required volume of services or the required technical financial capability are not adequately planned.</p>	<p>Coordinated planning exercise (preparation of Vigie fiches), incl. economic and operational justification of new procurements</p> <p>Validation by AO(S)D of justification and planning.</p> <p>Documented discussions / decisions (document adopted by all parties before the launch of a given procurement procedure setting the main principles to follow during the call).</p>	<p>100% of the forecast procurements are justified and validated through the Vigie system.</p> <p>All key procurement procedures formally approved by the Legal Cell and in line with the Financial Regulation.</p>	<p><b>Effectiveness:</b> Number of projected tenders cancelled.</p>
			<p><b>Economy:</b> average cost per tender.</p>

### B – Needs assessment and definition of needs

**Main internal control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-effectiveness indicators (three E's)
The Commission does not receive good offers or cannot select good contractors and/or experts for the required specific expertise.	AOSD supervision and approval of tender specifications / terms of reference Ex-ante legal controls on the procurement procedure.	100% of specifications drafted by technical experts. All specifications for open call for tenders validated by AOSD.	<b>Effectiveness</b> - Number of open procedures or tenders where only one or no offers were received.
The specifications and requirements are defined in a way that restricts excessively competition, narrowing the choice of suppliers and influencing negatively the possibility to obtain advantageous offers.		<b>Depth:</b> 100% of tenders above financial threshold (Directive Threshold).	

## C – Selection of the offer and evaluation

**Main internal control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity). Fraud prevention and detection

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-effectiveness indicators (three E's)
The most economically advantageous offer is not being selected, due to a biased, inaccurate or 'unfair' evaluation process. The offer retained does not present the required technical expertise or is financially not sustainable	<ul style="list-style-type: none"> <li>Formal evaluation process, including Opening Committee and Evaluation Committee</li> <li>Opinion by consultative committee ('CCAM')</li> <li>Declaration of absence of conflicts of interest by members of Opening and Evaluation Committee</li> <li>Documented evaluation of selection, exclusion and award criteria</li> </ul>	<p>100% of offers analysed</p> <p><b>Depth:</b> all documents submitted</p> <p>100% of opening/evaluation committee members sign declaration</p> <p>100% criteria checked</p>	<p><b>Effectiveness</b></p> <ul style="list-style-type: none"> <li>Number of valid complaints or legal cases opened</li> <li>Contract signed in time to implement the action</li> </ul> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>Cost of control vs amount paid</li> </ul>
Procurement procedures are unsuccessful or lead to an excessive use of negotiated procedures	<p>Hierarchical review to ensure that open procedures are favoured whenever possible.</p> <p>In-depth ex-ante market study to identify potential providers, problems &amp; possibilities for in-house development if any.</p> <p>If not possible, use of negotiated procedures with pre-identified</p>	Coverage: Risk-based approach for most complex contracts	<b>Effectiveness:</b> number of procedures that need to be re-launched or cancelled

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-effectiveness indicators (three E's)
	market players, only following approval by Senior Management		

## D – Receipt of services and financial transactions

**Main internal control objectives:** Ensuring that the implementation of the contract is in compliance with the signed contract

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-effectiveness indicators (three E's)
<p>The products/services/works delivered do not meet the technical description and requirements foreseen in the contract.</p> <p>Insufficient performance or timeliness of the contractor</p> <p>Invoices received do not correspond to the services delivered or to the actual performance of the contractor.</p>	<p>Monitoring and assessment of deliverables. Regular implementation report on the fulfilment of the contracted tasks. Request of supporting documentation for claimed costs / link between deliverables and payments.</p> <p>Financial checks in accordance with the financial circuits Operational authorisation by AO(S)D.</p> <p><i>For procurement of goods and on-site services related to Nuclear Safety and Nuclear Safeguards</i></p> <p>Ex-ante in-depth verification and testing of new equipment delivered, prior to the acceptance of the invoice.</p> <p>Reinforced monitoring of on-site services delivered by nuclear operators.</p>	<p>100% of the contracts are controlled. Follow-up of all actions by the technical officer in charge.</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Number and amount of payment made</li> <li>- issues regarding legality and regularity</li> </ul> <p><b>Efficiency:</b></p> <ul style="list-style-type: none"> <li>- Timely payment</li> </ul> <p><b>Economy</b></p> <ul style="list-style-type: none"> <li>- Cost of control vs amount paid</li> </ul>

## RCS 4) EURATOM contribution to ITER / F4E under indirect management

This RCS covers the EURATOM contribution to the ITER project, entrusted to and implemented through the F4E JU43. Both entities were established before 2016; therefore, this ICT focuses on monitoring, supervision and ex-post controls.

<sup>43</sup> Fusion for Energy Joint Undertaking.

Stage 1: Ex-ante controls

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

*Not applicable*

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

*Not applicable*

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p><b>F4E Joint Undertaking</b>                      The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.                      The Commission does not react upon and mitigate notified issues in a timely manner.                      DG ENER cannot exercise suitable supervision and intervene to ensure that issues are addressed in a timely manner</p>	<p><b>F4E Joint Undertaking</b>                      1) DG ENER supervision strategy for F4E (supervision needs &amp; objectives, tools, working methods and procedures)                      2) Delegation Act / Administrative Agreement specifying the control, accounting, audit, publication etc. related requirements – incl. the modalities of reporting on relevant and reliable control results                      3) Reporting: F4E "Dash Board": information on progress of the EU contribution. Further revision to incorporate Key Performance Indicators and other elements from the supervision strategy.                      4) DG ENER Membership of F4E governance structure:                      - DG ENER representative in Governing Board, assisted notably by                      - the Administration and Management Committee, of which one member is EURATOM                      - the Audit Committee, of which one member is proposed by</p>	<p><b>Coverage &amp; Frequency:</b>                      - Determined by delegation act/ administrative agreement                      - Regular reports on use of resources and performance of tasks;                      - Annual reports on operation and budget implementation.</p>	<p><b>Effectiveness:</b>                      -Effective implementation of the governance mechanisms and reporting channels.                      - Number of serious issues arising not identified through standard reporting channels                      - Absence of ECA, discharge or IAS audit observations</p> <p><b>Economy</b>                      Evolution of the cost of control at entity level</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
	<p>EURATOM</p> <ul style="list-style-type: none"> <li>- the Bureau</li> <li>- DG ENER membership in the steering committee for the annual F4E independent assessment</li> <li>- DG ENER also participates to the F4E Senior Management Meetings and has bilateral contacts with F4E Director</li> </ul> <p>5) Revised Administrative Arrangements &amp; Working Relations formalize the monitoring, reporting and supervision arrangements, including:</p> <ul style="list-style-type: none"> <li>- Regular coordination meetings at management level</li> <li>- Frequent contacts at working level and regular reporting on progress, budgetary, staffing and audit issues</li> <li>- Bilateral meetings when necessary</li> </ul> <p>6) Management review of the supervision results</p> <ul style="list-style-type: none"> <li>- Quarterly review of key identified risks</li> <li>- Yearly review of F4E's key internal control documents (risk register, internal control self-assessment, cost of control) if needed:</li> <li>- reinforced monitoring of operational and/or financial aspects of the entity</li> <li>- potential escalation of any major governance-related issues with entrusted entities</li> </ul> <p>7) Annual activity report based on BUDG guidance and template, submitted to DG ENER.</p>		
<p><b>EURATOM obligations to ITER project</b></p> <p>If the ITER project supervision strategy is not comprehensive, DG ENER may not focus its activities on critical or high-risk areas.</p>	<p><b>EURATOM obligations to ITER project</b></p> <ol style="list-style-type: none"> <li>1) DG ENER supervision Strategy for the ITER project, defining supervision needs and objectives, Commission's strategy, supervision tools, key risks and key performance indicators.</li> <li>2) Management review of the implementation of supervision strategy (completeness, effectiveness) on the basis of indicators</li> <li>3) Participation in the ITER Council and its Advisory Bodies, including <ul style="list-style-type: none"> <li>- Chairing of ITER Management Advisory Committee (MAC)</li> <li>- Chairing the Financial and Audit Board (FAB).</li> </ul> </li> </ol>	<p><b>Coverage:</b> The elements taken into account for decisions taken in the Inter Council.</p> <p><b>Frequency:</b></p> <ul style="list-style-type: none"> <li>- As determined by ENER supervision strategy.</li> </ul>	<p><b>Effectiveness</b></p> <p>Strategy exists and is up to date. Administrative arrangements are aligned with the strategy.</p>

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

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

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

Stage 2: Ex-post controls

## F - Audit and evaluation, Discharge

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The Commission does not have sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions	<b>F4E Joint Undertaking</b> 1) Subject to audit by IAS and the Court of Auditors (yearly audit on the legality and regularity of the operations & performance audits). DG ENER uses their reports, and the follow-up given to their recommendations by the JU, as an element of the	<b>Coverage:</b> based on a sampling approach (e.g. random/representative, value-targeted, risk-based).	<b>Effectiveness:</b> Assurance being provided.
			<b>Efficiency:</b> cost of controls.

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
on the assurance for the budget entrusted to the entity.	supervision. 2) Annual discharge report sent to the EP and the Council 3) The Governing Board is assisted by an Audit Committee, in which one member is proposed by EURATOM. 4) Commission's right to perform targeted financial and/or technical audits and on-the-spot checks on F4E beneficiaries and operations. 5) Ad hoc independent reviews on demand by the Governing Board or by the Commission itself, when additional independent analysis provided by a group of experts is deemed opportune for a specific issue.	<b>Frequency:</b> according to F4E & IAS internal audit planning / annual for DAS and external assessment.  The <b>depth</b> depends on the level of risks assessed.	

## RCS 5) Nuclear Decommissioning Assistance Programmes under indirect entrusted management

This RCS covers the delegation to EBRD<sup>44</sup>, CPMA<sup>45</sup> and SIEA<sup>46</sup> for the Nuclear Decommissioning Assistance Programmes in Bulgaria, Lithuania and Slovakia

Stage 1: Ex-ante controls

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

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

<sup>44</sup> European Bank for Reconstruction and Development

<sup>45</sup> Central Project Management Agency (Lithuania)

<sup>46</sup> Slovak Innovation and Energy Agency (Slovakia)



Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The establishment (or prolongation) of the mandate of the entrusted entity is affected by legal issues, which would undermine the legal basis for the management of the related EU funds (via that particular entity)</p>	<ol style="list-style-type: none"> <li>1) Pillar Assessments of delegated bodies (updated in 2020-2021 for EBRD and CPMA; in 2018 for SIEA)</li> <li>2) Framework Administrative &amp; Financial Agreement (FAFA) with EBRD</li> <li>3) Contribution agreements based on BUDG template incorporating lessons-learned on: <ul style="list-style-type: none"> <li>- Ex-post monitoring</li> <li>- key performance indicators</li> <li>- reporting and monitoring requirements</li> <li>- flat fee remuneration scheme</li> </ul> </li> <li>4) Hierarchical validation within the DG</li> <li>5) Inter-service consultation including all relevant DGs</li> <li>6) Contribution agreements cover clear reporting requirements and were prepared in line with new NDAP regulation and OLAF requirements</li> <li>7) Explicit allocation of responsibility to individual officials (reflected in job descriptions)</li> </ol>	<p><b>Coverage/Frequency:</b> 100%/ before signature – prolongation of delegation agreement</p> <p><b>Depth:</b> Determined by pillar assessment checklist &amp; other relevant guidance</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Performance of pillar assessments/ validity of the PAs</li> <li>Adoption of the delegation acts/ contribution agreements</li> </ul> <p><b>Efficiency:</b> included in the efficiency of monitoring and supervision</p>
<p>Conflicts of interest could impair the management of EU funds by the entrusted entity.</p>	<p><b>Controls by DG ENER</b></p> <ol style="list-style-type: none"> <li>1) Pillar assessment of internal control framework, incl. anti-fraud policy</li> <li>2) Provisions of the respective Contribution Agreements with EBRD , CPMA and SIEA</li> <li>3) Regular assessment by DG ENER of the adequacy of control and anti-fraud strategies of implementing bodies</li> </ol> <p><b>As part of the pillar assessment, DG ENER evaluated the following controls put in place by the entrusted entities:</b></p> <ol style="list-style-type: none"> <li>4) EBRD governance framework <ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Prohibited Practices guidelines</li> <li>- Integrity Risk policy</li> <li>- Modification of IDSF rules, to align them with the predominant</li> </ul> </li> </ol>	<p><b>Coverage/Frequency:</b></p> <ul style="list-style-type: none"> <li>- all entities</li> </ul> <p><b>Depth:</b> case by case</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Absence of conflict of interest</li> <li>- Existence of antifraud Strategies and policies at entity level</li> </ul>

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

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The financial and control framework deployed by the entrusted entity is not fully mature to guarantee achieving all 5 ICOs (<i>legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy</i>).</p>	<p>1) Pillar assessment of entrusted entities before delegating funds:</p> <p>2) Monitoring actions</p> <ul style="list-style-type: none"> <li>- site visits</li> <li>- meetings of the Monitoring Committees (CPMA-SIEA/Assembly of Contributors (EBRD))</li> </ul> <p>3) Specific NDAP risk management plan: quarterly review of key risks</p> <p>4) Provisions of the contribution agreements regarding the obligation to inform the Commission on significant changes that may affect the entrusted tasks</p> <p>5) Provision of Management's representation and Independent auditor's report</p>	<p><b>Coverage/frequency:</b> 100% of entrusted entities</p> <p>Frequency of monitoring actions/visits/meetings determined by DA and internal control strategy</p> <p><b>Depth:</b> determined by the DA (reporting, monitoring meeting), risk management plan &amp; control strategy</p>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- validity of the pillar assessments/ updates carried out</li> <li>- timely delivery of monitoring reports, aligned with reporting criteria</li> </ul> <p><b>Economy:</b> control cost at entity level</p>

## C - Operations: monitoring, supervision, reporting

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
<p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner.</p>	<p>All implementing bodies:</p> <ol style="list-style-type: none"> <li>1) Specific NDAP Control strategy</li> <li>2) Specific NDAP risk management plan: quarterly review of key risks</li> <li>3) Use of key performance indicators covering financial management</li> <li>4) Provision of Management's representation and Independent auditor's report</li> </ol> <p>EBRD</p> <ol style="list-style-type: none"> <li>1) Joint management of multi-donor funds (as per fund rules) and EU Chair of the Assembly of Contributors</li> <li>2) EU representation within the EBRD Board of Directors</li> <li>3) Commission decision on procedures covering monitoring arrangements, evaluation and audit issues</li> <li>4) Daily project execution monitored by EBRD</li> <li>5) Programme monitoring Assemblies of Contributors (chaired by the Commission)</li> <li>6) Regular reports by beneficiaries and Member States on the progress <ul style="list-style-type: none"> <li>- Monitoring Committee analyses the report and takes corrective measures</li> </ul> </li> <li>7) Commission monitoring visits on-site. Corrective measures to ensure that objectives are met.</li> <li>8) Adoption of the Rules of Application covering</li> </ol>	<p><b>Coverage:</b> 100% of projects</p> <p><b>Frequency &amp; Depth:</b></p> <ul style="list-style-type: none"> <li>- In accordance with Rules of application</li> <li>- Assembly of Contributors biannually</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Yearly report on the execution of delegated tasks.</li> </ul>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- Absence of qualification on the opinion from the independent auditor on the financial statements and management reports of the multi-donor funds organisation of the different governance meetings as planned</li> </ul> <p><b>Efficiency</b></p> <p>Earned value management synthetic indicator (progress against schedule and budget)</p> <p><b>Economy</b></p> <p>Overall supervision cost / budget entrusted to entity (%)</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
	<ul style="list-style-type: none"> <li>- detailed description of monitoring controls</li> <li>- introduction and assessment of key performance indicators</li> <li>- steering of the Member States towards use of an appropriate earned-value management (EVM) technique</li> <li>9) Management report</li> </ul>		
As above	<p><b>National Agencies</b></p> <ol style="list-style-type: none"> <li>1) Full state guarantee for implementation through certified agency</li> <li>2) Commission decision on procedures in place covering monitoring arrangements, evaluation and audit issues</li> <li>3) Daily project execution is monitored by the implementing bodies</li> <li>4) Programme monitoring through Monitoring Committees (MC) chaired by the Commission</li> <li>5) Biannual reports by the beneficiaries and the Member States on progress <ul style="list-style-type: none"> <li>- MC analyses the monitoring report and takes corrective measures</li> </ul> </li> <li>6) Monthly report by the entrusted entity.</li> <li>7) Commission monitoring visits on-site. Corrective measures to ensure that objectives are met.</li> <li>8) Adoption of the Rules of Application covering <ul style="list-style-type: none"> <li>- detailed description of monitoring controls</li> <li>- introduction and assessment of key performance indicators</li> <li>- steering of the Member States towards use of an appropriate earned-value management (EVM) technique</li> </ul> </li> <li>9) Management report</li> </ol>	<p><b>Coverage:</b> 100% of projects</p> <p><b>Frequency &amp; Depth:</b></p> <ul style="list-style-type: none"> <li>- In accordance with Rules of application</li> <li>- Assembly of Contributors biannually</li> <li>- Regular reports on use of resources and performance of tasks;</li> <li>- Yearly report on the execution of delegated tasks</li> </ul>	<p><b>Effectiveness:</b></p> <ul style="list-style-type: none"> <li>- 100% of monitoring reports received and analysed, reliability of the information provided</li> <li>- unreserved assurance received from the CPMA and SIEA to support their yearly management report and statement of account</li> <li>- timely organisation of the different governance meetings</li> </ul> <p><b>Efficiency</b></p> <p>earned value management synthetic indicator ( progress against schedule and budget)</p> <p><b>Economy:</b></p> <p>Overall supervision cost / budget entrusted to entity (%)</p>

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

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

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

Stage 2: Ex-post controls

## E - Audit and evaluation

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The Commission has not received sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity.	The expenditure falls within the scope of the DAS and is audited by ECA annually, which is the main source of controls. In addition: 1) Statement of assurance received from entrusted entities 2) Audit opinions of the external auditors of the entrusted entities 3) Financial audits carried out by an external audit company on selected NDAP projects	<b>Coverage:</b> - Audits based on a sampling approach (random/representative, value-targeted, risk-based) <b>Frequency:</b> whenever necessary The <b>depth</b> depends on the level of risks assessed	<b>Effectiveness:</b> - Assurance provided; - No critical or very important observation from the ECA or the Internal Audit Service - Positive assessment by the AOSD on the reliability of the information received

## RCS 6) Budgetary support to ACER regulatory agency (under indirect management)

This RCS covers the annual subsidy provided to the decentralised agency ACER<sup>47</sup>. This entity was established before 2016; therefore this RCS focuses on monitoring and ex-post controls

Stage 1: Ex-ante controls

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

*Not applicable*

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

*Not applicable*

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

<sup>47</sup> Agency for the Cooperation of Energy Regulators

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

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

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
Bad cash forecast leading to the	1) Delegation Act/Administrative Agreement specifying the	<b>Coverage:</b> 100% of the	<b>Effectiveness :</b> existence or not

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
Commission paying too much compared to the EE's needs	control, accounting, audit, publication etc. related requirements – including reporting 2) Management review of the supervision results. 3) Standard procedures for the validation of all payments and recovery of non-used operating budget subsidy 4) Good internal communication to ensure that issues are known and dealt with (see stage 3)	contribution payments <b>Frequency:</b> following the rhythm of the payments	of legality and regularity issues , effective payment of the Commission contribution <b>Economy :</b> cost of control vs budgetary support

Stage 2: Ex-Post controls

## F - Audit and evaluation, Discharge

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The Commission does not have sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity.	1) Subject to audit by the IAS and the ECA (annual DAS audit and performance audits) 2) Annual discharge through Budgetary Authority 3) Commission right to perform ad-hoc financial or technical audits / on-the-spot reviews 4) Ad hoc independent reviews on demand by the Governing Board or by the Commission itself	<b>Coverage:</b> As determined by audit bodies <b>Frequency:</b> according to ACER & IAS internal audit planning / annual for DAS and external assessment The <b>depth</b> depends on the level of risks assessed	<b>Effectiveness:</b> Assurance being provided



## RCS 7) Financial Instruments

DG ENER uses innovative financial instruments to implement energy policies. On one side, DG ENER is one for the DGs partnering in the InvestEU fund. On the other side, it remains responsible for overseeing the Commission's holding in the EEEF investment fund. DG ECFIN is lead DG as regards the relevant control systems for the InvestEU fund. The section below focusses on the legacy management of the EEEF Investment fund.

Stage 1: Ex-ante controls

Not relevant for the MFF 2021-2027. DG ENER is managing an established holding in the fund. No further contributions are envisaged

Stage 2: Ex-post controls

### C – Monitoring and assurance building

#### Main internal control objectives:

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The actions supported do not reflect the policy objectives for FI.	<p>The participation to the governing instances of the fund, namely the steering committee as regards Invest EU and the Board of Directors as regards the EEEF.</p> <p>The review, contribution and authorisation of the different procedures of interest, including investment guidelines. Monitoring of the alignment of the investment priorities with the policy objectives of the DG.</p> <p>The review and assessment of the elements of assurance related to the activity of the funds, such as their implementation reports, annual reports, and the consideration of elements of assurance stemming from third parties, such as</p>	<p><b>Coverage/Frequency:</b> as per documented control approach.</p> <p>Steering committee/Board of Directors</p> <p>Operational reports</p> <p>Financial statements</p> <p>Risk and performance report</p>	<p><b>Effectiveness:</b> Absence of serious audit finding as regard the operations of the funds</p> <p><b>Reliability of information:</b> Availability and positive assessment as to the reliability of the information supporting the assurance given by the AOSD/AOD in their respective report</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
	audit providers.  As regards the EEEF: the assessment of the situation of shareholding and the corresponding accounting and data consistency checks.		

## RCS 8) Supervision of the CINEA executive agency

CINEA is responsible for reporting on the implementation of the expenditure falling under its remit. DG MOVE, as lead parent DG, reports on the operating (administrative) budget provided to CINEA. DG ENER's reporting is limited to the significant elements that are relevant to the implementation of Energy expenditure by the Agency.

Stage 1: Ex-ante controls

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

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

*p.m.*

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

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

*p.m.*

## C – Operations: monitoring, supervision, reporting

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

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

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

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

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

Stage 2: Ex-post controls

## E – Audit and evaluation

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

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

## RCS 9) Non-Expenditure Items (Safeguarding of Assets and Information) – EURATOM Safeguards

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

Stage 1 - Ex-ante controls

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

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

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

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

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

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

## C - Exercising the Commission's rights

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

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

Stage 2: Ex-post controls

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

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

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
The ex-ante controls fail to prevent, detect and correct negligence, irregularities, errors, losses or attempted fraud	<b>Assets</b> 1) operational monitoring ( including assets on distant sites) 2) If needed: refer to OLAF	<b>Coverage:</b> Operational monitoring covers the entire extent of the assets under management, if needed	<b>Effectiveness:</b> Number of controls performed Number of supervisory control failures

Main risks	Mitigating controls	Coverage, frequency and depth	Effectiveness, efficiency, economy indicators
		using a sampling approach. <b>Validation of accounts:</b> at least once a year. <b>Depth:</b> desk review of all underlying elements and documents.	Residual value of the assets corresponding to the errors

**For All RCS :**

**Overall economy indicators**

Estimation of cost of staff involved in the ex-ante checks	Estimation of other costs linked to ex-ante checks
<ul style="list-style-type: none"> <li>• Programme management and monitoring</li> <li>• Financial management</li> <li>• Budget and accounting</li> <li>• General Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management</li> <li>• Staff performing supervisory tasks as regards entrusted entities and other partner organisations</li> <li>• Anti-fraud</li> <li>• Development and support of IT systems linked to managing funding programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of experts</li> </ul>
Estimation of cost of staff involved in the ex-post checks	Estimation of other costs linked to ex-post checks
<ul style="list-style-type: none"> <li>• Audit staff</li> <li>• Financial staff involved in the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Costs of services procured for audit and other assurance</li> </ul>



## **ANNEX 7: Specific annexes related to "Financial Management"**

### **2.1.1. Control results**

#### **1. Effectiveness of controls**

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

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

#### **Direct management**

This section provides details on the control effectiveness for the program under direct management that had the highest payments in 2021 – EEPR.

In addition, payments made in 2021 in relation to FP7 and H2020 grants represented respectively EUR 8.3 million (0.97% of the total payments) and EUR 10.1 million (1.19% of the total payments).

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

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

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

- **Ex-ante monitoring and checks**

This stage concerns the management of the project and the grant agreement and comprises the technical monitoring and also ex-ante checks of participants' cost claims. The purpose of these ex-ante checks is to ensure that the transactions authorised are in compliance with the applicable rules.

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

## Control effectiveness

Ex-ante checks prevented the payment of about 0.9%<sup>48</sup> of the requested EU contribution. The main errors detected in cost claims concerned inconsistencies between the information supplied by grant beneficiaries and that included in the audit certificate when submitted (amount of costs, methods of calculation, periods, etc.), audit certificates incomplete, missing or not provided by a qualified auditor, arithmetical errors, costs incurred outside the eligibility period or not covered by the legal basis.

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

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

- ↳ [Common ex-post audit strategy of the Research Directorates General](#)

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

Since 2007, the Research and Innovation Family of DGs and Executive Agencies<sup>49</sup> (R&I Family) has adopted a common audit strategy intended to ensure the legality and regularity of expenditure on a multi-annual basis, including detection and correction of non-systematic and systematic errors.

For H2020, CAS carries out all audits, including those concerning grants concluded by the Executive Agencies and the Joint Undertakings. This is a major step forward in ensuring a harmonised approach, legal certainty, equality of treatment and minimising the audit burden on beneficiaries.

The main indicators on legality and regularity<sup>50</sup> of EU Framework Programmes for R&I are:

**Representative detected error rate**, based on errors detected by ex-post audits on a Common Representative Sample (CRS) of cost claims across the R&I Family.

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

The targets set for this control system are respectively:

- for FP7 (2007-2013) - to ensure that the cumulative residual error rate does not exceed 2% by the end of the Framework Programme's management cycle.

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<sup>48</sup> Audit results implementation and budget capping not included.

<sup>49</sup> DG AGRI, DG CNECT, DG DEFIS, DG EAC, DG MOVE, DG ENER, ERC, DG GROW, DG HOME, CINEA, JRC, REA and DG R&I.

<sup>50</sup> These indicators are described in point 1.1 of Annex 5.

- for H2020 - to ensure that the cumulative residual error rate remains within a range of 2-5 % aiming to be as close as possible to 2%.

Progress against H2020 targets is assessed annually based on the results of the implementation of the ex-post audit strategy and taking into account the frequency and importance of the detected errors along with cost-benefit considerations regarding the effort and resources needed to detect and correct the errors.

- for Horizon Europe, to ensure that the cumulative residual error rate does not exceed 2%<sup>51</sup>.

It should be noted, however, that due to its multi-annual nature, the effectiveness of the control strategy of the R&I Family can be measured and assessed fully only in the final stages of the EU Framework Programme, once the ex-post control strategy has been fully implemented, and errors, including those of a systematic nature, have been detected and corrected.

Due to the COVID-19 pandemic crisis and related travel limitations during 2021, the Common Audit Service (CAS) – in line with the instructions of the Commission – could not carry out the necessary on-the-spot missions and had to postpone some of them. To minimise the impact of COVID-19 on the implementation of the audit campaign, the CAS converted as many traditional audit assignments as possible into desk audits, in line with international best practices and auditing standards.

Despite travel restrictions, and other objective challenges due to the COVID-19 pandemic, the foreseen audit target was achieved. The CAS managed to finalise audits on 514 participations corresponding to 104.3% of the planned most probable scenario for the 2021 target<sup>52</sup>.

	FP7 ex-post audits	H2020 ex-post audits
<b>Representative detected error rate</b>	5.44%	2.29%
<b>Cumulative residual error rate for DG ENER</b>	4.05%	2.10%

#### Results of FP7 programme ex-post audits

The error rates based on the audit work for FP7 for DG ENER on 31 December 2021<sup>53</sup> were:

- Representative detected error rate<sup>54</sup>: 5.44%<sup>55</sup>

<sup>51</sup> No representative error rate for Horizon Europe will be available in 2022 and 2023 as the ex-post audit campaign for the Programme is planned to be launched by the end of 2023, at the earliest.

<sup>52</sup> Given the COVID-19 pandemic and related restrictions, the CAS developed several scenarios for the closure of audit targets

<sup>53</sup> The last CRS for FP7 was launched in 2016. With all CRS items closed, the audit strategy for FP7 is now considered to be fully implemented.

<sup>54</sup> Calculated on a multi-annual basis.

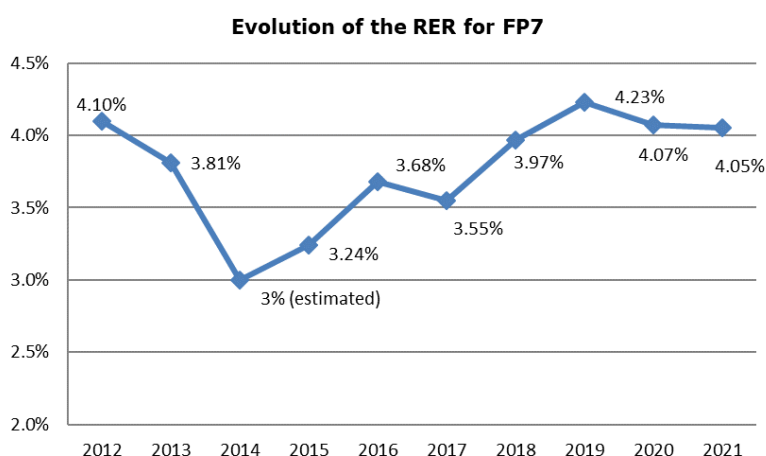
<sup>55</sup> This is based on 481 cost statements for which the audit has been completed.

- Cumulative residual error rate: 4.05% for DG ENER

The target of cumulative residual error rate of 2% was not attained. Nevertheless, the lessons learned from the FP7's audits contributed significantly to the development of the enhanced Horizon 2020 control framework.

In 2019<sup>56</sup>, a 'de minimis' threshold for financial reservations was introduced stipulating that quantified Annual Activity Report 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.

There is therefore no quantified reservation as regards Seventh Framework Programme expenditure<sup>57</sup>, as in 2021 the overall FP7 payments are only 0.97% of the total payments of DG ENER for 2021, with a financial impact of EUR 1.33 million.



#### Results of H2020 ex-post audits

In 2020 the Commission refined its methodology for calculating the Horizon 2020 error rates in line with the European Court of Auditors' observations in its 2018 and 2019 Annual Reports<sup>58</sup>. The methodology applied is described in Annex 5 'Materiality criteria'. As of January 2020, DG R&I applied the revised methodology on a sample of 1 304 audit conclusions. This results in the following error rates for Horizon 2020<sup>59</sup> on 31 December 2021:

- Representative detected error rate: 2.29%<sup>60</sup>

<sup>56</sup> Agreement of the Corporate Management Board of 30/4/2019.

<sup>57</sup> FP7 payments represent 0.97% of 2021 ENER payments and the financial impact is EUR 1.33 million

<sup>58</sup> When calculating the multi-annual error rate, the Commission took into account the results of the audit re-performed by the ECA as part of Module 2 of the DAS 2018-2019.

<sup>59</sup> The Horizon 2020 audit campaign started in 2016. At this stage, four Common Representative Samples with a total of 629 expected results have been selected. By the end of 2021, cost claims amounting to EUR 31.8 billion have been submitted by the beneficiaries to the services. In addition to the Common Representative Samples, Common Risk Samples and Additional Samples have also been selected. The audits of 3 424 participations were finalised by 31/12/2021 (out of which 514 in 2021).

<sup>60</sup> Based on the 418 representative results out of the 629 expected in the four Common Representative Samples.

- Cumulative residual error rate for the R&I Family DGs: 1.60% (2.10 % for DG ENER<sup>61</sup>).

In line with the Financial Statement<sup>62</sup> accompanying the Commission's proposal for the Horizon 2020 regulation, a reservation is not necessary for the related expenditure if the cumulative residual error rate for the programme falls within the target range of 2-5%. In 2021, and despite the above-mentioned caveats, the cumulative residual error rate for Horizon 2020, calculated at 2.10%, fulfils this condition and is below the materiality threshold. Despite the absence of reservation, the root causes of errors have been identified and targeted actions taken to address any identified weaknesses.

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

These error rates are calculated on the basis of the audit results available when drafting the Annual Activity Report. They should be treated with caution as they may change subject to the availability of additional data from audit results.

The decrease of the error rates in year 2021 could be due, among other reasons, to the beneficiaries' increased knowledge of the eligibility rules and its inherent learning curve, as well as to the results of the communication campaigns, targeted webinars and trainings, addressed in particular to newcomers and SMEs.

Given the results of the audit campaign up until 2021, and the observations made by the European Court of Auditors in its Annual Reports, the Common Implementation Centre, in close cooperation with central Commission services, is defining actions aimed at significantly simplifying the rules, and paving the way for a significant reduction of the error rate in Horizon Europe. Actions including further simplification, increased use of simplified forms of funding (including lump sums and unit costs), focused communication campaigns to more "error-prone" types of beneficiaries with higher than average error rates, such as SMEs and newcomers, and enhanced training to external audit firms performing audits on behalf of the Commission (the last three measures also target H2020 grants and beneficiaries). Focusing on the most common errors, these events will be short and simple, reaching more participants and achieving higher impact.

In the context of further reducing the error rates, the Common Implementation Centre will revisit the existing tools for ex-ante controls. It will consult the stakeholders in order to collect their views on possible improvements in the grant management risk module.

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<sup>61</sup> It has to be noted that in 2021 many H2020 actions managed by DG ENER were transferred to Executive Agencies. Hence, this figure is based only on the actions that remained with DG ENER at the end of 2021.

<sup>62</sup> The legislative financial statement accompanying the Commission's proposal for the Horizon 2020 regulation states: "The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5% is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research projects. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, corrections and recovery measures will have been taken into account is to achieve a level as close as possible to 2%."

## ↳ Horizon Europe

2021 was the first year of implementation of the Horizon Europe framework programme. The adoption of its Regulation later than initially planned, delayed the starting of its implementation<sup>63</sup>. By the end of 2021, only a very limited number of payments was executed (none for DG ENER).

Consequently, taking into account the absence of relevant expenditure, the low-risk nature of the implemented transactions and the absence of ex-post audit results for grants, no detected error rate can be reported for Horizon Europe in 2021.

## ↳ Implementation of audit results

In total, over the period 2010-2021, the results of the FP7 audits relate to 223 participations. All of them have been implemented, for a total of EUR 5.07 million in favour of the Commission. About EUR 2.27 million were implemented through offsetting from subsequent payments. The remaining EUR 2.80 million were implemented through recovery orders. Up to 2021, there were no audits carried out on H2020 grants.

## ↳ Implementation of extrapolated audit results

The extrapolation process allows correcting systemic errors of a beneficiary detected by an audit in all its ongoing participations. These corrections stem from audits made by DG ENER or other DGs in the research family where systematic errors were found. No such cases related to DG ENER were found in 2021.

As can be seen from the table below, by the end of 2021, 182 such participations were found: the beneficiaries were asked to rectify the errors in DG ENER projects and to submit revised costs statements. From the 98 participations concerned by systematic errors, 58 participations have been corrected, of which 51 in favour of the EC.

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

## Implementation of extrapolation of FP7 audit results (2010-2021)

Participations with expected systematic errors	Participations without systematic errors	Implemented cases				Participations to be implemented <sup>64</sup>
		In favour of EC		In favour beneficiary		
		Number	Value (EUR)	Number	Value (EUR)	
182	84	51	-1 443 918	4	91 493	40

By the end of 2021, EUR 6.51 million were recovered following audits implementation and extrapolation of FP7.

<sup>63</sup> End 2021, for the R&I family 64 calls for proposal had been fully evaluated and only 19 grant agreements had been signed (zero for DG ENER)

<sup>64</sup> Cases to be implemented are those for which the Commission has written to the beneficiaries requesting them to submit revised cost statements to correct the systematic issues detected.

## Liquidated damages

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

- By the end of 2021 DG ENER identified liquidated damages for 82 cases under FP7;
- Debit notes were already issued for 64 cases for a total amount of EUR 542 033;
- For 13 cases the amounts due were below the threshold of EUR 200, so they were not recovered;
- Five cases with identified liquidated damages in 2015 were cancelled in 2016 and 2017 because further to information received from the beneficiaries the ineligible amounts were adjusted and liquidated damages were no longer applicable.

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

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

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

In 2021, payments made in this context amounted to EUR 43.75 million, equal to 5.14% of the total payments made by DG ENER in 2021.

### • **Ex-ante monitoring and checks**

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

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

### • **Ex-post controls and recoveries**

#### EEPR audits carried out by DG ENER

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

The audit coverage foreseen in the DG ENER 2021 audit work programmer for EEPR is to attempt to reach a coverage of 100% of projects and beneficiaries. However the possibility to carry out on the spot audits was constrained due to the emergence of the pandemic. In 2021 three audits were completed, which were performed remotely due to the COVID-19 crisis.

Since the start of the programme, 89 audits were completed by the end of 2021. The total amount paid to the audited projects is EUR 2.12 billion. Corrections made amount to EUR 18.65 million.

#### [EEPR audits carried out by the European Court of Auditors \(ECA\)](#)

ECA analyses the EEPR payments as part of their work on the annual 'Statement of Assurance' (DAS). By the end of 2021, ECA had performed 25 audits on EEPR beneficiaries representing a total EC share audited of EUR 544.7 million. Part of the EC share audited by the ECA has been subject to an audit by DG ENER, so the amount taken into account as EC share audited by ECA alone is EUR 351.6 million.

#### [Combined results of all EEPR audits](#)

The cumulative value at payment of the projects audited by DG ENER and by ECA audits reached EUR 2.48 billion and represents 92% of all payments. The findings amount to a total of negative adjustments of EUR 26.4 million, which gives a detected error rate of – 1.62%.

In 2020, DG ENER adapted the methodology used for the calculation of the EEPR error rate to consider the actually audited share of the total amount, which is estimated at 60% of the total cumulative value of projects audited.

#### [Calculation of the residual error rate \(RER\)<sup>65</sup>](#)

The RER remains below the materiality threshold of 2% and corresponds to 0.74% for 2021, as detailed in the table below.

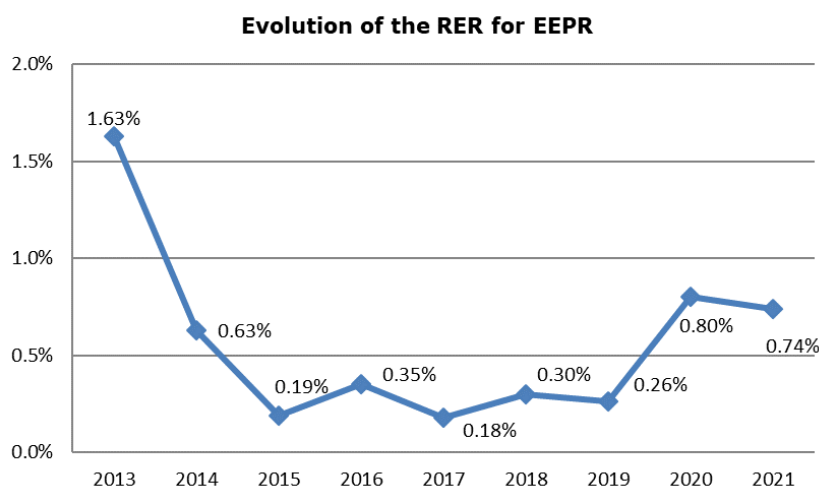
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<sup>65</sup> More information on the materiality criteria is outlined in Annex 5.



## Calculation of the residual error rate for EEPR

Total EEPR contribution (P)	2 692 590 537
Total amount of EC contribution of audited projects (A1)	2 477 103 793
Total amount of actual audit coverage (A2 = A1 x 60%) <sup>66</sup>	1 626 900 867
Total amount of negative adjustments (Err) <sup>67</sup>	-26 399 762
Total EC share of audit adjustments in EUR <sup>68</sup> not implemented by Q1 2021 (NonImpErr)	-2 399 762
Residual Error rate % = $\frac{((P-A2) \times \left(\frac{Err}{A2}\right)) + NonImpErr}{P}$	
<b>Residual error rate</b>	<b>0.74%</b>



The increase of the RER in 2020 was due to the change of methodology as the amount considered as “free of errors” is now limited to the amounts actually audited. The new value can be considered as conservative as the audited part of the EU contributions was focussed on the higher risks type of costs whereas the non-audited part of the EU contributions also includes lower risk expenditure.

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

### Implementation of audit results

By the end of 2021, the adjustments have been finalised for 116 participations, of which 43 resulted in adjustments in favour of the Commission (EUR 19 59 million) and 5 led to adjustments in favour of the beneficiary (EUR 0.17 million).

<sup>66</sup> The difference between the amounts of EU contribution indicated under (A2) and (A1) results from the fact that the ex-post audits do not cover 100% of expenses. The coverage is estimated to be 60%.

<sup>67</sup> This is the EU contribution directly resulting from the ineligible costs identified by the auditors and it may differ from the adjustments actually implemented (for instance due to budget limitations, to technical evaluations modifying the adjustments, or to additional eligibility-proving documents being provided during the contradictory procedure with the beneficiaries).

<sup>68</sup> Only errors in favour of the Commission.

## Cross sub-delegations

DG ENER has the possibility to cross sub-delegate some activities to different services within the Commission, in order to arrange the provision of certain operations more efficiently. Being a Commission service itself, the AOD of the cross sub-delegated service is bound to implement the appropriations subject to the same rules, responsibilities and accountability arrangements as DG ENER.

In 2021, DG ENER gave cross sub-delegations to DG MOVE in the amount of EUR 2.72 which represent the administrative contribution of the Renewable Energy Financing Mechanism (REFM) programme to CINEA. The implementation of this programme has been delegated to the executive agency. The subsidy aims to cover the administrative (staff, logistics and operating) expenditure of CINEA. The total committed amount was paid in 2021.

In addition, in 2021 DG ENER cross sub-delegated to DG DIGT commitment appropriations of EUR 1.1 million for the implementation of the 2021 IT budget contribution related to eGrants, SEDIA Solutions and eProcurement. No payments were made in 2021.

## Indirect management and direct management by other services

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

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

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

## Co-delegations

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

In 2021, DG ENER did not make any payment through co-delegations.

## CINEA

Under the new Multi-annual Financial Framework 2021-2027, the Innovation and Networks Executive Agency (INEA) became the European Climate, Infrastructure and Environment Executive Agency (CINEA). DG ENER is one of seven parent DGs (with MOVE-leading DG, R&I CLIMA, ENV, MARE and REGIO).

The Commission has delegated to CINEA the task of executing the operational budget and performing tasks linked to the implementation of its delegated Union programmes in the following fields:

- Transport, energy and telecommunications infrastructure – Connecting Europe Facility programme (CEF);
- Climate, energy transport and mobility, energy research and innovation – Horizon Europe;
- Climate, environment and clean energy – LIFE;
- EU Emissions Trading System – Innovation Fund (IF);
- Support transition towards a climate-neutral economy – Just Transition Mechanism (JTM);
- Increase investment in renewable energy production capacity – Renewable Energy Financing Mechanism (RENEWFM);
- Support for the fisheries and maritime policies and ocean governance - European Maritime, Fisheries and Aquaculture Fund (EMFAF).

As to DG ENER, the Agency mandate covers the energy part of the CEF programme and the energy research part under the Horizon Europe programme (including the Horizon 2020 legacy). DG ENER defines the policy, the strategic objectives and the priority areas of action while CINEA manages the entire project life cycle, communicates and interacts with beneficiaries and gives key feedback to DG ENER. DG ENER is responsible for implementing the supervision and monitoring arrangements towards CINEA regarding DG ENER delegated programmes.

It should be noted that, as of 1 April 2021, following the reorganisation of executive agencies linked to the 2021-2027 financial framework, CINEA became the successor of parts of the former Executive Agency for Small and Medium-sized Enterprises (EASME)<sup>69</sup>, including to the execution of programmes that EASME was managing on behalf of DG ENER. There were no payments made by DG ENER to EASME in 2020 and 2021.

In 2021, DG ENER paid EUR 2.72 million subsidy to CINEA through cross sub-delegation to DG MOVE.

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<sup>69</sup> Commission Decision C(2021)947 of 12 February 2021 delegating powers to CINEA to take over, from the Executive Agency of Small and Medium-sized Enterprises (EASME), and implement the Programme for the Environment and Climate Action (LIFE) and the European Maritime and Fisheries Fund (EMFF) Programme, as from 1<sup>st</sup> of April 2021.

## Supervision arrangements

The Commission Decision establishing CINEA and the Commission Decision delegating powers to CINEA and appointing the members of the Steering Committee (SC) set out the governance and supervision arrangements.

The working relations between the Parent DGs and CINEA for all delegated programmes are defined through Memorandums of Understanding (MoUs). A general MoU including the General provisions, common to all Agencies and Parent DGs, and sectorial provisions specific to each delegated programme is currently under finalisation. The sectorial MoUs are being agreed between each DG and CINEA and the ones for CEF, LIFE and EMFAF are already in force. In their supervision of CINEA, the Parent DGs review in particular the objectives and performance indicators in the Annual Work Programme in accordance with the Delegation decision and the MoU.

In 2021, DG ENER participated to quarterly preparatory meetings in relation to the Steering Committee and to regular meetings at operational level. , a CINEA Budget and Finance Network was set up, where representatives both from parent DGs and DG BUDGET discuss finance and budget matters with CINEA. In addition, CINEA produces monthly overview reporting on all KPIs, execution of administrative and operational budget and multi-annual error rates as well as respect of deadlines (e.g. time-to-grant). Reports are provided regularly by CINEA.

## Additional sources of assurance

CINEA reports on the implementation of budget in its own Annual Activity Report. According to the draft 2021 report, most of its KPIs have met their targets. For the two that remained very closely below the target, the reasons were due to unavailability of credits and procedural issues in the transferring of EASME programmes. For Horizon 2020 the residual error rate is estimated at 1.83%<sup>70</sup>. As regards the implementation of the operating budget, the residual error rate is estimated at 0.5%, significantly below the target of 2%.

However, it should be noted that the residual error rate for the CEF Energy programme was estimated at 2.53% in 2021, which is above the materiality threshold of 2% for the multi-annual period. Since this programme does not meet the cumulative criteria to fall within the 'de minimis rule'<sup>71</sup>, the Agency has issued a quantifiable reservation. An Action Plan has already been developed and is under implementation to mitigate the risk of further errors occurring and reduce the residual error rate to within tolerable limits. The main actions are to increase the audit coverage and increase the awareness of audit finding across operational and financial actors.

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<sup>70</sup> For Horizon 2020, the error rate is established within the range of 2%-5%.

<sup>71</sup> According to DG BUDG guidelines, since 2019, quantified reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of the Agency's total payments and with a financial impact below EUR 5 million. In such cases, reservations in AAR are no longer needed.

Consequently, CINEA's Director, in his capacity as AOD, has signed the declaration of assurance albeit qualified by a reservation concerning the CEF Energy sector residual error rate.

The audits of the IAS and of ECA provide additional elements of assurance. DG ENER follows closely the proceedings and conclusions of their audits concerning CINEA primarily.

Concerning the IAS work, in 2021, seven assurance engagements were relevant to CINEA. A number of recommendations (none of them critical and only one very important deriving from a 2020 audit<sup>72</sup>) were the object of dedicated action plans agreed with the IAS. Some of these recommendations were implemented by the Agency throughout 2021 and the remaining ones will be put into effect in 2022. With regards to the very important recommendation, it was successfully implemented as attested by the dedicated IAS follow-up audit.

ECA found the 2020 annual accounts presented fairly, in all material respects, the financial position of the Agency, the results of its operations, its cash flows, and the changes in net assets. No important or critical shortcomings were identified. Furthermore, the Agency provided support to its parent DGs in the context of five ECA special audits and one review.

## Conclusion

The regular supervision of CINEA did not identify any particular events, issues or problems that could have a material impact on assurance or that would need to be included in this report. Overall, DG ENER considers that its supervision of CINEA is effective and appropriate.

## **Nuclear Decommissioning Assistance Programmes**

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

The monitoring function is conducted in full cooperation with the Member States as they bear the ultimate responsibility for the safe decommissioning of the nuclear power plants. The joint bi-annual programme monitoring committees form the cornerstone of the NDAP supervisory activity. The three Monitoring Committees, co-chaired by the Commission and the Member States at ministerial level, assess the progress in the activities, approve the monitoring reports detailing the performance of the programme and taking the appropriate corrective measures when necessary.

DG ENER has entrusted the implementation of the NDAP to:

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<sup>72</sup> In the context of the IAS audit on the "Effectiveness of the design and of the implementation of the ex-post control strategy for the CINEA"

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

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

The Commission adopted in December 2021 the financing decision and the associated Kozloduy, Bohunice and Ignalina Annual Work Programmes for 2021 and 2022 in line with the new Council Regulations 2021/100 and 2021/101.

### Supervision arrangements

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

- Bi-annual on-the-spot verification missions (site visits);
- Bi-annual Monitoring reports, and the related monitoring Committee meetings
- Mid-term and ex-post evaluation (once per programming period)
- Monthly dedicated management meetings
- Risk reviews and updates of the NDAP risk register complemented by a systematic follow-up of identified risks mitigating actions.
- Use of the earned value management methodology to ensure an effective assessment of the progress of the activities against cost and schedule progress.

Payments made to the three entrusted entities in 2021 totalled EUR 93.35 million. In addition, payments made by DG ENER for studies in relation to the management of the NDAP programme totalled to EUR 0.18 million.

### EBRD

The EBRD implements the assistance through three dedicated funds (one for each Member State), so called International Decommissioning Support Funds (IDSF), set up in 2000.

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

A new Framework Partnership Agreement is currently under negotiation between the Commission and the EBRD. Until the finalisation of the FPPA and subject to the transition period for the use of existing templates and framework agreements (due to expire on 31 December 2021), PAGoDA II Delegation Agreements could still be signed with the EBRD. On this basis, a new Delegation Agreement for KIDSF was signed in December 2021 in

compliance with the Framework Administrative Agreement between the EBRD and the European Commission.

In 2021, DG ENER paid EUR 47.39 million to the EBRD against commitments made in the previous years. Payments are requested by the EBRD and determined based on procurement forecasts — as defined in the relevant delegation agreements — and progress in project implementation. Additional funds entrusted (committed) in 2021 are related to the Kozoloduy and Ignalina funds and amount to EUR 9 million and EUR 10 million.

As regards the operations of the KISDF, the value earned methodology shows that, although the radioactive waste management keeps progressing in accordance with the plan, the amount of work done until June 2021 is under the expectations. A review of the schedule was requested from the EBRD.

The decommissioning programme completion date remains the end of 2030.

#### CPMA (Lithuania)

The Central Project Management Agency (CPMA) is the main implementation channel for all new projects related to the Ignalina INPP. The EBRD continues the implementation of on-going projects and, on request of the Lithuanian authorities, one additional dismantling project to start in 2022.

On 15 November 2021, CPMA submitted a Renewed Pillar Assessment. The Pillar assessment was carried out in accordance with the relevant Commission requirements. The conclusions of the auditor did not evidence any main finding or critical recommendations.

The Ignalina Work Programme 2021-2022 submitted by the Lithuanian Ministry of Energy was assessed by DG ENER and received the positive opinion of the relevant committee. The Commission adopted the financing decision and the associated Ignalina Annual Work Programme on 16 December 2021.

The graphite core technology used Ignalina reactors poses a specific challenge to the Lithuanian programme (LT). In 2021 the Commission maintained a close supervision and control on the core dismantling project that will be critical for the 2021-2027 period, using an expert panel to provide recommendations to INPP and the implementing body CPMA. In 2021, DG ENER paid EUR 45.96 million to the CPMA against previous commitments. Payments are requested by CPMA and determined based on procurement forecasts - as defined in the relevant delegation agreement - as well as progress in project implementation. Additional funds entrusted (commitments) amounted to EUR 62.5 million.

The earned value methodology shows that the operational performance remains on track with the 2018 baseline, however the amount of commitments by the entrusted entities was slowing down in 2021.

#### **EIB - CEF Debt Instrument**

DG ENER uses innovative financial instruments for leveraging EU investment and attracting new sources of funding for CEF-Energy projects. The European Investment Bank (EIB) has

been entrusted with the implementing tasks concerning the financial instruments (debt) under the Connecting Europe Facility Regulation (EU) 1316/2013.

#### Governance and supervision arrangements

Two bi-annual joint Steering Committee meetings between the CEF DGs (DG MOVE, DG ENER, DG CNECT and DG ECFIN) and the EIB took place in 2021. Regular contacts take place with the EIB on the state of advancement of specific projects, which includes the policy check of the new operations proposed by the EIB.

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

#### Managing risk exposure

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

#### Financial Data

In 2021, DG ENER made no new contribution to the instrument. The total of contributions made over time for energy projects remains unchanged at EUR 99.29 million.

The Asset portfolio generated a negative economic result. DG ENER's share in this economic result, as reported by the unaudited financial statements, amounted to a loss of EUR 1.02 million.

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

<b>DG ENER share of results in portfolio</b>	<b>2021 (in EUR thousand)</b>
<b>Remuneration received for guarantee given</b>	65
<b>Other operational and financial revenue</b>	0
<b>Fees paid to EIB</b>	-21
<b>Net portfolio loss</b>	-1 064
<b>Economic result</b>	<b>-1 020</b>

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

In 2021 no revenues were returned to the European Commission, however in the beginning of 2022 EUR 74 737 will be returned to the Commission. DG ENER's share in the net assets of the funds at year-end was EUR 100.31 million.

The underlying debt portfolio is, by nature, exposed to creditor risk that is covered by the FLP mechanism. There was no significant change in that respect in 2021.



The EIB deploys specific fraud prevention and detection processes and reports directly to OLAF. In 2021, the EIB's Inspectorate General reported no fraud case related to CEF operations.

#### Assurance received

The EIB provided its draft financial statements and management declaration on 15 February 2022. The declaration covers the EU funds invested in the current financial instruments and supports the unaudited statements for 2021. The EIB gave reasonable assurance that:

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

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

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

#### Conclusion

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

## **ACER**

DG ENER is the parent DG for the Agency for the Cooperation of Energy Regulators (ACER), whose mission is to complement and coordinate the work of national energy regulators at EU level and work towards the completion of the single EU energy market for electricity and natural gas. In 2011, ACER received additional tasks<sup>73</sup> on wholesale energy market integrity and transparency (REMIT) and in 2013<sup>74</sup> on guidelines for trans-European energy infrastructure. Following the adoption of the Clean Energy Package in 2019, which included

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<sup>73</sup> Regulation (EU) 1227/2011

<sup>74</sup> Regulation (EU) 347/2013

a recast of its basic regulation<sup>75</sup>, the Agency has further strengthened its responsibilities on the coordination of National Regulatory Authorities and cross-border cooperation.

In 2021, DG ENER's subsidy to ACER amounted to EUR 14.8 million. On 31 December 2021 the execution rate for financial commitments was 94.06% (compared to 98.87% on 31 December 2020) and the level of total payment execution was 65.96% (compared to 81.07% at the end of 2020).

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

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

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

In 2021 and in accordance with the supervision strategy on ACER, the risks applicable to the Agency were reviewed three times by the DG ENER Control Board. In addition, a dashboard of indicators was set up by DG ENER in order to have a more effective supervision and monitoring of the Agency. Key risks identified relate to the structural underfunding and understaffing of ACER.

A Commission decision was adopted in December 2020 to allow the implementation of a fee system in 2021. The amount of fees levied in 2021 was EUR 8.8 million.

The Commission provided an Opinion on ACER's Draft Programming Document for 2022-2024 which, exceptionally, also included an assessment on whether ACER is properly resourced to carry out its tasks. This assessment was required by Article 33(10) of ACER's basic regulation and led to the Commission proposing an increase of 25 FTEs in the period 2022-2027. ACER is managed and represented by its Director, Christian Zinglensen. His mandate started in January 2020 and his term of office is five years. The Agency is a fully autonomous body and has full responsibility regarding the management of its resources and of its assurance processes. No event is known to have occurred that would impact DG ENER. The situation is monitored through the DG's participation to the Agency's administrative board.

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<sup>75</sup> Regulation (EU) 2019/942

## ↳ IAS and ECA audits

Two very important recommendations from the 2019 IAS report on the implementation of REMIT are finalised and submitted to IAS for closing. Four observations from ECA from exercises 2016 and 2020 remain ongoing.

The ECA found the 2020 annual accounts of ACER that the accounts presented fairly in all material respects the financial position of the Agency. However, the ECA issued a qualified opinion regarding the legality and regularity of the payments underlying the accounts resulting from two procurement procedures that were not carried out as prescribed following competitive procedures. As a result payments affected by error amount to 3.71% of the total payment appropriation available in 2020. ECA acknowledged that the Agency has prepared an action plan and its implementation is regularly monitored by the Management. Considering that ACER is a separate legal entity and that this error affected the prior year accounts, DG ENER considers that this issue does not impair the assurance related to the budgetary contribution paid to ACER in 2021.

In April 2021, the European Parliament granted ACER the discharge for the financial year 2019.

In conclusion, the regular supervision of ACER did not identify particular issues that would need to be included in this report. Overall, DG ENER considers that its supervision of ACER is effective and appropriate. DG ENER is therefore in a position to give assurance as to its activities in this respect.

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

### ↳ Objectives

Fusion for Energy (F4E) is the European Union's Joint Undertaking for ITER<sup>76</sup> and the Development of Fusion Energy, located in Barcelona. F4E was created in 2007 for a period of 35 years to provide Europe's contribution to the ITER International Fusion Energy Organisation (IO), the world's largest scientific partnership that aims to demonstrate fusion as a viable and sustainable source of energy, bringing together seven parties: the EU, the United States, Japan, South Korea, China, India and Russia.

F4E has the following members:

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

Europe supports about 45% of the construction cost and 34% of the cost of operation, deactivation and decommissioning of the facility as well as preparing the site. Europe's

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<sup>76</sup> ITER: International Thermonuclear Experimental Reactor

contribution to ITER is managed by F4E. In 2021, DG ENER paid a total of EUR 607.6 million, corresponding to EUR 544.29 million on the operational budget and EUR 63.31 million on the administrative budget to F4E.

## Supervision structure

### *Towards the F4E Joint Undertaking:*

The Joint Undertaking is an autonomous body and has full responsibility regarding the management of its resources, the design and operation of its control systems and its assurance processes. The supervision of F4E activities by DG ENER<sup>77</sup> is organised at different levels.

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

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

In 2021, DG ENER participated in two Administrative Management Committees (AMCs) and in four Governing Board (GB) meetings. The GB approved F4E's 2022 annual budget, F4E's Multiannual Planning document and the Work programme, including the amendments.

DG ENER maintains a comprehensive supervision strategy for F4E, which sets out the supervision needs, the objectives for the supervision activities and the supervisory mechanisms. It also ensures a continuous risk management process, where the key risks are reviewed on a quarterly basis at the ENER Control Board.

The Internal Audit Service performed in 2021 an audit on the cooperation mechanisms between DG ENER and F4E that included one recommendation to DG ENER to guide the revision of the supervision strategy and the management of risks stemming from the Joint Undertaking.

DG ENER is, on this basis, revising the supervision strategy in order to optimise the effectiveness of the oversight of F4E's performance in discharging the EU obligation's towards ITER, in particular as regards timeliness and quality of delivery. The revision also aims at strengthening the assurance as regards to sound financial management, internal control and risk management.

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

F4E provides the Commission with planning and reporting documents:

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<sup>77</sup> On 1 July 2015 the responsibility of the monitoring of the ITER project and the Broader Approach activities were transferred from DG R&I to DG ENER.

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

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

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

The data supporting the Estimate at Completion (EaC) allows managerial decision taking and enables the governing bodies to monitor the overall financial evolution of the project. The newly developed "project booklet" provides a comprehensive overview on the progress of the managed projects/programmes, including risks.

#### Towards the ITER organisation:

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

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

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

DG ENER provides the Financial Audit Board (FAB) with the necessary support to organise its work. In 2021, this support was provided in a hybrid way (onsite/remote), allowing the task to be performed despite the COVID-19 crisis. The FAB was chaired by the Russian Federation. The FAB, established in accordance with article 17 of the agreement on the establishment of the ITER International Fusion Energy Organisation for the joint implementation of the ITER project, undertakes the audit of the annual accounts of the ITER Organisation.

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

F4E undergoes a yearly independent assessment on the implementation of its activities for submission to the Council of Ministers of the EU and the European Parliament. An independent panel of external experts prepared the assessment for 2020 and delivered it to F4E's GB at its July 2021 meeting.

## [Points of attention in 2021](#)

### *As regards the Joint Undertaking*

In its Annual Activity Report for the year 2020, DG ENER reported on a significant Internal Control Deficiency related to the IT tool supporting the electronic signature of contracts.

The situation was reviewed in depth, and as of 31 December 2021, DG ENER could ascertain that the Joint Undertaking had taken the necessary corrective actions and that the issue had had no financial impact and did not impair the implementation of the Euratom contribution.

DG ENER furthermore maintained an elevated level of scrutiny on the performance of F4E as an organisation, with a specific attention on the information flows from the Joint Undertaking (JU) to the Commission. Through its participation in the Governing Board it also monitors closely complains regarding the JU's working environment and staff wellbeing.

### *As regards the ITER project and ITER Organisation*

DG ENER monitors closely the risks related to the implementation of the project.

The current information indicates that additional delays are to be expected in the project execution, due to the impact of the Covid-19 pandemic and slower execution of contracts and delivery of components by the contractors involved in first-of-a-kind items. Recovery measures such as redeployment of staff, prioritisation and optimisation of the schedule are being adopted to reduce the impact of these delays.

The November ITER Council decided to analyse the impact of the ongoing COVID-19 pandemic and their possible recovery in order to decide on a possible revision of the First Plasma date later in 2022. DG ENER monitors closely the evolution of the issue.

Following contacts between the French nuclear regulator *Autorité de Sûreté Nucléaire (ASN)* and ITER Organization (IO) in the course of 2021, the ASN requested IO in January 2022 to provide additional data and simulations regarding the safety of the future installation before ASN could lift the regulatory holdpoint related to the start of the welding of ITER vacuum vessel sectors in the tokamak pit, an important milestone in the assembly of the whole ITER machine. DG ENER and the F4E JU are closely monitoring the situation. It is not possible to assess, at this stage, the impact on the schedule and on the total cost of the project.

DG ENER furthermore monitors the potential impact of the unfolding events in Ukraine, in particular regarding the participation of the Russian Federation to the project.

## ↳ Additional sources of assurance

The IAS exercises the powers of Internal Auditor of F4E, whilst the internal audit capability of F4E is maintained. During the reporting period, the IAS issued an audit report on Delegations and efficiency of decision making in F4E JU. The audit report includes three very important recommendations. The JU committed to prepare action plans and implement them.

The European of Auditors (ECA) issued its 2020 Annual report on EU Joint Undertakings and reported unqualified opinions on both the reliability of the accounts and the legality and regularity of transactions for F4E JU considering that the transactions underlying the annual accounts of F4E JU for the year ending 31 December 2020 are, in all material respects, legal and regular. The Court assessed the internal controls of the JUs as generally effective notwithstanding the observation, related to the local IT application for managing legal commitments and contracts (see above).

The Court of Auditors' opinion was accompanied by an 'emphasis of matter'<sup>78</sup> related to the EU contribution to the ITER project. According to ECA, compared to the 2019 annual accounts, which presented the costs to complete estimate in ITER credits only, F4E JU considerably improved the information quality in the 2020 annual accounts, in providing an estimate of the total costs of completing its delivery obligations for the ITER project which it assessed at EUR 17.97 billion (in 2020 values). Therefore, ECA draws attention to the fact that any changes in key assumptions concerning the estimate and the risk exposure could lead to significant cost increases and/or further delays in the implementation of the ITER project.

## ↳ Conclusion

ITER is a unique global project, with unique challenges in the management of the schedule and containment of costs linked to the development of yet unavailable material and technologies. The impact of the lasting COVID-19 crisis on the project and on the functioning of both IO and F4E, as well as the magnitude of the risks pertaining to this project, in particular those affecting its future implementation, need to be recognised.

DG ENER did however not identify — through its regular and reinforced supervision of F4E — any particular events, issues or weaknesses that could have a material impact on the assurance given for the year 2021. It monitors closely the key risks associated with the overall performance of the ITER programme and with the functioning of F4E as an organisation.

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

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<sup>78</sup> An emphasis of matter is used to draw attention to a matter which is not materially misstated in the accounts, but is of such importance that it is fundamental to the users' understanding of the accounts.

## b) Fraud prevention, detection and correction

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

In 2021, 18 actions out of 21 were implemented. Continuous actions are organising the fraud prevention capability, the cooperation with OLAF, staff awareness (internal control newsletters, trainings, newcomers' events) or the participation in the different networks. Specific actions aim at building cooperation mechanisms or improving the scrutiny of potentially riskier activities. The three remaining actions are related to programmes that are still in their inception phase, or were not feasible under the extended remote working arrangements that prevailed in 2021.

The implementation of the anti-fraud strategy is regularly monitored and reported to senior management (progress of antifraud actions is tracked since December 2020 through performance indicators from the Internal Control Monitoring Criteria).

DG ENER also contributes to the Commission anti-fraud actions. In addition to the actions mentioned above, it monitored and followed up OLAF requests and recommendations, maintained a local anti-fraud correspondent function and participated in the peer reviews chaired by OLAF.

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

<b>Objective:</b> The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy <sup>79</sup> aimed at the prevention, detection and correction <sup>80</sup> of fraud			
<b>Indicator 1:</b> Implementation of the actions included in DG ENER Anti-Fraud strategy over the whole strategic plan lifecycle (2020-2024)			
<b>Source of data:</b> DG ENER annual activity report, DG ENER antifraud strategy, OLAF reporting			
<b>Baseline (2020)</b>	<b>Target (2024)</b>		<b>Latest known results (2021)</b>
95%	100% of actions implemented on time		95% of the actions planned for and achievable in 2021 were implemented, representing 86% of all actions for 2020-2024
<b>Indicator 2 :</b> Update of DG ENER's Anti-Fraud strategy on the basis of the methodology elaborated by OLAF			
<b>Source of data:</b> OLAF guidelines			
<b>Baseline (2018)</b>	<b>Interim milestone (2022)</b>	<b>Target (2024)</b>	<b>Latest known results (2021)</b>
<b>Date of the last update: 2017</b>	AFS strategy revised in 2020 and 2022	The Action Plan accompanying the Anti-Fraud Strategy will be updated every two years. The Anti-Fraud Strategy will be revised no	Both the antifraud strategy and the accompanying action plan was revised in 2020. A revised action plan will be issued in

<sup>79</sup> Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget', COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan.

<sup>80</sup> Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.



		later than 12 months after major changes in the Commission approach or in the fraud environment of DG MOVE.	2022.
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## State of implementation of the anti-fraud indicators mentioned in the Management Plan 2021

**Objective:** The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CAFS)<sup>81</sup> aimed at the prevention, detection and correction<sup>82</sup> of fraud

### Main outputs in 2021:

Output	Indicator	Target	
Awareness raising campaign	% of staff reached through workshops, conferences or other direct methods % of newcomers completing mandatory training on Ethics	> 80%  > 90%	> 80% Newsletters and webinars are available to 100% of staff  Data is not available from the HR BC. Trainings have been organised and the target group was fully invited
Reporting to management	Number of reports on the implementation of the antifraud strategy	At least two times per year	3 x (Control Boards)
Implementation of Anti-fraud Action Plan items, as planned for 2021	% of implementation	100% by December 31, 2021	95% of the actions planned for and achievable in 2021 were implemented, representing 85% of all actions for 2020-2024

### c) Other control objectives

#### Safeguarding of assets and information

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

<sup>81</sup> Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget', COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD(2019) 170 – 'the CAFS Action Plan'.

<sup>82</sup> Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

- The record-keeping and reporting obligations of nuclear operators<sup>83</sup>, as well as the periodic reports and accountancy declarations to be made to the Commission;
- The verification of the completeness, correctness and coherence of these reports and the effectiveness of the operators' accounting systems.

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

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

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

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

The net value of **intangible assets** under management (exclusively in-house developed software) decreased from EUR 0.13 million in 2020 to EUR 0.07 million in 2021. The decrease in value corresponds to the depreciation of the assets.

The number of **tangible assets** at the end of 2021, compared to end of 2020, is detailed in the table below. The table also includes items of a value under EUR 5 000 that are operationally managed in a similar way to assets.

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

<b>Type of asset</b>	<b>2021</b>	<b>2020</b>
Computer hardware and purchased software	1 425	1 697
Furniture, equipment and other items	5 666	6 419
<b>Total</b>	<b>7 091</b>	<b>8 116</b>

The net value of tangible assets under management increased slightly from EUR 6.21 million as of 31 December 2020 to EUR 6.22 million as of 31 December 2021.

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

The asset-related controls in place include the performance of specific technical and contractual checks upon receipt of the goods; and periodical physical inventories. In 2021, with the continuous sanitary crises, the initial physical inventory plan for 2021 of the EUFO

<sup>83</sup> Art. 78 and 79 of the Euratom Treaty, further specified by Commission Regulation (Euratom) 302/2005, which defines requirements for the nuclear material accountancy system to be implemented by the nuclear operators.

building needed to be revised. The stocktaking took place in October 2021 and the analysis of the differences between the items physically found and the items in the database is still ongoing when drafting this report.

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

As regards **financial assets**, the Commission, represented by DG ENER, holds shares in the European Energy Efficiency Fund, a legacy fund under the form of a SICAV (“Société d’Investissement à Capital Variable”) linked to the EEPF programme. Although there are no further contribution linked to this legacy instrument, the holding of the shares will remain in place until the termination of the investment vehicle. The value of the shares, as booked for 2021, has increased from EUR 66.49 to EUR 67.88 per share<sup>84</sup>. As a result the net asset value increased from EUR 104.4 million to EUR 106.6 million. There was no realised loss or impairment. The average cost of investment is EUR 61.81 per share.

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

In the specific Euratom document management system (MEDOR) in 2021, 18 919 documents were created of which 99.7% are classified as ‘EURA restricted’ (for 2020, the data is 18 423 documents created of which 99.7% ‘EURA restricted’).

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

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

The management of debt instrument was delegated to the EIB. The off balance sheet postings include contingent liabilities that correspond to the guarantees given by the EU for these financial instruments. These guarantees were identical for end 2021 as end 2020, being EUR 9.23 million.

Furthermore, contingent liabilities were recorded for an amount of EUR 303.2 million. A contingent liability translates the possibility of costs arising in the future from an event that occurred during the year and, in this case, cover the potential losses that could arise from legal cases. An amount of EUR 303.2 million corresponds to a claim for damages<sup>85</sup> introduced by Dyson Ltd, a company under British law, against the Commission in March 2019, following the annulment by the General Court of the Commission Delegated

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<sup>84</sup> Source: EIB, Statement of accounts, The values booked are based on the latest available statements of account, respectively the audited financial statements of 29 June 2021 for the year 2020 and the statement of account of 17 December 2021, for the 3<sup>rd</sup> quarter for 2021.

<sup>85</sup> Case T127/19

Regulation (EU) No 665/2013 on the labelling of vacuum cleaners<sup>86</sup>. The Commission contested the claim and the Court dismissed Dyson's claim. However the contingent liability remains as Dyson will appeal against the ruling.

The off balance sheet postings in 2021 also include an amount of EUR 2 130,7 million, corresponding to the commitments made against appropriations not yet consumed.

DG ENER implements a significant part of its budget through indirect management. It therefore relies on the reports and accounts provided by the relevant implementing bodies. DG ENER considers, as a whole, that the reports received from these bodies are reliable and sufficient to draw assurance conclusions.

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

### **Reliability of reporting**

#### [For the ITER programme: the Fusion for Energy Joint Undertaking \(F4E\)](#)

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

Performance information includes monthly reports on the activity and the related milestones and monthly updates of the estimate at completion (EaC) system, allowing to take managerial decisions and enabling a monitoring of the overall financial evolution of the project.

Requests for appropriations and calls for funds are supported by financial reports.

The IAS carried out an audit on delegations and efficiency of decision making in F4E and cooperation mechanisms with DG ENER, following the disclosure by F4E in early 2021 of cases of financial transactions authorisations indicating possible shortcomings in the organization and implementation of delegations in F4E's internal IT system. The final IAS audit report makes three Very Important recommendations to F4E. The nature of the recommendations indicate the need for improvements in F4E's internal processes and systems but do not put in question the legality and regularity of F4E's financial management, its ability to deliver on its tasks, or the fairness of F4E's financial reporting used as the basis of this report.

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

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<sup>86</sup> Case T-544/13 RENV

## For the Nuclear Decommissioning Assistance Programme (NDAP)

The implementation of the NDAP was entrusted to three implementing bodies<sup>87</sup>. Being at the centre of the supervisory activity, the three joint EU-Member States Monitoring Committees generate a jointly reporting on the programmes developments.

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

The Central Project Management Agency<sup>88</sup> and the Slovak Innovation and Energy Agency national agencies provide annually a summary report on the financial implementation of the entrusted tasks, together with their accounts on the expenditure incurred in the implementation of those tasks, and information on any audits, controls that were carried out. Management information received include financial reporting, project documentation and management reports on procedural issues.

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

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

## For EIB – CEF debt instrument

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

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

## **2. Efficiency**

The main efficiency indicators are the timeliness of payments, from Scorecard and the estimation of benefits of ex-post controls.

### a) Timely payments

In 2020, 99% of DG ENER's 937 payments, representing 100% of the total amount paid, were made on time, above the target of 95%.

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<sup>87</sup> EBRD, CPMA and SIEA

<sup>88</sup> Lithuania

#### b) Time-to-inform and time-to-grant

In 2021, DG ENER concluded only grants to identified beneficiaries, for which these indicators are not relevant.

#### c) Performance of ex-post audits

DG ENER maintains a limited ex-post audit function that operates a risk based yearly audit plan and contributes to the statutory auditing of the ITER IO organisation. The implementation of the 2021 audit plan was satisfactory as the remote audit strategy allowed to perform the audits remotely, with the exception of ITER where spot missions have taken place. The level of implementation of the audit plan at year end was calculated at 81% of the initial plan.

All audit corrections were implemented (audits implemented or audits under implementation) except one EEPR audit report that was issued at the end of 2021 and will be implemented in 2022.

#### d) Supervision of activities under indirect management

### **Nuclear Decommissioning Assistance programmes**

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

Despite the pandemic, supervisory activities were carried out within the framework of the existing control strategy, although the monitoring processes were adjusted to take into account the restrictions arising from the pandemic. The key benefits of these controls are to foster a constant attention on the delivery on schedule and on cost, and on the early mitigation of issues encountered.

- **Conclusion on the efficiency of supervision**

DG ENER considers that in 2021, based on the monitoring reports and the various supervision activities carried out, the three decommissioning programmes met the objectives, although the performance was impacted by the emergence of the pandemic.

The Earned Value Management indicators showed that performance was generally appropriate. The supervisory controls enabled, when necessary, to take necessary and proportionate measures to ensure the overall performance of the programme. DG ENER considers that the entrusted bodies were effective and efficient and discharged their duties in line with the relevant delegation agreements. The main cost drivers as regards the supervisory controls for the NDAP are:

- the complexity and specificity of the underlying operations;

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

### **The EURATOM contribution to the ITER programme and the supervision of F4E**

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

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

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

The JU's execution rates for commitment and payment appropriations for 2021 are expected to be close to 100%. The performance of the JU is also assessed against the fulfilment of its obligations to ITER. At the end of November 2021, the JU reported to have fulfilled of 57.52% its total obligations to ITER, corresponding respectively to a cumulated implementation of the overall ITER budget of 58.32% in commitments and 49.66% in payments

- **Conclusion on the efficiency of supervision**

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

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

- The complexity and specificity of the underlying operations, being in effect a one-of-its kind project.
- The magnitude of the budget implication of this project.
- The complexity of the implementation schemes of both the ITER project and the broader approach

### **3. Economy**

DG ENER updated its assessment of the cost of control in 2021. The overall cost of control, at EUR 12.06 million, represents a moderate increase over 2020. This increase is consistent with the evolution of the activity.

## Direct management

The cost of control associated to the reported upon directly managed expenditure takes into account the Commission level costs to manage financially the expenditure and the relevant programmes (covering the staff working time allocated to these tasks)<sup>89</sup> and can be summarised as follows:

The 2021 cost of controls related to grants in direct management remained in the same range as in 2019 and 2020. However, the payments made for R&I programmes decreased significantly. As a result this indicators is less favourable.

### Cost of control for directly managed grants

Estimates based on the cost of FTEs, per relevant control system	Directly Managed grants (Research & Innovation)	Directly Managed grants (EPR and infrastructure)
<b>Payments made in 2021</b>	EUR 18.37 million	EUR 43.75 million
<b>Total Cost/Funds ratio</b>	10.49% (7.37% in 2020)	0.98% (1.31% in 2020)

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

Regarding H2020 and Horizon Europe, DG ENER only has a limited exposure to directly managed grants and other expenditure. As regards grants, payments made in this respect amount to only EUR 10.1 million. The costs of control are exposed at programme level, with the vast majority of grants being implemented by CINEA, and DG R&I's CIC providing ex-ante and ex-post controls.

Expenditure made under the prerogative lines is mainly made of procurements, contributions to international entities. It also includes expenditure made in respect of Nuclear Energy matters that is mainly related to the operations of Nuclear Safeguards. The cost of control (6.7% of the expenditure related to Nuclear Energy and 2.64% of other expenditure items) is relatively limited considering the number of transactions and the potentially technically complex nature of a part of this portfolio.

### Indirect management and budgetary support

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

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<sup>89</sup> The costs reported or used in the ratios include overheads.



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

	Indirect Management – F4E & ITER	Indirect Management – NDAP (EBRD, SIEA & CPMA)	ACER
<b>Payments made in 2021</b>	EUR 607.6 million	EUR 93.5 million	EUR 14.8 million
<b>Total cost/funds ratio</b>	0.41% (0.35% in 2020)	0.84% (0.49% in 2020)	2.36% (1.37% in 2020)

In absolute terms, the cost of control for the supervision of these entities remained stable compared to 2020/2019, except for specific controls procured from experts to assess the evolution of the NDAP. However, the level of payments decreased year over year, resulting in less favourable indicators.

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

### Cost of control at DG and entrusted entities level

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

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

	Cost of control	Comment
<b>EBRD</b>	EUR 1.83 million	Aggregated budgeted amount of the fees to pay for the IISDF, KISDF, BISDF (source: EBRD) - Controlled amount: total of the ongoing projects
<b>CPMA</b>	EUR 0	Remuneration for 2021 (source: ABAC) - the cost of CPMA operations is set at 3.85% of action value. According to the Delegation Agreement provisions, the CPMA has been remunerated with <u>a total of EUR 8.43 million</u> over the years 2014-2021. Controlled amount: ongoing projects. No payment made in 2021
<b>SIEA</b>	EUR 0	Remuneration for 2020 (source: ABAC) - The cost of SIEA operations is set at 2.70% of action value. The SIEA has been remunerated with a <u>total of EUR 2.63 million</u> over the

		years 2014-2021 Controlled amount: Ongoing projects - No payment made in 2021.
<b>EIB</b>	EUR 22.000	Aggregated amount of the fees paid for the management of the CEF Debt instrument. – Controlled amount : existing portfolio  (source: Unaudited Financial Statements)
<b>EEE F</b>	p.m.	Total fees (Carbon reporting, agent, management and performance fees) charged to the 2020 profit and loss account of the investment vehicle amounted to EUR 2.24 million. Of these, EUR 1.59 million could be attributed to C class shares held by the Commission (71% of the total shareholding). However, these fees do not result in any cash settlement but are counted in the economic result and in the value of the shareholding.  Controlled amount: Net Asset Value of EUR 106.6 million in 2021.  (source: Fees: Audited financial statements for 2020, of 29 June 2021. The financial statements for 2021 will be available in June 2022 - NAV: latest statement of account, see above)
<b>F4E</b>	EUR 41.03 million <sup>90</sup>	Joint Undertaking under Article 71 of the Financial Regulation. The JU is responsible for the setup of its control systems within this envelope and for reporting on them in its own annual report.  (Source: F4E “Cost of Controls 2020”, 17 March 2022). The total cost of control was estimated at EUR 40.92 million for staff costs and EUR 0.1 million to contracts with specialised audit, quality inspection and nuclear inspection services.

As regards the NDAP, the cost of controls, i.e. the cost of the operations of the implementing bodies charged to the Commission is defined as a flat rate proportionate to the volume of the budget entrusted to the entities. Given the multi-annuality of the programme, the fees do therefore not remunerate the management of the payments made during one year, but the total volume of operations under management.

As to the EIB, the ratio used to measure the cost effectiveness of the CEF Energy debt instruments is representative of the substance of the delegation that consists in a portfolio

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<sup>90</sup> This amount does not include the cost of external service providers supporting the operations of the JU (for instance quality control)

management activity over a multi-annual framework. This indicator is measured as the cost of supervision plus fees against total assets under management as of 31 December of the reporting year.

The net asset value of DG ENER's participation to the CEF debt instrument was, as of 31 December 2021 of EUR 100.31 million<sup>91</sup> against EUR 99.63 million in 2020. The cost of control was, in 2021, minimal, and the cost efficiency indicator is therefore under 0.1% (0.18% in 2020).

### Cost of ex-post audits

In 2021, DG ENER devoted two FTEs (equivalent to a cost of EUR 0.29 million) to the performance and follow-up of ex-post audits. The participation to the statutory auditing of ITER IO represented 40% of this effort, the remaining 60% being allocated to audits in relation to infrastructure projects (EEPR).

The CIC in DG R&I is responsible since January 2014 to carry out the ex-post audits for the Research Framework Programmes. The costs of these controls are mutualised, resulting in significant synergies for the R&I family of DGs. Details of the estimated cost of controls related to shared/pooled control activities carried out by REA and hosted by DG R&I (Common Implementation Centre; Common Audit Service; Common Policy Centre) for the R&I family are reported in the Annual Activity Reports of DG R&I and REA.

### Cost of organisational controls

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

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

	FTEs	Cost equivalent
<b>Budget and accounting</b>	3.1	EUR 0.45 million
<b>Coordination</b>	3.9	EUR 0.56 million
<b>Fraud prevention</b>	0.5	EUR 0.07 million
<b>ICT and information security</b>	5.15	EUR 0.75 million
<b>Asset management</b>	1.9	EUR 0.27 million

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

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

<sup>91</sup> Source: (\*) Unaudited Financial Statements for the CEF Debt Instrument, EIB.

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

ENER	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)
RCS N°1 - Grants under Direct Management (Research grants and CEF PSA)	1,896,873.00 €	18,366,473.00 €	10.33%	29,183.00 €	N/A	0.00%	1,926,056.00 €	10.49%
RCS N°2 - EEPB grants under direct management	255,348.00 €	43,748,566.00 €	0.58%	175,096.00 €	185,543,887.00 €	0.09%	430,444.00 €	0.98%
RCS N°3 - Directly managed expenditure under prerogative lines (Nuclear Safety, others)	2,429,456.00 €	70,173,683.00 €	3.46%	1,123,532.00 €	Not qualified	0.00%	3,552,988.00 €	5.06%
RCS N°4 - Euratom contribution to ITER / F4E under indirect management	2,400,273.00 €	607,601,868.00 €	0.40%	116,731.00 €	Not qualified	0.00%	2,517,004.00 €	0.41%
RCS N°5 - Nuclear Decommissioning Assistance Programme under indirect management	612,836.00 €	93,528,791.00 €	0.66%	175,965.00 €	Not qualified	0.00%	788,801.00 €	0.84%
RCS N°6 - Budgetary support to ACER	350,192.00 €	14,818,735.00 €	2.36%	- €	N/A	0.00%	350,192.00 €	2.36%
RCS N°7 - Financial Instruments	- €	- €	0.00%	124,026.00 €	N/A	0.00%	124,026.00 €	0.00%
RCS N°8 - Supervision of executive agencies	248,053.00 €	2,718,669.00 €	9.12%	- €	N/A	0.00%	248,053.00 €	9.12%
RCS N°9 - Safeguarding Information and Assets	277,235.00 €	See Annex 7	0.00%	- €	N/A	0.00%	277,235.00 €	0.00%
RCS N°10 - Other organisational controls	1,845,803.00 €	Not qualified	0.00%	N/A	N/A	0.00%	1,845,803.00 €	0.00%
OVERALL total estimated cost of control at EC level for expenditure	10,316,069.00 €	850,956,785.00 €	1.21%	1,744,533.00 €	185,543,887.00 €	0.94%	12,060,602.00 €	1.42%

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

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

#### **1. Internal Audit Service (IAS)**

##### a) Audit reports issued in 2021

##### *Audit on DG ENER support, monitoring and enforcement of the existing energy 'acquis'*

In its final report, issued in December 2021, the IAS concluded that, although DG ENER has overall designed adequate internal controls for the support, monitoring and enforcement of EU energy law application, there remains a significant weakness with regard to the management supervision of the compliance assessment process which in turn impacts on the effectiveness and efficiency of that process. One very important and two important recommendations were formulated. DG ENER accepted all recommendations and designed an action plan to mitigate the identified risks by December 2022.

For implementation of the very important recommendations, DG ENER committed to:

- established an additional guidance on the compliance assessment process
- define the requirements for formal documentation of the compliance checks
- develop a more effective and documented management supervision of the compliance assessment process.

##### *Audit on Delegations and efficiency of decision making in the European Joint Undertaking for ITER and the Development of Fusion for Energy (F4E) and cooperation mechanisms with DG ENER*

In its final report, issued in January 2022, the IAS concluded that DG ENER's mechanisms to cooperate with and supervise F4E are overall adequately designed and effectively implemented. The auditors identified however room for improvement in relation to the on-going revision of the supervision strategy and the management of risks stemming from F4E. One important recommendations was issued and accepted by DG ENER.

##### *Consulting engagement on the supervision of the Energy Community Secretariat by the Directorate-General for Energy*

In April 2020, DG ENER requested the Internal Audit Service (IAS) to perform a consulting engagement which was included in the IAS 2020 audit plan. The IAS identified in its final consulting report issued in October 2021, four main pillars of DG ENER's supervision of the Secretariat (budgeting and programming cycle, rules and procedures, monitoring, independent audits and investigations) and scope for improvement in each of these pillars resulting in 13 issues for consideration.

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

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

The IAS concluded in January 2020, that although, in general, DG ENER control strategy for the delegated bodies implementing NDAP is effectively implemented, there was a very important weakness related to the process for clearing pre-financed amounts and it recommended the revision of the related account procedure. DG ENER designed the action plan to mitigate the identified risks and all planned actions were implemented (DG ENER updated the accounting manual and requested that the opinion of the independent audit body contains references that enable a reconciliation of the disbursed amounts with those reported by the delegated body). In February 2021 the IAS concluded that the recommendation was adequately and effectively implemented and closed it.

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

In its final audit report, issued in January 2018, the IAS noted that DG ENER had in place processes and activities to ensure that its statistical needs were met either by external providers or by internally processing data already available. The IAS recommended improvements in certain areas and formulated four important recommendations. The action plans were fully implemented by end of 2020 and in June 2021, the IAS acknowledged them adequately and effectively implemented and closed them.

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

In its final audit report, issued in July 2017, the IAS acknowledged the organisational and technical controls put in place by DG ENER to mitigate the security risks to which its IT systems are exposed in the domain of nuclear safeguards. By end of 2019, only one important recommendation concerning Business continuity and disaster recovery arrangements, remained open. Due to the COVID-19 crisis, the implementation of actions from the recommendation was delayed and could only be completed by March 2021. In September the IAS concluded that the recommendation was adequately and effectively implemented and closed it.

## **2. European Court of Auditors (ECA)**

### a) Audit work 2021 – Declaration of assurance (DAS)

ECA published for a second year in a row two separate Annual Reports: one focusing on traditional compliance aspects, including the annual statement of assurance, and another, separate one covering the performance of the EU budget.

As regards the 2020 DAS exercise: DG ENER's was mainly involved in Chapter IV of ECA's Annual Report on compliance – "Competitiveness for Growth and Jobs", with no specific

observations directed to DG ENER in the chapter. The declaration of assurance audits covered 17 transactions from 2020<sup>92</sup>, of which three cases had non-quantifiable errors and six transactions contained quantifiable errors<sup>93</sup>. The one case of irregularity in procurement procedures related to one CEF project was included in the 2020 Annual report of the ECA. The same irregularity was included in the previous year report. However, the Commission and CINEA disagreed with the declaration of ineligibility of the related costs.

In addition, ECA conducted an audit on the reliability of the DGs accounts as of 31 December 2021. This included analysis of closure operations, substantive testing of invoices and pre-financings and analysis of cut-off data. No findings or recommendations were issued by ECA.

With regard to the 2020 Discharge timetable, the process started with the publication of ECA's Annual Reports on 26 October. The European Parliament plans to vote on the 2020 Discharge in plenary in April 2022

For the 2021 DAS exercise, 11 transactions were sampled so far (four CEF and two H2020 transactions, all executed by CINEA; one FP7 transaction and three clearings – two related to F4E JU and one to ACER). Five clearing letters were issued by the end of the reporting period in a COVID-19 context, which obliged the ECA to conduct mostly desk reviews instead of on-site visits.

In relation to recommendations issued for the previous DAS exercises, all actions related to DG ENER have been considered by the Court as fully implemented or implemented in most respects, except for the one case reported above related to an irregularity in procurement procedures.

## b) Special Reports

*Special Report 22/2021 “Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment.” Published in September 2021*

In this audit, the ECA examined whether the Commission has been taking the right action to redirect finance towards sustainable investments. The audit focused on whether the 2018 Action Plan addressed the key issues related to sustainable finance and was implemented on time. It also assessed whether EU financial support follows consistent sustainability criteria and contributes to supporting sustainable investment.

The Court of Auditors concluded that more consistent EU action is needed to redirect private and public finance towards sustainable investments. While the Commission focused its actions on increasing transparency in the market, it has not accompanied those actions by measures to address the cost of unsustainable economic activities. In addition, the

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<sup>92</sup> Seven CEF transactions and four H2020 transactions, all managed by CINEA; two FP7 transactions as well as four clearing transactions – two for F4E and two for the Nuclear Decommissioning Programmes.

<sup>93</sup> Four of the transactions with quantifiable errors contained ineligible personnel and/or travel costs; one had ineligible invoicing of costs between beneficiaries and one case of irregularity in procurement procedures.

Commission needs to apply consistent criteria to determine the sustainability of the investments it supports from its budget and better target efforts to generate sustainable investment opportunities. The auditors recommended that the “do no significant harm” principle should be applied consistently across the EU budget, as should the EU Taxonomy criteria.

*Special Report 21/2021: “EU funding for biodiversity and climate change in EU forests: positive but limited results.” Published in October 2021*

The audit focused on the EU’s efforts to protect biodiversity and address climate change in EU forests. Overall, the ECA concluded that in the areas where the EU is fully competent to act, the EU has had a positive but limited impact on protecting biodiversity and addressing climate change in EU forests. The auditors concluded that rural development measures have had little impact on forest biodiversity and resilience to climate change and that the common EU monitoring system does not measure the effects of forestry measures on biodiversity or climate change.

*Special report 2/2022, “Energy efficiency in enterprises: some energy savings, but weaknesses in planning and project selection.” Published in January 2022*

The audit examined whether funds have been soundly spent, by analysing if the Commission and Member States assessed the appropriate use of EU funds considering the energy efficiency objectives, whether Member States procedures promoted the selection of efficient projects and if the results of the funding can be demonstrated.

The European Court of Auditors recommended to the Commission to assess the potential and actual contribution of cohesion policy funds to energy efficiency and to verify whether the choice of funding instrument is appropriately justified.

*Review 01/2022: Energy taxation, carbon pricing and energy subsidies. Published in January 2022*

The review published by the European Court of Auditors outlines how energy taxes, carbon pricing and energy subsidies contribute to achieving the EU’s climate objectives. Even though renewable-energy subsidies almost quadrupled over the 2008-2019 period, fossil-fuel subsidies have remained relatively constant over the last decade despite commitments from the European Commission and some Member States to phase them out. The auditors pointed to challenges faced by policymakers: ensuring consistent energy taxation across sectors and energy carriers, reducing fossil-fuel subsidies, and reconciling climate objectives with social needs.

#### [Follow-up work by ECA in 2021](#)

In 2021, ECA launched follow-up audits related to the special reports published in 2018. DG ENER was associated to several recommendations in three follow up audits in which ECA had satisfactory conclusions on the level of implementation.



## Follow-up of recommendations issued by ECA and by the Discharge Authority

At the end of 2021, DG ENER was chef de file for 10 open recommendations from ECA with due dates end of 2021 or beyond. The necessary updates to the status of the followed-up recommendations are reflected in Commission monitoring system (RAD).

DG ENER fosters an active and positive working relationship with ECA. Commissioner Simson and Director-General Juul Jørgensen held a meeting with ECA in April 2021 and met with the Reporting Members of Chambers I, II and IV and V as well as with other members of ECA. This fruitful meeting offered a good opportunity to strengthen this partnership, to exchange on main policy orientations and on the way the Commission takes ECA recommendations into account and to review on-going activities.

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

In 2021, DG ENER continued to improve the effectiveness and efficiency of its controls while ensuring compliance with the Internal Control Framework (ICF), the Financial Regulation and other requirements.

#### ***1. Source and methodology for the internal control self-assessment***

The self-assessment of internal controls verified the presence and effective functioning of ICF components and principles as a system throughout 2021 and focused on three objectives:

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

The 2021 self-assessment was based on four main building blocks:

- evaluation of monitoring indicators,
- evaluation of audit results and the impact of new or outstanding recommendations,
- analysis of available reports, including DG BUDG's validation of local systems, accounting quality and AOSD reports from the Directors of DG ENER,
- analysis of control incidents registered during the reporting year.

Finally, the assessment also looked at the state of play of deficiencies identified in 2020.

#### ***2. Internal Control Self-assessment results for 2021***

The 2021 internal control self-assessment concluded that none of the Commission Internal Control Framework components or principles were affected by a critical or serious weakness. Minor internal control deficiencies were however identified:

- as regards ICF Principle 10, the IAS issued a very important recommendation in relation to exercise of management supervision for the reporting and verification of compliance assessment for the transposition of Directives. In addition, the supervision strategies for the Nuclear Decommissioning Programme and for the Euratom Contribution to the ITER programme need to be updated in the wake of the IAS audit on ENER/F4E-cooperation mechanisms.
- as regards ICF Principle 11, the update of the IT Security Policies/Plans was significantly below the target. Due to the continuous sanitary crises, delays were observed in respect of the initial physical inventory plan for the assets managed on site (EUFO) and off-site (distant premises).

ICF Principle 10 and ICF Principle 11 are therefore assessed as present and effective, although some improvements are necessary. As a result of the accumulation of weaknesses on two of three related principles, Component III “Control activities” is assessed as partially effective.

At the time of reporting, the following corrective actions were ongoing or planned :

- An action plan was designed to mitigate the risks identified in the IAS final report in relation to exercise of management supervision for the reporting and verification of compliance assessment for the transposition of Directives. The actions will be implemented by end 2022
- A revision of the control strategies for the NDAP and ITER was initiated.
- The update of the security plans was ongoing. The analysis of the physical inventory plan was being completed, including an increase of the rate of controlled assets. This approach will be aligned with the new inventory regulation under preparation by the OIB/OIL.

The identified deficiencies and the implementation of corrective actions will be closely monitored during 2022..

The self-assessment highlighted the 2021 substantial risk assessment exercise encompassing both the medium-term and the annual dimensions that allows DG ENER to be better prepared to face new challenges in a more uncertain and fluctuating environment. Moreover, the set up the remote audit strategy enabled DG ENER to continue to perform ex-post controls and audits in accordance with the audit plan, even during the most restrictive periods of the ongoing COVID-19 pandemic.

Overall, the assessment established that the internal control system of DG ENER provides reasonable assurance concerning the achievement of operational objectives, the legality and regularity of the underlying transactions and that the resources have been used for their intended purpose and in accordance with the principles of sound financial management.

### **3. Risk Management**

The new Risk Management Framework was adopted by DG ENER senior management in February 2021.

#### **Follow-up of the 2021 risk management exercise**

The Risk Register for 2021 included 10 significant risks. These risks were monitored through the control boards and through the specific risk management meetings in directorate D and DG ENER successfully tackled, in cooperation with its entrusted entities, the risks related to the COVID-19.

The risk related to the understaffing and underfinancing in the European Union Agency for the Cooperation of Energy Regulators (ACER) was addressed by negotiating an additional budget and complementary resources.

Actions in relation to the performance risks on nuclear investments and the Nuclear Decommissioning Assistance Programme (NDAP) are ongoing. The risk level of NDAP remains significant for 2022, mainly due to the impact of the extended epidemic situation on all three sites.

The resourcing risk related to Euratom safeguards has also been carried over to 2022, although actions taken made it possible to already improve the recruitment of the specific profiles required to ensure a seamless continuity of this activity.

The performance risk related to the ITER programme remained valid through 2021. The risk was upgraded to 'critical' for the year 2022, due to clear indications of a need for a redefinition of the schedule. DG ENER monitors closely the situation, as well as the functioning of F4E JU as an organisation.

The significant risk associated with the late adoption of the Multiannual Financial Framework (MFF) eventually led to delays in the launch of ENER operational programmes and the adoption of necessary basic/implementing acts. However, DG ENER's mitigation effort ensured that none of the delays had a serious impact in operational programmes..

### **4. Internal Control incidents**

The functioning of the internal control systems was closely monitored and followed up throughout the year by the systematic registration of non-compliance events and exceptions. In 2021, DG ENER registered three non-compliance cases and two exception requests. This number is lower than the average of cases in previous years.

One exception was related to the conclusion of a budgetary and legal commitment, whereas the other exception and the non-compliance events related to contractual procedures. None of these indicated a systematic internal control weakness.

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

### 1) Annex related to "Control results" - Table X: Estimated risk at payment and at closure

DG ENER	payments made (2021;MEUR)	minus new prefinancing [plus retentions made] (in 2021;MEUR)	plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2021;MEUR)	'relevant expenditure' (for 2021;MEUR)	Detected error rate or equivalent estimates	estimated risk at payment (2021;MEUR)	Adjusted Average Recoveries and Corrections (adjusted ARC, %)	estimated future corrections [and deductions] (for 2021;MEUR)	estimated risk at Closure (2021;MEUR)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Subsidy to ACER	1482	-1482	1172	1172	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
Contribution to F4E JU	607.60	-607.60	640.59	640.59	0.00% - 0.00%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
H2020 grants	10.11	-9.57	15.81	16.35	2.29% - 2.29%	0.37 - 0.37	0.19% - 0.19%	0.03 - 0.03	0.34 - 0.34
FP7 grants	8.26	0.00	24.67	32.92	5.44% - 5.44%	1.79 - 1.79	1.39% - 1.39%	0.46 - 0.46	1.33 - 1.33
Other operational expenditure	57.76	-15.72	2.43	44.47	0.50% - 0.50%	0.22 - 0.22	0.17% - 0.17%	0.08 - 0.08	0.15 - 0.15
Nuclear decommissioning (CPMA / EBRD / SIEA)	93.53	-93.35	194.88	195.05	0.50% - 0.50%	0.98 - 0.98	0.17% - 0.17%	0.33 - 0.33	0.64 - 0.64
Nuclear Energy operational expenditure	12.41	-0.12	0.64	12.93	0.50% - 0.50%	0.06 - 0.06	0.17% - 0.17%	0.02 - 0.02	0.04 - 0.04
Administrative Expenditure	0.99	0.00	0.00	1.00	0.50% - 0.50%	0.00 - 0.00	0.00% - 0.00%	0.00 - 0.00	0.00 - 0.00
EEPR	43.75	0.00	16.66	60.41	1.62% - 1.62%	0.98 - 0.98	0.88% - 0.88%	0.53 - 0.53	0.45 - 0.45
<b>Total without contribution to EA's operating budget</b>	<b>849.23</b>	<b>-741.19</b>	<b>907.39</b>	<b>1 015.43</b>		<b>4.41 - 4.41</b>	<b>0.14% 0.14%</b>	<b>1.45 - 1.45</b>	<b>2.96 - 2.96</b>
					<b>Overall risk at payment in %</b>	<b>0.43% - 0.43%</b> (7) / (5)		<b>Overall risk at closure in %</b>	<b>0.29% - 0.29%</b> (10) / (5)
CINEA	2.72	0.00	0.00	2.72	0.50% - 0.50%	0.01 - 0.01	0.00% - 0.00%	0.00 - 0.00	0.01 - 0.01
Sub-total contributions (if more than one)	2.72	0.00	0.00	2.72		0.01 0.01		0.00 0.00	0.01 0.01
<b>Total DG (with contributions to EAs)</b>	<b>851.95</b>	<b>-741.19</b>	<b>907.39</b>	<b>1 018.15</b>					

#### Notes to the table X

(1) Differentiated per relevant portfolio segments and at a level which is lower than the DG 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 DGs. For Cross-Sub Delegations (Internal Rules Article 12), the reporting remains with the Delegating DGs.

(3) New pre-financing actually paid by out by the DG itself during the financial year (i.e. excluding any pre-financing received as a transfer from another DG). Pre-financing paid/cleared" are always covered by the Delegated DGs, even for Cross-Sub Delegations.

**The reconciliation amount for the 'PF origin amount' includes a difference for cross-subdelegations for an amount of EUR 2.02 million:** For projects implemented through cross sub-delegated budget lines, the pre-financings amounts from 2021 appearing in the payment implementation of the 'delegator' entity (as the paying authorising DG), whilst the pre-financing and clearing are reported by the 'delegated' entity. The split reporting (budgetary and accounting) is regularized in the next year AAR, when the cross sub-delegations become co-delegations of type II.

(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').

(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, and adds the pre-financing actually cleared 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*), the rate which should be used is 0.5% as a conservative estimate. A 0% error rate was used for expenditure considered as risk-free (e.g. operating subsidies paid to agencies and to EU bodies). For these subsidies, the responsibility of the DG is limited to the calculation, but its use falls within the remit of the beneficiary entity. The correctness of the calculation is ensured by a re-check at the time of the final payment.

(8) The adjusted average recovery and corrections percentage is to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years. The AOD has adjusted this historic average downward from 1.58% to 0.17% deducting certain recoveries of pre-financing made in previous years, which under today's rules should be considered as being of recovery context type 'none' (instead of 'irregularity'). This percentage does not apply to pre-financing, administrative expenditure or payments made to ACER, which are generally not subject to ex-post recoveries. Overall, this percentage is the best available indication of the expected corrective capacity of the ex-post control systems implemented by the DG over the past years. It should not be confused with the actual corrections, integrated in the DG's calculation of the residual error rate. For FP7, the correction rate used in this column corresponds to the difference between the overall detected error rate (5.44%) and DG ENER's residual error rate (4.05%). For H2020 payments, the correction rate used in this column corresponds to the difference between the R&I family detected error rate (2.29%) and DG ENER's residual error rate including draft audit reports (2.10%). For EEPR the correction rate used is equal to the difference of between the detected rate (1.62%) and the residual error rate of 0.74%.

## **2) Reservations**

Not Applicable

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

### Human resource management

**Objective:** DG ENER employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

**Indicator 1:** Number and percentage of first female appointments to middle management positions

**Source of data:** SEC(2020) 146

Baseline (2019)	Target (2022) <sup>94</sup> + (2024)	Latest known results
9 female middle managers (41%)	One first female appointment (50%)	34.7% in 2021

**Indicator 2:** DG ENER staff engagement index

**Source of data:** Commission staff survey 2018 and 2021

Baseline (2018)	Target (2024)	Latest known results
70%	70%	73%

#### Main outputs in 2021:

Description	Indicator	Target	Latest known results
Nomination of women in middle management positions	Number of first female appointments to middle management positions	1	2 in 2021 <sup>95</sup>
Internal Communications strategy adopted, underpinning Newsletter, ENER webinars, staff events:	Staff engagement index	70%	73%
Lunchtime conferences programme on policy priorities and core business			73%

### Digital transformation and information management

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

**Indicator 1:** Degree of implementation of the digital strategy principles by the most important IT solutions

**Source of data:** Solutions Owners & Suppliers and IT Investment Team

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results
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<sup>94</sup> The target will be revised and extended for the period 2023-2024 by January 2023

<sup>95</sup> The main aim of DG ENER is to find the best candidate for the post, what explains why there were no new first time female appointments to a middle management function.

1. EPREL 77%	1.100%	1.100%	82%
2. e-Platform 55%	2.100%	2.100%	86%
3. CMF4 0%	3. 30%	3.100%	30%
<b>Indicator 2:</b> Percentage of DG ENER's key data assets for which corporate principles for data governance have been implemented			
<b>Source of data:</b> DG ENER data asset inventory			
<b>Baseline (2018)</b>	<b>Interim milestone (2022)</b>	<b>Target (2024)</b>	<b>Latest known results</b>
35%	50%	80%	39%
<b>Indicator 3:</b> Percentage of staff attending awareness raising activities on data protection compliance			
<b>Source of data:</b> HR statistics			
<b>Baseline (2018)</b>	<b>Interim milestone (2022)</b>	<b>Target (2024)</b>	<b>Latest known results</b>
0%	50%	100% of staff	38%
<b>Indicator 4:</b> Percentage of registered documents that are not filed			
<b>Source of data:</b> Hermes-Ares-Nomcom (HAN) statistics			
<b>Baseline (2018)</b>	<b>Interim milestone (2022)</b>	<b>Target (2024)</b>	<b>Latest known results</b>
2.39%	<2%	<2%	0.74%
<b>Main outputs in 2021:</b>			
<b>Description</b>	<b>Indicator</b>	<b>Target</b>	<b>Latest known results</b>
Increase the efficient use of electronic workflows	Specific workshops / presentations on the use of e-signatory	At least 2 ARES Webinars	3 webinars on Qualified Electronic Signatures : 12/03/2021: ENER B secretaries 28/04/2021 - eDomec correspondents in Luxembourg 29/04/2021- eDomec correspondents in Brussels DG ENER staff is invited to use the Event Management Tool (EMT) and to participate in trainings organised on regular basis
Reduce paper storage	Percentage of documents from local archives digitalised (Adonis)	Minimum 60% of documents identified by 31/12/2020	<ul style="list-style-type: none"> <li>Some 1000 Euratom patents files transferred to the Historical Archives</li> <li>74 documents eliminated - (elimination incoming paper policy)</li> <li>No documents identified by 31/12/2021 (due to the lack of regular presence of staff in business units)</li> </ul>
Documents are retrievable in ARES and properly filed - staff has easier access to information	a. Percentage of registered documents that are not filed. b. Files shared with other DGs	a. Below 2% b. 100% of eligible cases	a. 0.74% b. Files accessibility criteria redefined
Gap analysis for high value data assets	Analysis report and action plan	Analysis report and action plan	Metadata of high value data assets has been documented in



			the corporate data inventory in 2021. An action plan will be drafted in the course of 2022.
Pilot use of the corporate data platform	Number of use cases	At least 1 by December 2021	Transition to the corporate data platform has started with the local QlikSense environments and will continue in the course of 2022.
Increase awareness of DG ENER staff on personal data protection framework	Information session on data protection Percentage of updated corporate instructions/guidelines	Two webinars per year 100%	Information sessions: <ul style="list-style-type: none"> <li>on data protection obligations for controllers.</li> <li>on data protection aspects in HR.</li> </ul> 100%
Establishing records for new processing operations	Percentage of new identified processing operations	100% of new identified processing operations	This is an ongoing process. All new identified processing operations (100%) have been notified (as "records") to the European Commission Data Protection Officer (DPO)
ENER IT systems compliant with data protection rules	Percentage of ENER IT system	20% IT systems identified compliant with data protection rules	This is an ongoing process. 100% of identified IT systems and notified in the Commission's DPO register are compliant with data protection rules
Definition of a strategy as regards the implementation of the digital strategy principles by the most important IT solutions (EPREL, e-Platform, CMF4)	ECDS principles implementation strategy	ECDS principles implementation strategy defined	ECDS principles are being implemented in line with the release plan of the selected systems. CMF4: project charter approved by the ITCB of 27 May 2021.
Increase awareness and efficient use of collaborative working methods by DG ENER staff	Communication and trainings on collaborative tools	a. Guidelines on the use of Collaborative Tools d. At least one Webinar	M365 was only deployed by DIGIT end of 2021 and SharePoint online is not deployed yet. Actions to be reported in 2022.
Promote knowledge sharing culture in DG ENER	Strategy and implementation plan on Knowledge Management	Strategy adopted and knowledge management concepts implemented in a pilot process	The deployment of the new briefing management system in Teams, provides a common body of knowledge (briefing repository) M365 has only been deployed by DIGIT end of 2021 and SharePoint online is not deployed yet. Further actions to be performed in 2022.

## Sound Environmental Management

**Objective:** DG ENER takes full account of its environmental impact in all its actions and actively promotes measures to reduce the related day-to-day impact of the administration and its work

### Main outputs in 2021:

Output	Indicator	Target	Latest Known Result
<p>Increased staff awareness about key actions:</p> <p>1) optimal energy use and “switching off, when not in use”</p> <p>2) optimal water use and promotion of technical services hotline in case of water leaks, in line with the EMAS corporate action on resource efficiency</p> <p>3) waste reduction and sorting in line with the corporate EMAS waste reduction campaign</p>	Part of the staff reached by awareness actions	100%	<p>1) Due to the continuous pandemic situation, no action performed for Luxembourg.</p> <p>2) Idem for Luxembourg</p> <p>3) The new sorting bins have been put in place by OIL in Luxembourg mid-2021.</p>
Participation <sup>96</sup> in the end of the year energy saving action, by closing down DG/ service's buildings during the Christmas and New Year's holiday period	Number of buildings participating in the action	One building (DM24)	DM24 was effectively closed.
Re-assess the needs as concerns the opening hours of the building (incl. the parking)	Percentage of energy reduction by closing DM24 during weekend	15% of energy reduction (heat, electricity)	n/a
Gradual increase of VC-facilities in the DG and their use, in collaboration with DIGIT and DG SCIC	Number of VC facilities in the DG	At least one additional meeting room in DM24 and one in EUFO	<p>3 meeting rooms have been fully equipped in DM24.</p> <p>For Luxembourg, the installation has been delayed to 2022, due to the late availability of a DG SCIC new framework contract.</p>

<sup>96</sup> Only for Brussels

## ANNEX 11: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission

### Central Project Management Agency, Lithuania (CPMA)

	Requirement	Information
1.	Programme concerned	Decommissioning funding for Lithuania - Ignalina Programme-CPMA
2.	Annual budgetary amount entrusted	Commitment under 2021 appropriations: EUR 62.50 million
3.	Duration of the delegation	31 December 2026
4.	Justification of recourse to indirect centralised management	Indirect centralised management gives advantages of proximity and flexibility, as it is easier to adapt it to the local and specific needs of the beneficiary country and allows for a better coordination with simultaneous co-financed measures at national level. It also provides for increased ownership of the programme and simplified relationship between the Community and the beneficiary states. Delegating contract management to a national agency enables the Commission to focus on core activities (policy formulation, political drive, control and evaluation).
5.	Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis etc.)	When the scheme was set up, the CPMA was already an established national agency with an accredited implementation system. Before the accession of Lithuania to the EU, CPMA was the certified Lithuanian EDIS contracting authority/paying agency for the PHARE programme. After accession, CPMA was entrusted with the management of structural funds programmes. CPMA had, therefore, a direct experience in the management of EU programmes not requiring an ex-ante control by the Commission. The pillar assessment report of 2021 re-confirmed that the CPMA fulfils the requirements.
6.	Synthetic description of the implementing tasks entrusted to this body	The tasks entrusted to the National Agency are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom. The duties of the National Agency include: - Programming and monitoring - Preparation of Projects - Implementation of Projects.

## Slovak Innovation and Energy Agency (SIEA)

	Requirement	Information
1.	Programme concerned	Decommissioning funding for Slovakia – Bohunice Programme - SIEA
2.	Annual budgetary amount entrusted	Commitment under 2021 appropriations: EUR 27.42 million
3.	Duration of the delegation	31 December 2026
4.	Justification of recourse to indirect centralised management	Indirect centralised management gives advantages of proximity and flexibility, as it is easier to adapt it to the local and specific needs of the beneficiary country and allows for a better coordination with simultaneous co-financed measures at national level. It also provides for increased ownership of the programme and simplified relationship between the Community and the beneficiary states. Delegating contract management to a national agency enables the Commission to focus on core activities (policy formulation, political drive, control and evaluation).
5.	Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis, etc.)	The Slovak Innovation and Energy Agency (SIEA) is active in the management of structural funds in the Slovak Republic. The body was proposed by the Ministry of Economy of the Slovak Republic. The pillar assessment report of 2015 has confirmed that the SIEA fulfils the requirements; yet the report included recommendations to be implemented by the SIEA at the latest before the end of first year of implementation; the follow-up audit finalised in 2019 has ascertained the fulfilment of these recommendations. However, a complementary pillar assessment is planned for early 2022.
6.	Synthetic description of the implementing tasks entrusted to this body	The tasks entrusted to the National Agency are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom. The duties of the National Agency include: - Programming and monitoring; - Preparation of Projects; - Implementation of Projects.

## European Bank for Reconstruction and Development (EBRD)

	Requirement	Information
1.	Programme concerned	International Decommissioning Support Fund (IDSF) for Slovakia, Lithuania and Bulgaria - EBRD
2.	Annual budgetary amount entrusted	Commitment under 2021 appropriations: EUR 19 million (total) of which: <ul style="list-style-type: none"> <li>• EUR 9 million to Kozloduy IDSF (Bulgaria)</li> <li>• EUR 10 million to Ignalina IDSF (Lithuania)</li> </ul>
3.	Duration of the delegation	Implementation period: <ul style="list-style-type: none"> <li>- Kozloduy IDSF: 1 December 2022*</li> <li>- Bohunice IDSF: 1 December 2022*</li> <li>- Ignalina IDSF: 1 December 2022*</li> </ul> <p>* The Assemblies of Contributors to the three IDSFs have approved a proposal to extend the duration of the Funds beyond 2022. The mandates will be prolonged accordingly in the course of 2022.</p>
4.	Justification of recourse to indirect centralised management	In 2018, the mid-term evaluation allowed to take stock of some of the advantages and disadvantages of the different approaches that could be used to implement the NDAP, by way of a comparison with similar instruments and programmes. It concluded that indirect management is an appropriate tool, and that changing of the management mode for delivery of the NDAP at present would induce costs not compensated for by the expected benefits.
5.	Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis, etc.)	In 2000, a dedicated fund was established for each of the three Member States (SK, LT and BG). These multi-donor funds (ISDF) are managed by the EBRD. The governance structure of the EBRD International Decommissioning Support Funds (IDSF) is still operational. This is mainly due to the nature of these funds as they are multi-donor. The European Commission (EC) is the largest contributor (to date over 95% of all contributions) and, since 2004, the only one. Accordingly, in 2014 the funds' rules were revised to enhance the EC's monitoring power as well as its decision and control role.
6.	Synthetic description of the implementing tasks entrusted to this body	The tasks entrusted to this entity are set out in the Annual Work Programme provided in the relevant Commission Financing Decisions and in the project documentation deriving therefrom. The duties of the implementing entity include: <ul style="list-style-type: none"> <li>- Programming and monitoring;</li> <li>- Preparation of Projects;</li> <li>- Implementation of Projects.</li> </ul>

## Fusion for Energy Joint Undertaking (F4E JU)

	Requirement	Information
1.	Programme concerned	ITER
2.	Annual budgetary amount entrusted	<p>The following budgetary amounts were entrusted to this body in 2021 (EU contribution only):</p> <ul style="list-style-type: none"> <li>-Commitment appropriations (operational): EUR 336.49 million</li> <li>-Commitment appropriations (administrative): EUR 53.85 million</li> <li>-Payment appropriations (operational): EUR 579.75 million</li> <li>-Payment appropriations (administrative): EUR 53.85 million</li> </ul> <p>These are the total amounts including C5 (recovery from previous years) and RO (Swiss Contribution)</p>
3.	Duration of the delegation	Until 18 April 2042 (identical to that of the ITER International Agreement)
4.	Justification of recourse to indirect centralised management	2007/198/EURATOM: Council Decision of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it (OJ L 90, 30.3.2007, p. 58)
5.	Justification of the selection of the body (identity, selection criteria, possible indication in the legal basis etc.)	<p>The European contribution to ITER is implemented under the framework of the EURATOM Treaty. F4E was set up as the European Domestic Agency for ITER in accordance with Articles 47 and 48 of this Treaty, which provides the legal mechanism to develop the nuclear industry through Joint Undertakings. Within this framework, F4E was set up as a Joint Undertaking in March 2007.</p> <p>In 2018, DG ENER commissioned an external consultant to, inter alia, review the various legal forms through which the European Contribution could be delivered. The conclusion was that no other legal framework would be more appropriate than the current one.</p>
6.	Synthetic description of the implementing tasks entrusted to this body	<p>As per Art. 1(2) of Council Decision 2007/198/EURATOM:</p> <p>The tasks of the Joint Undertaking shall be as follows:</p> <ul style="list-style-type: none"> <li>(a) to provide the contribution of the European Atomic Energy Community (EURATOM) to the ITER International Fusion Energy Organisation;</li> <li>(b) to provide the contribution of EURATOM to Broader Approach Activities with Japan for the rapid realisation of fusion energy;</li> <li>(c) to prepare and coordinate a programme of activities in preparation for the construction of a demonstration fusion reactor and related facilities including the International Fusion Materials Irradiation Facility (IFMIF).</li> </ul>

## **ANNEX 12: EAMR of the Union Delegations**

Not applicable

## ANNEX 13: Decentralised agencies and/or EU Trust Funds

**Entity: Agency for the Cooperation of Energy Regulators (ACER)**

***Role of DG: Lead***

<b>Policy area concerned</b>	<b>Contribution to the Operating (administrative) budget</b>	<b>Contribution to the Operational Budget</b>
Energy (Conventional and renewable energy)	EUR 14 818 735	...