

# Assessment of the Fuel Cells and Hydrogen 2 Joint Undertaking (FCH 2 JU) Annual Activity Report (AAR) 2015 by the FCH 2 JU Governing Board

## Introduction

FCH technologies contribute to key priorities identified by President Juncker, notably:

- New boost for jobs, growth and investment
- Resilient Energy Union
- Open and fair internal market

The COP 21 agreement adopted in Paris in December 2015 is a strong political signal and an opportunity for the FCH sector. Sustained political support as well as industry commitment will remain essential.

Recent legislation such as the Directive 2014/94/EU on the deployment of alternative fuels infrastructure and initiatives under the Energy Union Framework Strategy such as the EU Strategy for heating and cooling launched by the Commission on 16 February 2016 as well as the first certified reporting by Members of the FCH 2 JU on Additional Activities July 2014-December 2015 amounting to EUR 186 million are positive signs.

The Governing Board will continue to steer and support the FCH 2 JU in the implementation of its mandate and in the achievement of its ambitious goals.

## Analysis

The Fuel Cells and Hydrogen 2 Joint Undertaking's Annual Activity Report 2015 (Authorising Officer's report) was presented to the FCH 2 JU Governing Board on 29 February 2016 and is planned to be approved by the Governing Board in June 2016.

The Governing Board is of the opinion that the FCH 2 JU AAR 2015 covers well the main activities of the FCH 2 JU in 2015, clearly identifies the risks associated with the FCH 2 JU operations, duly reports on the use made of the FCH 2 JU resources provided, and indicates the efficiency and effectiveness of the FCH 2 JU internal control system.

The Governing Board recognizes the progress made by the FCH 2 JU and the achieved results in year 2015 and positively notes in particular the following elements:

- **OPERATIONS:** The FCH 2 JU has successfully made the transition to Horizon 2020 by completing the signature of the first Grant Agreements resulting from the Call 2014. By the end of 2015, the FCH 2 JU had 15 H2020 projects on-going and 15 under preparation, respectively from call 2014 and call 2015:
  - The first grant agreements under H2020 (Call 2014) were signed with an average time to grant (TTG) within 8 months (except in 3 duly justified cases) reflecting the efforts made to have a swift grant preparation phase in a context of new rules and new tools. These 15 projects represent a contribution of 82.1 M EUR of which 55% for Innovation actions and 41% for Research and Innovation actions with the remaining 4% for cross-cutting activities. In line with the MAWP targets, 25% of the beneficiaries are SMEs.
  - The second Call for Proposals of the FCH 2 JU under H2020 was published on 5 May 2015 with a deadline for submission of proposals on 27 August 2015 and an

estimated budget of 123 M EUR. The signature of corresponding 15 grant agreements for a contribution of 109.9 M EUR is expected to take place in March/April 2016.

- The maturity of the FP7 programme further progressed as reflected by an increased number of closed projects: out of the 155 FCH-FP7 projects 53 are closed by end 2015, out of which 28 were closed in 2015. For these 53 projects the leverage effect is about 1.2: for each euro provided by the FCH JU, the industry and research beneficiaries provided 1.2 EUR in-kind.
- The quality of the JU's internal control system (procedures, checks, ex-ante controls) as well as the continuous guidance to beneficiaries aiming at avoiding errors in financial reporting should be highlighted and are demonstrated by the clean report from the European Court of Auditors (for the financial year 2014 published in November 2015) and the low error rate (cumulative residual error rate at 31 December 2015 was 1.01%)
- **COMMUNICATION:** A new communication strategy was adopted by the Governing Board, which is structured around 2 core dimensions: 1) raising the organisation's profile and 2) highlighting the technology's potential and market readiness. In this context a number of activities and events were carried out, among which:
  - the Smart Specialisation Workshop in Lyon in April 2015 facilitating the dialogue between regional and industrial actors with the presentation of a broad spectrum of initiatives and concrete projects national
  - the joint workshop with DG Move in Riga in June 2015 on the occasion of the Latvian presidency and aiming at fostering improved coordination of all EU programmes and initiatives for innovation and new technologies
  - the EU Sustainable Energy Week which included a High Level Policy Conference with a focus on Public Private Partnerships as a tool to accelerate energy innovation and was marked by speeches of key FCH actors.
- The 2015 Programme Review Days and Stakeholders Forum (SF) were successful with a record attendance of over 400 participants including new types of audiences such as European/National associations and NGOs. The theme of these 3 days event aimed at triggering discussions on further objectives and a strategic vision as well as at highlighting the progress and potential of the FCH sector.
- A brainstorming activity on achievements in relation to technical objectives of FCH-FP7 projects was carried out with IG representatives and lead to the identification of 15 success stories. The drafting is being finalised and they will be published by mid-2016.

However, the Governing Board considers that the following aspects of the report require improvement:

- It would have been useful to report in the AAR (1) the establishment in 2015 of the RCS Working Group, led by N.ERGHY representative as the RCS Strategy Coordination is instrumental in helping the JU reach its objectives in relation to market deployment of FCH systems and as the set-up of this group is a requirement of the MAWP and (2) the progress of the negotiations with the JRC leading towards the conclusion of a Framework Agreement.
- The GB is concerned by the too slow progress being made in terms of knowledge management, and it insists that further efforts should be made in 2016 to improve the quality

and quantity of data gathered from projects. In addition, an analysis of the impact generated by patents and publications resulting from the projects should take place.

- Although first steps have been taken in terms of combining different sources of funding (e.g. through the organization of the Smart Specialization Workshop and the Riga Workshop), a further effort will be required to put joint funding mechanisms into practice.

### Risk management process

The Governing Board acknowledges the risk related to failure to deliver on additional activities, and underscores the importance of this strategic asset for the continuation of the FCH 2 JU. It endorses the proposed action plan and will closely monitor its implementation.

The Governing Board equally agrees with the risk of unclear translation of the MAWP into annual work plans, and will support the Programme Office in the development, formalization and finalization of an improved AWP procedure for selecting and drafting call topics. .

### Human resources

In relation to the use of human resources, the Governing Board notes that the FCH 2 JU staff assigned to the activities carried out in 2015 has been used for their intended purpose.

### Internal control system

The Governing Board is of the opinion that, in general, the internal control system is working and adequately mitigates the critical risks which could hamper the achievement of the FCH 2 JU objectives and activities. It also notes with satisfaction the efforts invested in fraud detection and prevention, as well as avoidance of conflicts of interest and the elaboration of a learning and development plan for staff members.

The Governing Board acknowledges that thanks to the Action Plan for the effective implementation of the internal control standards, weaknesses were identified in relation to the following internal control standards: ICS 8 (Processes and procedures), ICS 11 (Document Management), and ICS 13 (Accounting and Financial Reporting). It is appreciated that measures to address these weaknesses are being implemented, in particular as regards the methodologies for IKOP and ICAA which are of critical importance to the continuation of the FCH 2 JU.

The functioning of the internal control system has been monitored through the year by the systematic registration of exceptions, leading to corrective and alternative mitigating measures.

The Governing Board welcomes the reasonable assurance that overall suitable control systems are in place and working as intended; that the identified risks are being mitigated and/or monitored; and that the improvements and reinforcement are being implemented.

### Ex-post controls

The Governing Board notes with satisfaction that the ex-post audit strategy intended to ensure the legality and regularity of the expenditure has been duly implemented in 2015. 99 audits (83 representative and 16 risk-based) have been launched (comprising 210 cost claims) of which 85 are finalized and 14 are on-going. The cumulative audit coverage represents 19% (on finalized audits) and 22% (on total audits) of the value of the validated cost claims at the cut-off reporting date (i.e. 31 December 2015).

The Governing Board appreciates that the necessary controls and monitoring mechanisms are in place to ensure that all errors detected in favour of the FCH 2 JU are timely and effectively

corrected

The Governing Board welcomes that no reservation is necessary to the AAR 2015, as it can be stated with reasonable assurance that by the end of the programme the residual error rate is below the materiality threshold (i.e. 2%).

## **Conclusion**

The declaration of the Executive Director and the FCH 2 JU AAR 2015 gives a good assessment of operational and financial management in relation to the achievement of objectives. Based on the information provided, the FCH 2 JU key objectives set up for 2015 have been met in compliance with the principles of legality and regularity of operations. Improvements are nevertheless recommended on the few aspects stated in the analysis of this report.

The Governing Board notes that the management of the FCH 2 JU has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being properly monitored and mitigated and necessary improvements and reinforcements detected by the auditors are being implemented. Therefore, the Interim Executive Director, in his capacity as Authorising Officer, has signed the Declaration of assurance without any reservation.