

# **Assessment of the Fuel Cells and Hydrogen 2 Joint Undertaking (FCH 2 JU) Annual Activity Report (AAR) 2018 by the FCH 2 JU Governing Board**

## **1. INTRODUCTION**

The importance of Hydrogen and related fuel cells technologies for the achievement of the EU's climate and energy goals is well recognised. This was underlined by the launch of two important initiatives in 2018, namely the:

- (i) Creation of the 'Renewable and Clean Hydrogen Challenge' (IC-8) within Mission Innovation in May 2018 with the objective to accelerate the development of a global hydrogen market by identifying and overcoming key technology barriers to the production, distribution, storage, and use of hydrogen at gigawatt scale. and the
- (ii) Publication by the Commission, in November 2018, of its vision, named 'A Clean Planet for all'<sup>1</sup> for making Europe the first major economy to become climate-neutral by 2050 in which hydrogen will play an important role to decarbonise various sectors such as power, heating, transport and industry.

The FCH 2 JU has efficiently contributed in 2018 via research and demonstration activities to the development and deployment of state of the art products and technologies both in the transport and energy sectors. It continued to play a critical role in aggregating the European industry and research, and has improved the position of all its players.

In light of the preparations of the next Framework Programme – Horizon Europe, it is important that the FCH 2 JU highlights its continued relevance and demonstrates impact.

The Governing Board positively notes that the FCH 2 JU has demonstrated for the first time an overall investment from Members other than the Union or their constituent or affiliated entities and from other entities exceeding EUR 1 billion corresponding to a leverage effect of 1.96. With regard to communication and outreach activities, the Governing Board welcomes the launch of a pilot awareness-raising campaign in the Brussels city subway and public transport network, an initiative targeting a large public audience beyond the standard stakeholder community. The Governing Board encourages the FCH 2 JU to continue these efforts over the remaining 2 years of the Horizon 2020 Framework Programme by demonstrating its relevance as a world-class actor in the field of fuel cells and hydrogen.

## **2. ANALYSIS**

The Fuel Cells and Hydrogen 2 Joint Undertaking's Annual Activity Report 2018 (Authorising Officer's report) was sent to the FCH 2 JU Governing Board on 28 February 2019 and will be submitted for approval by the Governing Board before the end of June 2019. The Governing Board is of the opinion that the FCH 2 JU AAR 2018 adequately covers the main activities of the FCH 2 JU in 2018, clearly identifies the risks associated with

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<sup>1</sup> COM(2018) 773 final [https://ec.europa.eu/clima/sites/clima/files/docs/pages/com\\_2018\\_733\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_en.pdf)

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's internal control system. The Governing Board recognizes the continuous progress made by the FCH 2 JU and the achieved results in year 2018 and positively notes in particular the following elements:

## **2.1 Operations**

- The Governing Board notes with satisfaction that the process in place for Annual Work Plan drafting and agreement is now well established. It recommends that this process be continued over the following years.
- The Governing Board is very pleased to note the high leverage generated by the FCH 2 JU with a very good figure of EUR 1.96 of contributions from Members other than the Union or their constituent or affiliated entities and other entities, in the form of in-kind contributions to projects and through additional activities, for each 1 EUR of EU contribution. It is particularly satisfied with the already achieved target for in-kind contributions set in the Council Regulation establishing the FCH 2 JU.
- The Governing Board compliments the FCH 2 JU on the high budget execution level, 93% for Commitment Appropriations, and takes notes of a lower 83% for Payment Appropriations, which it finds justified.
- The Governing Board welcomes the continuous and growing effort in knowledge management and use of the tool TRUST. The Governing Board would welcome the further use of this tool, notably in the AWP process by, in particular, describing how the portfolio of existing projects and their progressive implementation fits with the MAWP KPI and how proposed topics for a given AWP add to the portfolio of existing projects.
- The Governing Board welcomes the development and customisation to the FCH sector of the TIM tools and looks forward to seeing the analysis that will be generated by the tool, in order to better understand the dynamics of the FCH innovation landscape.
- The G Governing Board congratulates the JU on the high level of achievements from FCH projects, and is pleased to note the right balance between low TRL research-oriented tasks and higher TRL activities.
- It also notes that the percentage of female experts in the 2018 evaluation process was 22% and encourages the FCH 2 JU to endeavour to increase this share over the coming years.
- The Governing Board welcomes the continuation of international cooperation activities of the FCH 2 JU with the US, Japan, Canada, China and South Africa as foreseen in the AWP. It encourages international cooperation with IPHE countries in the context of projects on upstream and cross cutting topics and with Mission Innovation challenge IC-8 (Renewable and Clean Hydrogen) countries. In general, it would appreciate further feedback and information on the outcome of these collaborations and the FCH 2 JU's participation in international events.
- The Governing Board welcomes the endorsement of the addendum to MAWP including the update of the KPIs and the strategic priorities 2018-2020 and it takes note of the very good progress in the implementation of the recommendations included in the Action Plan on the FCH 2 JU H2020 interim evaluation.

## **2.2 Communication**

- The Governing Board congratulates the FCH 2 JU for the significantly increased visibility of the JU and its activities at this critical stage in light of the preparations for Horizon Europe. It appreciates the efforts made in targeting EU policy makers and the success of the PRD and SF, and it is pleased to see that the JU made an additional effort to broaden the target audience with, in particular, the launch of a pilot awareness campaign in the Brussels city subway and public transport network, an initiative that was very well received. Public acceptance remains a critical issue for the deployment of hydrogen and fuel cells technologies and the GB urges the FCH 2 JU to further explore actions to address this issue.
- The Governing Board also welcomes additional communication efforts on different fronts such as website traffic, presence on twitter and LinkedIn, success stories, and the launch for the first time in 2018 of an Award Ceremony rewarding top projects for innovation excellence.
- Finally, the Governing Board appreciates the work done by FCH 2 JU in the context of the Regions initiative with organization of local workshops, publication of a final report and follow-up actions in progress (in particular the proposed tender on PDA (Project Development Assistance) and the set-up of a new Hydrogen and Fuel Cells Energy Partnership under the Smart Specialization Platform (S3 platform)). This initiative offers a unique opportunity of reaching potential stakeholders across Europe and improving participation and integration of EU-13 regions and cities. In this context, the organisation of a Central and Eastern Europe Tour including FCEV test drives was very welcome.

## **2.3 Risk management process:**

- The Governing Board is satisfied with the risk management actions taken over the past year with in particular the elaboration of a complete risk matrix.

## **2.4 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 2018 has been used for their intended purpose. It takes note of the difficulty to recruit seconded national experts meaning that there is a problem of resources for projects follow-up.

## **2.5 Internal control system:**

The Governing Board is pleased to note the implementation by FCH 2 JU of the new Internal Control Framework (ICF) and related principles. It also welcomes the fact that all necessary improvements and reinforcements detected by the Internal Audit Service have been implemented.

It also notes with satisfaction the continued 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 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 improvements and reinforcements are continuously being implemented. It notes with satisfaction that the ex-post audit strategy intended to ensure the legality and regularity of the expenditure has been duly implemented.
- The Governing Board deems 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, and asks the JU to remain vigilant and proactive. The Governing Board welcomes that no reservation is necessary to the AAR 2018, 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%) for FP7 and the first indicative results for H2020 are promising.

### **3. CONCLUSION**

The declaration of the Executive Director and the FCH 2 JU AAR 2018 give 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 2018 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. Therefore, the Executive Director, in his capacity as Authorising Officer, has signed the Declaration of assurance without any reservation.