

Assessment of the Fuel Cells and Hydrogen 2 Joint Undertaking (FCH 2 JU) Annual Activity Report (AAR) 2017 by the FCH 2 JU Governing Board

1. INTRODUCTION

The creation of the Hydrogen Council in Davos, where a group of CEO's from leading companies pledged to increase their investments in fuel cells and hydrogen technologies and make hydrogen part of the future energy mix, underlines the growing interest and confidence that exists in this sector.

The FCH 2 JU plays a crucial role in this respect: as underlined by the conclusions of its mid-term evaluation that was completed mid-2017, the JU has played a critical role in aggregating the European industry, has improved the position of all its players, and is still considered relevant.

In light of the preparations of the next Framework Programme, it is important that the FCH 2 JU highlights its continued relevance. It has already demonstrated the commitment of its Members by achieving the target of €380M of in-kind contributions across the duration of the instrument already halfway through its execution. It has also dramatically increased its communication and outreach activities to highlight the successes achieved through its programme.

The Governing Board encourages the FCH 2 JU to continue these efforts over the coming years, and to confirm the JU 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 2017 (Authorising Officer's report) was sent to the FCH 2 JU Governing Board on 28 February 2018 and is planned to be approved by the Governing Board before the end of June 2018.

The Governing Board is of the opinion that the FCH 2 JU AAR 2017 adequately covers the main activities of the FCH 2 JU in 2017, 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 2017 and positively notes in particular the following elements:

2.1 Operations

- The GB welcomes the improvements made concerning the Annual Work Plan drafting and agreement process, and in particular appreciates the strategic prioritisation work that provides clear guidance to the operational levels and drafters of topics. It recommends that this process be continued over the following years.
- The GB is very pleased to note the high leverage generated by the FCH 2 JU, both in the form of in-kind generated by projects and through additional activities. It is particularly satisfied with the early achievement of the target for in-kind set in the Council Regulation establishing the FCH 2 JU, and feels confident that the leverage figure will continue to rise over the coming years.
- The GB compliments the FCH 2 JU on the high budget execution level, and the planning and procedures that have led to this result.
- The GB takes note of the state of implementation of FP7 projects as reported in the AAR and recommends to the FCH 2 JU to maintain a strict control over the execution of FP7 projects (i.e.

by limiting extensions to exceptional cases only) so that the operational capacity can be used optimally for the management of the JU's activities under H2020.

- It is good to see that the Knowledge Management structure has been set up and that the first results from TRUST are becoming visible. The GB underlines the critical role that KM plays and looks forward to more developed analyses over the coming years, based on the first results from the TRUST tool and the specific FCH adaptations to the TIM database.
- The GB congratulates the JU on the high level of achievements from FCH projects, and is pleased to note that more research-oriented tasks (aiming at lower TRL and next generation technology) are now also being undertaken by the JU.
- In terms of calls for proposals and subsequent grant handling, the GB is satisfied with the fact that all projects from the main list have been processed within the targets for Time To Inform, Time To Grant and Time To Pay.
- It is also pleased to note that the percentage of female experts in the evaluation process has increased to 26%, and encourages the FCH 2 JU to continue this trend over the coming years.
- The GB welcomes the continuation of international cooperation activities of the FCH 2 JU with the US and Japan and notes the extension of this cooperation with Canada, China and South Africa as foreseen in the AWP. It encourages international cooperation in particular with IPHE countries in the context of projects on upstream and cross cutting topics. It would appreciate further information on the outcome of this collaboration.
- The GB notes that the revision of the MAWP foreseen in 2017 has not been completed as planned. In view of the limited time (and limited number of calls) left to put this update into practice the MAWP revision should finish soon.

2.2 Communication

- The GB congratulates the FCH 2 JU with the significantly increased visibility of the JU and its activities at this critical stage in light of the preparations for FP9. It appreciates the efforts made in targeting EU policy makers and the success of the PRD and SF, yet recommends that the JU makes an additional effort to broaden the target audience for the SF taking into account the increasing interest in hydrogen for policy and economics, and to allow for more interaction, as recommended by the Interim Evaluation.
- The work invested in gathering and publicising success stories is commendable, and is considered of crucial importance for demonstrating the results generated by the FCH 2 JU. The GB is equally pleased to note the fact that JU-funded research projects have led to significant industrial interest and exploitation, as illustrated by the German 'Autostack Industry' initiative.
- The GB would appreciate that the Executive Summary of the AAR equally highlights successes in the areas of research and cross-cutting activities, aside from the demos that are currently put in the spotlight.
- The GB applauds the achievements of the Regions initiative, which now gathers 88 regions, cities from 22 countries, and more than 55 industry partners. The network generated by this initiative offers a unique opportunity of reaching potential stakeholders across Europe. The GB recommends a continued effort to improve participation and integration of EU-13 regions and cities, and looks forward to concrete outputs resulting from this initiative.

2.3 Risk management process:

The GB is pleased to note the high effort being put into ensuring a clean audit opinion from the Court of Auditors and a clean discharge from the European Parliament. It is satisfied with the risk

management actions taken over the past year.

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 2017 has been used for their intended purpose. It equally welcomes the fact that new functions have been created addressing areas beyond pure project management (i.e. in financial engineering and strategy & market development), and is looking forward to a presentation of results from the activities carried out in these areas.

2.5 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 that 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 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.

It notes with satisfaction that the ex-post audit strategy intended to ensure the legality and regularity of the expenditure has been duly implemented in 2017, resulting in an increase of the number of audits: 133 audits (111 representative and 22 risk-based) have been launched (comprising 534 cost claims) of which 127 are finalized and 6 are on-going. The cumulative audit coverage represents 21% (on finalised audits) and 22% (on total audits) of the value of the validated cost claims at the cut-off reporting date (i.e. 31 December 2017).

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, but asks the JU to remain vigilant and proactive

The Governing Board welcomes that no reservation is necessary to the AAR 2017, 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%).

3. CONCLUSION

The declaration of the Executive Director and the FCH 2 JU AAR 2017 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 2017 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 Executive Director, in his capacity as Authorising Officer, has signed the Declaration of assurance without any reservation.