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EUROPEAN COMMISSION

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the multiannual financial framework, to address additional financing needs of the ITER project

EXPLANATORY MEMORANDUM

1. INTRODUCTION

In response to the Council conclusions of 16 November 2009[1] on the next steps in the ITER (International Thermonuclear Experimental Reactor) project[2] the Commission transmitted to the European Parliament and to the Council, on 4 May 2010, a communication entitled "ITER status and possible way forward"[3] addressing the financing gap and related governance conditions concerning ITER.

Following an exchange of views at the Competitiveness Council of 25 and 26 May 2010, the Spanish Presidency set up an ITER Task Force which concluded its work on 25 June 2010. The Council conclusions adopted on that basis confirmed the short-term need identified in the above mentioned Commission Communication for additional commitment appropriations of EUR 1.4 billion (EUR 800 million in 2012 and EUR 600 million in 2013), in current prices, for 2012 and 2013. Council called upon the Commission to present a proposal within the overall ceiling of the current multiannual financial framework including redeployment within Heading 1A "Competitiveness for Growth and Employment". An extraordinary ITER Council meeting is scheduled on 27-28 July 2010 to approve the ITER baseline.

As a result of the work undertaken by the Commission and the Member States, a clear vision of the future of ITER has emerged which creates the basis for the EU position at the ITER Council meeting on 27-28 July. The Commission welcomes the Council conclusions of 12 July 2010 expressing its strong commitment to the successful completion of the ITER project and acknowledges the Council's request therein to limit the F4E financial resources for the European contribution to the construction period 2007-2020 of ITER to EUR 6.6 billions (in 2008 value) instead of EUR 7.2 billions (in 2008 value). This amount of EUR 6.6 billion constitutes the reference amount for the construction period of ITER. On this basis, the sustainability of long term financing of the ITER project can be ensured.

The Commission has made clear its view that the EU budget cannot be asked to continue to deal with cost overruns. Therefore, the Commission intends to adopt the ITER baseline, currently expected to last until 2020, on the understanding that for the period after 2013 the EU budget will make a fixed, annual contribution, to be decided by the budgetary authority, to the costs of the project and that any future cost overruns will not fall on the EU budget.

The adoption of the baseline is ad referendum since both arms of the budgetary authority (European Parliament and Council) are still to approve and secure the financing of ITER.

As for the additional short-term financial needs for ITER (2012 and 2013), the Commission proposes a mix of financial sources including redeployment of funds

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1 15815/10, 15818/09.

2 Agreement signed 21 November 2006 on the Establishment of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project (OJ L 358, 16.12.2006, p. 62).

3 COM(2010) 226, 4.5.2010.

from the Seventh Research Framework Programme within Heading 1 A and of unused funds between headings.

The present proposal aims at providing an amount of EUR 400 million by means of a revision of the multiannual financial framework while keeping the overall ceiling for commitment and payment appropriations over the period 2007-2013 unchanged. At the same time, an additional amount of EUR 460 million will be covered through redeployment from the Seventh Research Framework Programme within Heading 1A.

The commitment for financing the remaining amount of EUR 540 million shall be secured at a later stage, starting with the budgetary conciliation in November 2010[4] and, if need be, the following annual budgetary procedures by using all budgetary means foreseen in the multiannual financial framework. The Commission proposes that the European Parliament, the Council and the Commission adopt a joint declaration to that purpose, by the latest in the framework of the November 2010 budgetary conciliation meeting.

2. LEGAL BASIS

The Treaty on the Functioning of the European Union provides that Council shall unanimously adopt a Regulation laying down the multiannual financial framework after obtaining the consent of the European Parliament. On 3 March 2010, the Commission made a proposal for such a Council regulation[5]. It is hoped that it will be adopted before the end of the year.

Given the importance of renewing, without further delay, the European Union's political commitment to realising the ITER project, the Commission submits the present proposal under the rules of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management (IIA)[6] which remains applicable until the new regulation is adopted.

3. USE OF MARGINS AND REDEPLOYMENT WITHIN HEADING 1A

The margins available under the ceilings of Heading 1A amount to EUR 50.1 million for 2011, EUR 34 million for 2012 and EUR 47 million for 2013. No margin is left for 2010. With a view to Point 13 of the IIA, which provides that the institutions are required to ensure that sufficient margins are left available beneath the ceilings, the Commission considers that these margins cannot be used to contribute to cover the additional financing needs of the ITER project.

In accordance with Point 23, first paragraph, of the IIA the Commission has examined the scope for reallocating expenditure between the programmes covered by the heading concerned with the objective that a significant amount, in absolute terms and as a percentage of the new expenditure planned, is made available within the

4 Without prejudice to the need of maintaining the necessary margins for budget 2011
5 COM(2010) 72.
6 OJ C 139, 14.6.2006, p. 1.

existing ceiling for the heading. As a result, it proposes to redeploy an amount of EUR 100 million in 2012 and of EUR 360 million in 2013 from the Seventh Research Framework Programme.

4. TRANSFERS FROM ONE HEADING TO ANOTHER (COMMITMENT APPROPRIATIONS)

In accordance with Point 23, second paragraph, of the IIA the Commission has examined the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another.

The margins left under the expenditure ceilings for the Headings other than Heading 1A for the years 2010 to 2013 are currently estimated as follows[7]:

	2010	2011	2012	2013
Heading 1B	1.4	16.9	1.4	0.4
Heading 2	456.2	851.8	126.2	131.4
Heading 3 A	18.5	70.7	26.5	52.9
Heading 3 B	0	15.2	18.1	22.8
Heading 4	0[8]	70.3	132.3	134.6
Heading 5	43.5	160.6	122.7	151.3

With a view to Point 13 of the IIA, and taking account of the possible financial implications of the Lisbon Treaty, the Commission considers that the margins left under the ceilings of Heading 1B, Heading 3A, Heading 3 B, Heading 4, and Heading 5 are too tight to contribute to cover the additional financing needs of the ITER project.

Only the margins under Heading 2 in 2010 are at a level that could be used to compensate the lack of margin under Heading 1A, particularly once agriculture expenditure for the year 2010 has been confirmed. The current margin left under the 2010 expenditure ceiling of Heading 2 amounts to EUR 456 million. The Commission proposes, at this stage, to lower this ceiling by an amount of EUR 400 million and to increase the expenditure ceilings of Heading 1A by EUR 160 million for the year 2012 and by EUR 240 million for the year 2013.

The proposed adjustment between expenditure ceilings leaves a margin of EUR 56 million available under the ceiling of Heading 2 in 2010. The Commission has undertaken to take all appropriate measures to ensure that decisions taken on CAP expenditure and its financing, including the agreement on the Health Check, are respected.

7 For 2010, updated data based on the last Commission's proposals up to Draft Amending Budget 6/2010 - COM(2010) 315, 17.6.2010 - and for 2011-2013, financial programming as included in the general introduction of the draft budget for 2011 - COM(2010) 300, 15.6.2010.

8 Less 18.3 million financed through the flexibility instrument.

5. PAYMENT APPROPRIATIONS

Point 23, fourth paragraph, of the IIA provides that any revision must maintain an appropriate relationship between commitments and payments. Hence, the annual ceilings for payment appropriations need to be modified on the basis of the payment profile foreseen for the additional commitments under Heading 1A in 2012 and 2013 which are offset by the corresponding reduction of commitment appropriations from the ceiling of Heading 2 in 2010. The overall ceiling of the financial framework over the period 2007-2013 shall remain unchanged.

6. SUMMARY TABLE AND CONCLUSION

The table below summarises the proposed changes to the ceilings for commitment and payment appropriations in the financial framework. Amounts are expressed in current prices:

(EUR million)	2007	2008	2009	2010	2011	2012	2013	**2007-2013**
1a. Competitiveness for Growth and Employment						160	240	400
2. Preservation and Management of Natural Resources				-400				-400
Total change in commitment appropriations	**0**	**0**	**0**	**-400**	**0**	**160**	**240**	**0**
Total change in payment appropriations				**-400**		**160**	**240**	**0**

The revision keeps the global ceilings for commitment and payment appropriations expressed in current prices unchanged.

The above changes result in the below financial framework table in current prices.

The formal decision amending the IIA as regards the financial framework must refer to the basic table agreed in the IIA, which is expressed in constant 2004 prices. The amounts in current values are thus to be converted into 2004 prices by means of a fixed deflator of 2% a year, in accordance with Point 16 of the IIA (see below annex to the proposed Decision of the European Parliament and of the Council).

FINANCIAL FRAMEWORK 2007-2013: ADJUSTED FOR ITER (1st phase)

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	**53.979**	**57.653**	**61.696**	**63.555**	**63.974**	**67.124**	**70.197**	**438.178**
1a Competitiveness for Growth and Employment	8.918	10.386	13.269	14.167	12.987	14.363	15.673	89.763
1b Cohesion for Growth and Employment	45.061	47.267	48.427	49.388	50.987	52.761	54.524	348.415
2. Preservation and Management of Natural Resources	**55.143**	**59.193**	**56.333**	**59.555**	**60.338**	**60.810**	**61.289**	**412.661**
of which: market related expenditure and direct payments	45.759	46.217	46.679	47.146	47.617	48.093	48.574	330.085
3. Citizenship, freedom, security and justice	**1.273**	**1.362**	**1.518**	**1.693**	**1.889**	**2.105**	**2.376**	**12.216**
3a Freedom, Security and Justice	637	747	867	1.025	1.206	1.406	1.661	7.549
3b Citizenship	636	615	651	668	683	699	715	4.667
4. EU as a global player	**6.578**	**7.002**	**7.440**	**7.893**	**8.430**	**8.997**	**9.595**	**55.935**
5. Administration (1)	**7.039**	**7.380**	**7.525**	**7.882**	**8.334**	**8.670**	**9.095**	**55.925**
6. Compensations	**445**	**207**	**210**	**0**	**0**	**0**	**0**	**862**
TOTAL COMMITMENT APPROPRIATIONS	**124.457**	**132.797**	**134.722**	**140.578**	**142.965**	**147.706**	**152.552**	**975.777**
as a percentage of GNI	1,02%	1,08%	1,16%	1,17%	1,16%	1,15%	1,14%	1,13%

	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
TOTAL PAYMENT APPROPRIATIONS	**122.190**	**129.681**	**120.445**	**133.889**	**134.280**	**141.520**	**143.571**	**925.576**
as a percentage of GNI	1,00%	1,05%	1,04%	1,12%	1,09%	1,10%	1,08%	1,07%
Margin available	0,24%	0,19%	0,20%	0,11%	0,14%	0,13%	0,15%	0,16%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,23%	1,23%	1,23%	1,23%	1,23%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management[9], and in particular to points 21, 22, first and second subparagraphs, and 23 thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) At the [trilogue]/[budgetary conciliation] meeting of … … 2010 the European Parliament, the Council and the Commission have agreed on the modalities for providing additional financing to the ITER project. The financing requires a revision of the multiannual financial framework 2007-2013 in accordance with Points 21, 22, and 23 of the Interinstitutional Agreement, so as to raise the ceilings for commitment appropriations under sub-Heading 1A by EUR 160 million for the year 2012 and by EUR 240 million for the year 2013 in current prices.

(2) The increase of the ceilings for commitment appropriations under sub-Heading 1 A for the years 2012 and 2013 will be fully offset by a decrease of the ceiling for commitment appropriations under Heading 2 for the year 2010.

(3) In order to keep an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations will be adjusted. The adjustment will be neutral in terms of payment requirements over the period 2007-2013.

(4) Annex I of the Interinstitutional Agreement on budgetary discipline and sound financial management should therefore be amended accordingly[10],

9 OJ C 139, 14.6.2006, p. 1.

10 For that purpose, the figures resulting from the above agreement are converted into 2004 prices.

HAVE DECIDED AS FOLLOWS:

Sole Article

Annex I to the Interinstitutional Agreement on budgetary discipline and sound financial management is replaced by the Annex to this Decision.

Done at Brussels,

For the European Parliament *For the Council*

ANNEX

FINANCIAL FRAMEWORK 2007-2013

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	**50.865**	**53.262**	**55.879**	**56.435**	**55.693**	**57.290**	**58.737**	**388.161**
1a Competitiveness for Growth and Employment	8.404	9.595	12.018	12.580	11.306	12.259	13.114	79.276
1b Cohesion for Growth and Employment	42.461	43.667	43.861	43.855	44.387	45.031	45.623	308.885
2. Preservation and Management of Natural Resources	**51.962**	**54.685**	**51.023**	**52.883**	**52.528**	**51.901**	**51.284**	**366.266**
of which: market related expenditure and direct payments	43.120	42.697	42.279	41.864	41.453	41.047	40.645	293.105
3. Citizenship, freedom, security and justice	**1.199**	**1.258**	**1.375**	**1.503**	**1.645**	**1.797**	**1.988**	**10.765**
3a Freedom, Security and Justice	600	690	785	910	1.050	1.200	1.390	6.625
3b Citizenship	599	568	590	593	595	597	598	4.140
4. EU as a global player	**6.199**	**6.469**	**6.739**	**7.009**	**7.339**	**7.679**	**8.029**	**49.463**
5. Administration (1)	**6.633**	**6.818**	**6.816**	**6.999**	**7.255**	**7.400**	**7.610**	**49.531**
6. Compensations	**419**	**191**	**190**	**0**	**0**	**0**	**0**	**800**
TOTAL COMMITMENT APPROPRIATIONS	**117.277**	**122.683**	**122.022**	**124.829**	**124.460**	**126.067**	**127.648**	**864.986**
as a percentage of GNI	1,08%	1,09%	1,06%	1,06%	1,03%	1,02%	1,01%	1,049%

TOTAL PAYMENT APPROPRIATIONS	**115.142**	**119.805**	**109.091**	**118.890**	**116.899**	**120.786**	**120.134**	**820.747**
as a percentage of GNI	1,06%	1,06%	0,95%	1,00%	0,97%	0,98%	0,95%	1,00%
Margin available	0,18%	0,18%	0,29%	0,23%	0,26%	0,25%	0,28%	0,23%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,23%	1,23%	1,23%	1,23%	1,23%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.