



EUROPEAN COMMISSION

DG ENVIRONMENT

2010 ANNUAL ACTIVITY REPORT

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PART 1: POLICY ACHIEVEMENTS

1.1. Achievements by General Objectives

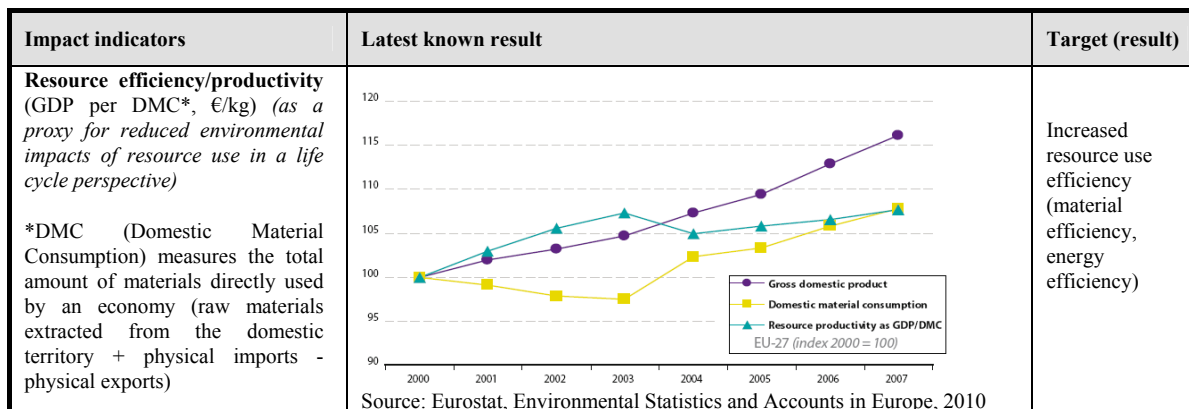
GENERAL OBJECTIVE 1: To contribute to a high level of quality of life and well-being for citizens, by aiming to secure an environment where the level of pollution does not give rise to harmful effects either on human health or on the environment and by supporting the development of a greener and more resource efficient economy.

GENERAL OBJECTIVE 2: To ensure a high level of environmental protection by promoting measures at international level to deal with regional or worldwide environmental problems.

GENERAL OBJECTIVE 3: To preserve, protect and improve the quality of the environment by promoting and supporting the implementation of environmental legislation and the integration of environmental protection requirements into the definition and implementation of other EU policies and activities, with a view to promoting sustainable development.

In 2010 DG ENV focused its efforts on laying the foundations for future initiatives and advancing political priorities, in particular the **Europe 2020 Strategy for smart, sustainable and inclusive growth**. In parallel it worked on promoting and monitoring the implementation of environmental legislation by the Member States such as air, waste, water, chemicals or habitats. And together with the Council and the Parliament it was involved in a legislative process to adopt proposals already on the table and to implement the 2010 legislative work programme.

Improving resource efficiency reduces environmental harm and cost through more efficient use of resources and innovation and contributes to the **Europe 2020 Strategy**. Setting out a roadmap to a more resource efficient Europe is a key priority for Commissioner Potočník and DG ENV has been working on its contributions to the EU2020 Resource Efficiency and Innovation Union Flagship Initiatives. Efforts also included preparations to exploit the potential of existing policies and instruments on sustainable consumption and production, to safeguard biodiversity and to address water usage and quality.



Increasingly, progress in environment policy depends on measures taken in other policy areas - such as transport, energy or agriculture - to tackle the drivers of environmental degradation. Therefore DG ENV continued working towards ensuring the integration of environmental objectives into other EU policies. However, without appropriate financial means environmental objectives will not be fully realised so the DG also contributed to the preparation of the next multiannual financial framework with a view to maximising its coherence with environmental policy objectives.

Impact indicators	Latest known result	Target (result)								
<p>"Green" spending</p> <p>(direct environment and environment friendly) within Cohesion Policy (total of 345 billion €) and TEN T (total of 8 billion €)</p>	<table border="1"> <thead> <tr> <th>Category</th> <th>% of "green" spending within the respective category*</th> </tr> </thead> <tbody> <tr> <td>Cohesion Policy-Direct Environment+Risks</td> <td>14.5%</td> </tr> <tr> <td>Cohesion Policy-Indirect Env+Clean Energies</td> <td>15.8%</td> </tr> <tr> <td>TEN Transport</td> <td>74%</td> </tr> </tbody> </table> <p>* For the period 2007-2013 Source: DG ENV estimate</p>	Category	% of "green" spending within the respective category*	Cohesion Policy-Direct Environment+Risks	14.5%	Cohesion Policy-Indirect Env+Clean Energies	15.8%	TEN Transport	74%	Increase in the amount of "green" spending within EU expenditures
Category	% of "green" spending within the respective category*									
Cohesion Policy-Direct Environment+Risks	14.5%									
Cohesion Policy-Indirect Env+Clean Energies	15.8%									
TEN Transport	74%									

Throughout 2010 much effort was dedicated to the implementation of environmental legislation (via guidance documents, discussions with national authorities and, as a last resort, launching infringement procedures) as it is key to ensure that the health and environmental benefits promised from legislation actually materialise. This issue was recognised by Commissioner Potočnik from the start of his mandate who made effective implementation another of his priorities. However, important targets are still to be met as revealed by the **4th European Environment State and Outlook Report (SOER2010)**¹ of the European Environment Agency.

According to the SOER we are on track on, among others, water pollution from point sources and bathing water quality. Mixed progress is reported on decoupling resource use from economic growth, water stress/water exploitation, water quality and trans-boundary air pollution. Regrettably we are still not on track on pressure on ecosystems from air pollution, biodiversity loss, waste generation and urban air quality. A similar message was conveyed by the annual Environment Policy Review² which looks in detail at EU and Member States' environmental trends and policy performance.

Impact indicators	Latest known result	Target (result)
Effectiveness of application of EU environment legislation Number of open infringement cases ³ of EU environmental law by policy area: Environmental impact assessment Water Air Nature Waste Other	<p>Source: DG ENV 2010</p>	Effective and uniform implementation of EU environmental legislation.

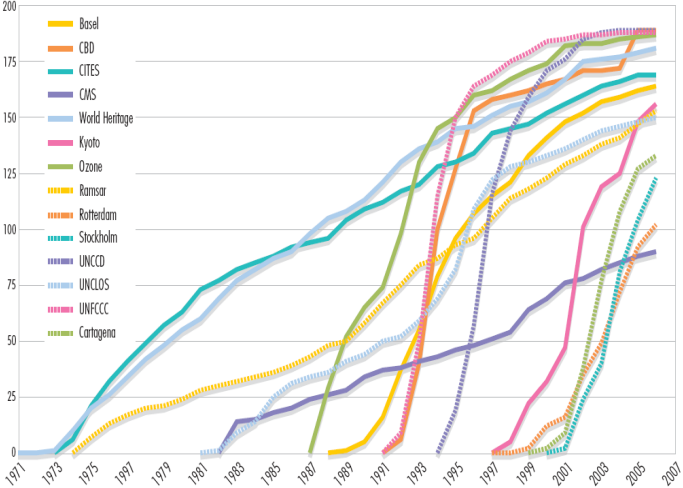
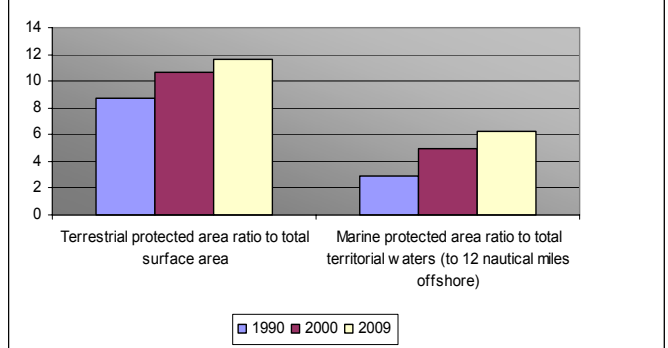
Environmental challenges are increasingly global. In particular, moving towards a "green economy" and sustainable production and consumption patterns also requires action beyond EU borders. The EU is a **global leader in developing environment policy** and has an important role to play in improving international environmental governance especially through multilateral environmental agreements, which receive increasing support, and ensuring synergies with policies such as trade and development. The EU needs to build alliances and promote global solutions in order to capitalise on its experience and capacity. As other countries grow economically they have to address a range of environmental issues (e.g. better waste and water management, improve air quality, use less hazardous chemicals) and can learn from European know-how in policy design and implementation. Importantly they can become markets for more environmentally friendly technologies, products and services from EU companies.

The achievements of the 10th Conference of the Parties to the Convention on Biological Diversity (Nagoya, Japan) demonstrated how the EU can influence the international agenda. This success also capitalised on the attention that was paid to the threats to **biodiversity** in 2010, the International Year of Biodiversity, and will help move forward the drive to strengthen the resilience of our ecosystems and halt the loss of biodiversity.

¹ <http://www.eea.europa.eu/soer>

² SEC(2010) 975 final

³ This means the Commission sent an official letter of formal notice to the Member State

Impact indicators	Latest known result	Target (result)
<p>Degree of ratification of major multilateral environmental agreements (Number of parties)</p> <p><i>As a proxy for assessing the extent to which global parties share major EU environmental concerns</i></p> <p><i>Of the Conventions presented, EU signatory or party to: Basel (Hazardous waste), CBD (Biological diversity), CITES (trade in protected species), Kyoto (climate), Ozone, Rotterdam (Prior Informed Consent (PIC) procedure), Stockholm (Persistent Organic Pollutants), UNCCD (desertification), UNFCCC (climate change)</i></p>	 <p>Source: UNEP Global Environment Outlook GEO4, 2007⁴</p>	<p>High level of ratifications of Multilateral Environmental Agreements ('MEAs')</p>
<p>Protected areas</p> <p>% of terrestrial and inland water areas conserved</p> <p>% of marine and coastal areas conserved</p> <p>% of degraded land</p>	 <p>0.5% of oceans is protected 24% of land area undergoing degradation (as measured by a decline in primary productivity) between 1980 and 2003</p> <p>Source: Data from CBD third edition of Global Biodiversity Outlook, 2010; UN Millennium Development Goals 2010 Report</p>	<p>By 2020:</p> <ul style="list-style-type: none"> - conservation of at least 17 % of terrestrial and inland water areas and 10% of coastal and marine areas - restoration of at least 15 % of degraded ecosystems

1.2. Achievements by ABB Activities

1.2.1. 07 02 Global Environmental Affairs

SPECIFIC OBJECTIVE

To pursue ambitious environment policies at international level;
 To promote and support improvements in the environment in the candidate and potential candidate countries for accession to the EU, as well as in the European Neighbourhood countries;
 To strengthen cooperation on environmental issues with our main trading partners;
 To strengthen international governance and ensure the integration of environmental requirements into all external policy areas, particularly development and trade policy

The work under this objective includes international representation of the EU such as the preparation and coordination of EU positions, drafting and presenting proposals for Council decisions relating to international negotiations and conferences, leading expert meetings, conducting outreach and consultations with third countries and negotiating on behalf of the EU.

In 2010 the EU played an important role in ensuring the success of the **10th meeting of the Conference of the Parties to the UN Convention on Biological Diversity (Nagoya, Japan)**⁵. It ended with the adoption of a

⁴ http://www.unep.org/geo/GEO4/report/GEO-4_Report_Full_en.pdf

⁵ <http://www.cbd.int/cop10/doc>

package covering the Strategic Plan 2011-2020, the Strategy for Resource Mobilisation to implement the Strategy, the Protocol on Access and Benefit Sharing of Genetic Resources, the "Liability and redress Protocol" under the Cartagena Protocol on biosafety, as well as numerous other decisions relating to biodiversity and climate change, biofuels, protected areas, invasive species, marine, forests, and inland waters. While this outcome is significant for the global biodiversity policy it also has implications for a number of EU policies (from development to fisheries and agriculture etc) and the EU must now deliver on its commitments starting with the adoption of an EU post-2010 Biodiversity Strategy (see 07 03 Specific Objective 2) and the drafting of EU legislation to implement the newly adopted Protocols.

The Commission also presented its proposal⁶ **for a ratification of the Protocol on Integrated Coastal Zone Management in the Mediterranean (Protocol to the Barcelona Convention)**, subsequently endorsed by the Council, addressing issues such as coastal erosion and flooding of low-lying coastlines (due, among others, to urban development) along the Mediterranean. And following the **15th CITES Conference of the Parties**⁷, amendments were made to the Wildlife Trade Regulation⁸ so as to bring the EU legislation implementing CITES into line with the decisions of the COP. Amendments were also proposed to the Implementing Regulation on Wildlife Trade⁹ with the same objective.

Other efforts in this area included Mercury international negotiations (the **1st meeting of the International Negotiating Committee on a comprehensive global legally binding instrument on mercury** in June 2010 is a direct result of years of efforts); the revision of the Gothenburg Protocol (and its Long-term Strategy); nomination of new substances to the Stockholm Convention (Persistent Organic Pollutants).

2010 has been the first year of operation under the new framework for international negotiations/external representation of the EU created by the Lisbon Treaty. DG ENV has done its utmost to operationalise the Treaty's provisions; however, certain institutional and organisational implications of the Treaty remain to be resolved.

Result indicators	Latest known result				Target (result)
EU participation in Multilateral Environmental Agreements (Conventions): - Environmental Conventions EU is a signatory or a party to (number) - Amendments, new environmental agreements, protocols to Conventions adopted each year (number)	Year	2006	2008	2010	EU environmental concerns reflected in international environmental agreements
	Conventions*	N/A	47	49	
	Amendments, new agreements, protocols adopted	4	5 (including 2 new agreements)	5 (including two new agreements)	
Level of EU influence on decisions taken by Multilateral Environment Agreements (MEAs) and processes	*Among them Conventions on :Biological Diversity (CBD), Persistent Organic Pollutants (Stockholm), Access to Environmental Information, Public Participation in Environmental Decision-making and Access to Justice (Aarhus), Control of Transboundary Movements of Hazardous Wastes and their disposal (Basel), Protection of the Mediterranean Sea against pollution EU has a significant level of influence in MEAs as shown by the leading role that it plays in promoting effective international environmental governance. Progress made on multilateral processes, but difficulties remain in finding consensus with developing countries concerned with financial matters. The Treaty of Lisbon requires that the EU speaks with one voice in external relations which should enhance the effectiveness and efficiency of EU global action.				Majority of decisions taken in international meetings are in line with EU positions.

DG ENV also continued its work on bilateral and regional relations with countries outside the EU. These included the support to the **enlargement process** with the candidate and potential candidate countries in their preparations to comply with the EU environmental acquis; contributing to the environmental dimension of the **European Neighbourhood Policy**; integrating environmental considerations in **development cooperation**; and ensuring relations on environmental issues with the **EU's developed-country trading partners**. In particular, DG ENV worked closely with DG TRADE on environmental and sustainable development provisions in trade instruments and new trade agreements, including related impact assessments. The

⁶ COM(2010) 30

⁷ COP15 of the Convention on Trade in Endangered Species of Fauna and Flora (CITES), Doha, 10-25 March 2010

⁸ Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein

⁹ Commission Regulation 865/06

effectiveness of implementation of environmental conventions was also assessed for countries applying for certain trade preferences under the General System of Preferences Regulation.

Result indicators	Latest known result	Target (result)																														
<p>Progress along pre-accession path for candidate and potential candidate countries (implementation of the Stabilisation and Association Agreements (SAAs))</p> <p>Status of relations on the environmental issues, including the negotiations on the environmental chapter (where applicable) with Potential Candidates and Candidate Countries</p>	<p>Candidate countries are making gradual progress towards transposition and implementation of the EU acquis. However, institutions are generally weak, technical capacity is limited, finance is insufficient and stakeholder involvement is limited. New impetus for enlargement with recent applications. To complement support at the national level, the Regional Environmental Network for Accession (RENA) assists countries in moving closer to implementation of EU policy¹⁰.</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Candidacy Status</th> <th>Negotiations on environmental chapter (27)</th> </tr> </thead> <tbody> <tr> <td>Croatia</td> <td>Candidate</td> <td>Near completion with ambitious but achievable transition periods proposed</td> </tr> <tr> <td>Turkey</td> <td>Candidate</td> <td>Underway</td> </tr> <tr> <td>Y.Ro.M.</td> <td>Candidate</td> <td>Not open for any chapters</td> </tr> <tr> <td>Island</td> <td>Candidate</td> <td>Screening underway to establish opening benchmarks for chapter 27; significant portion of the environment acquis already covered by the EEA agreement</td> </tr> <tr> <td>Bosnia and Herzegovina</td> <td>Potential candidate</td> <td>-</td> </tr> <tr> <td>(Kosovo)</td> <td>Potential candidate</td> <td>-</td> </tr> <tr> <td>Montenegro</td> <td>Positive opinion on the membership application (by Commission);</td> <td>If positive opinion confirmed by the Council screening for chapter 27 will commence in 2011</td> </tr> <tr> <td>Serbia</td> <td>Commission asked by Council to provide opinion in 2011 on the membership application</td> <td>Environment to be included in the opinion on membership application</td> </tr> <tr> <td>Albania</td> <td>Negative opinion on the membership application (by Commission)</td> <td>-</td> </tr> </tbody> </table>	Country	Candidacy Status	Negotiations on environmental chapter (27)	Croatia	Candidate	Near completion with ambitious but achievable transition periods proposed	Turkey	Candidate	Underway	Y.Ro.M.	Candidate	Not open for any chapters	Island	Candidate	Screening underway to establish opening benchmarks for chapter 27; significant portion of the environment acquis already covered by the EEA agreement	Bosnia and Herzegovina	Potential candidate	-	(Kosovo)	Potential candidate	-	Montenegro	Positive opinion on the membership application (by Commission);	If positive opinion confirmed by the Council screening for chapter 27 will commence in 2011	Serbia	Commission asked by Council to provide opinion in 2011 on the membership application	Environment to be included in the opinion on membership application	Albania	Negative opinion on the membership application (by Commission)	-	<p>Approximation of EU environment legislation and of sustainable development goals by candidate and potential candidate countries.</p>
Country	Candidacy Status	Negotiations on environmental chapter (27)																														
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<p>Partner countries in the Eastern Neighbourhood progressively converge with EU environment policy and standards</p>	<p>The Eastern Partnership (EaP) identified 'environment and climate change' as a priority area to be tackled under Platform II (on Economic Integration and Convergence with EU Policies). EaP panel has been established on this topic, with climate change, green economy and development of a regional SEIS being priorities for the next year. At the bilateral level, new Association Agreements are being negotiated with each country, which are expected to include commitments to converge with a significant number of major EU environmental directives; meeting these commitments will pose institutional and budgetary challenges for the partner countries.</p>	<p>Adoption of EU standards and norms for environmental protection by countries neighbouring the EU and other partner countries.</p>																														

1.2.2. 07 03 Development and Implementation of EU Environmental Policy and Legislation

SPECIFIC OBJECTIVE 1: Green economy & resource efficiency

To support the development of a greener and more resource efficient economy;
 To bring about more sustainable production and consumption patterns through better resource efficiency, resource and waste management, and by aiming to ensure that the consumption of renewable and non-renewable resources does not exceed the carrying capacity of the environment;
 To foster eco-innovation and stimulate the development and the uptake of environmental technologies.

In 2010 preparations commenced on the **Roadmap to a Resource Efficient Europe**, the major contribution of DG ENV to the EU 2020 Resource Efficiency Flagship Initiative¹¹. A dedicated Task Force within DG ENV was established to ensure, among others, coherence across different policy areas. The roadmap will set a framework addressing several policy areas to stimulate economic growth that is more sustainable, fuelling innovation, and creating jobs.

Innovation will play a key role in driving the European economy towards a more sustainable future and DG ENV was working to support the implementation of another Flagship Initiative, the Innovation Union¹². The 2010 ETAP (Environmental Technologies Action Plan) Fora focused on overcoming barriers to SMEs in eco-innovation and on financing the eco-innovators¹³. Eco-innovation is also one of the priorities under the Competitiveness and Innovation Framework Programme (CIP), implemented through a number of instruments

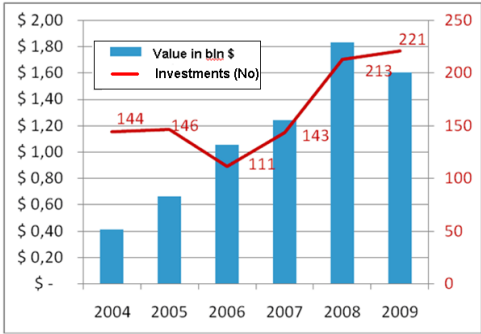
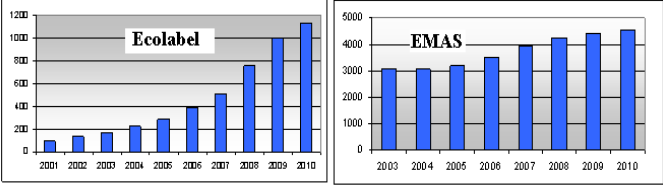
¹⁰ Together with the NGO Environment Forum, RENA is financed from a regional IPA programme subdelegated to ENV

¹¹ COM(2011) 21, A resource-efficient Europe – Flagship initiative under the Europe 2020 Strategy; See more: http://ec.europa.eu/resource-efficient-europe/index_en.htm

¹² COM(2010) 546, Europe 2020 Flagship Initiative, Innovation Union, See more: http://ec.europa.eu/research/innovation-union/index_en.cfm

¹³ http://ec.europa.eu/environment/etap/index_en.htm

e.g., market replication projects¹⁴. In 2010, 287 projects (increase by 42% in comparison to 2009) were submitted by the call deadline and up to 63 projects will be funded in the area of recycling, food& drink, construction or cleaner production.

Result indicators	Latest known result	Target (result)
Clean Technologies Venture Capital investments in Europe	 <p>Source: Data from Cleantech Group (consultancy), 2010</p>	Increased volume of investments into environmental technologies
Number of river basins subject to water stress	Indicators and methodology under development in cooperation with EEA, JRC & ESTAT.	Reduce number of river basins subject to water stress
Green Public Procurement by public authorities (% of overall number and value)	2006/7: 7 best performing Member States on average 55% of the total number and 45% of the total value of contracts	50% of all tendering procedures should be 'green' by the end of 2010, i.e. comply with the endorsed common GPP criteria.
Ecolabel licences Organisations participating in the EU Eco-management and Audit Scheme EMAS (Number)	 <p>Source: DG ENV, data up to 31/10/2010 (Ecolabel) and 22/11/2010 (EMAS)</p>	Increase in - the number of Ecolabel licences awarded - the application of EMAS in organisations

Revised **Regulations on the EU eco-management and audit scheme (EMAS)¹⁵ and EU Ecolabel¹⁶** entered into force addressing the 'sustainable production' part of the 2008 Sustainable Consumption and Production (SCP) Action Plan. The voluntary EMAS helps companies to optimise their production processes and make more effective use of resources. The revision aims to increase the participation of companies and reduce the costs to Small and Mediums Sized Enterprises (SMEs). The voluntary EU Ecolabel scheme (awarded to the most environment-friendly products on the market) was also strengthened. The revision widened the number of products covered and made the system less costly and bureaucratic. In addition, a report on **EMAS incentives between 2004 and 2006** was adopted¹⁷ presenting promotional activities in the Member States.

The **Retail Forum¹⁸**, launched under the SCP Action Plan in 2009 to promote the purchase of more sustainable products and reduce the environmental footprint of the retail sector and its supply chain, met four times in the course of 2010 and produced 4 issue papers on the topics discussed. Beside that, some retailers elaborated a voluntary environmental code of conduct for the sector. Retailers signing up to the code commit to a set of principles and measures aimed at reducing the environmental footprint of their operations in the sourcing of specific products such as timber or fish, resource efficiency in stores, optimisation of transport and distribution, waste management practices, communication to consumers. In cooperation with JRC, DG ENV developed a **guide for policy-makers and business on how to assess the environmental impact of products¹⁹** (i.e., quantify the emissions, resources consumed and the pressures on the environment and human health that can be attributed to a product). The **Food SCP Roundtable**, comprising representatives of the

¹⁴ Management cycle for eco-innovation market replication projects has been delegated to the Executive Agency for Competitiveness and Innovation (EACI). DG ENV is one of EACI's "parent" DGs. EACI reports on its achievements in a separate AAR.

¹⁵ Regulation No 1221/2009 of the European Parliament and the Council

¹⁶ Regulation No 66/2010 of the European Parliament and the Council

¹⁷ COM(2010) 6

¹⁸ http://ec.europa.eu/environment/industry/retail/index_en.htm

¹⁹ <http://lct.jrc.ec.europa.eu>

European food supply chain and co-chaired by the Commission, celebrated its first year of existence. It adopted **Guiding Principles**²⁰ for voluntary environmental assessment for food and drink products. The Commission also published a **second set of Green Public Procurement criteria**²¹, bringing the total number of criteria up to 18.

Result indicators	Latest known result	Target (result)
<p>Municipal waste generation and treatment (kg/person)</p>	<p>Source: Data from Eurostat, 2009</p> <p><i>Improper management of waste can cause e.g. contamination of soil and groundwater, threaten the functioning of ecosystems and the health of the exposed population. The generation of waste also represents an inefficient use of valuable resources.</i></p>	<p>Reduction in the amount of municipal waste:</p> <ul style="list-style-type: none"> - generated - landfilled - incinerated <p>50% recycling of municipal waste by 2020</p>
<p>Generation and recycling of packaging waste</p> <p>Total packaging used in EU MS (kg/capita)</p> <p>Packaging waste treatment (% of total packaging waste)</p>	<p>Source: EEA 2009, ESTAT 2010</p>	<p>Significant overall reduction in the volumes of packaging waste generated.</p> <p>Between 55% and 80% to be recycled by 2008 (IE, EL, PT, EU12 individual deadlines until 2015)</p>

In the area of waste, a **Communication on future steps in bio-waste management in the European Union**²² was adopted laying out recommendations on the way forward to reap the environmental and economic benefits of biowaste. It promotes actions by making the best use of existing legislation while giving Member States discretion to choose the options best suited to their individual circumstances. Better biowaste management will slow biodiversity loss, contribute to healthy soil, improve resource efficiency by partially replacing non-renewable mineral fertilizers, and help in the fight against climate change. DG ENV also contributed to the legislative process on the proposals to revise the **Directives on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS)**²³ and on **Waste Electric and Electronic Equipment (WEEE)**²⁴.

The Second Follow-up Report to the Communication²⁵ on water scarcity and droughts in the European Union²⁶ was adopted assessing progress over the previous year made by Member States in implementing the options of the Communication and the work programme for the medium and long term. It concluded that the priorities of the Communication remain valid. More effort is however needed to stop and reverse the process of over-exploitation of Europe's precious and limited water resources. The review of the EU policy on Water Scarcity & Droughts will be part of the **Blueprint to Safeguard Europe's Waters**, which is planned for 2012 and will also include a major report on the implementation of the Water Framework Directive and an assessment of the vulnerability of environmental resources such as water, biodiversity and soil to climate impacts and man-made pressures.

²⁰ http://www.food-sec.eu/files/Guiding_Principles.pdf

²¹ http://ec.europa.eu/environment/gpp/second_set_en.htm

²² COM(2010) 235

²³ COM(2008) 809

²⁴ COM(2008) 810

²⁵ COM (2007) 414

²⁶ COM (2010) 228

Implementing legislation under this objective included the adoption of a number measures in areas such as **Ecolabel** (ecological criteria for the award of the EU Ecolabel per product group), **waste, shipment of waste, and end-of-life vehicles**.

SPECIFIC OBJECTIVE 2: Nature & Biodiversity

To protect, conserve, restore and develop the functioning of eco-systems, natural habitats, wild flora and fauna with the aim of halting desertification and the loss of biodiversity, including diversity of genetic resources; to ensure that the real value of eco-systems and their capacity to make the EU more resilient to climate change is recognized.

2010 was the International Year of Biodiversity, drawing attention to the fact that, despite past efforts, species extinctions are continuing at alarming rates and that a new vision is required to halt these losses. Early in the year the Commission set out future options for biodiversity policy in a **Communication on post-2010 vision and targets for biodiversity**²⁷ as the current EU and global biodiversity targets expired in 2010 without being met. This was confirmed in the **Fourth Annual Report on the implementation of the EU Biodiversity Action Plan**²⁸. On the basis of the Communication the European Council endorsed²⁹ a 2050 vision for biodiversity and the new target to halt the loss of biodiversity and ecosystem services in the EU by 2020 and restore them as far as possible, and to step up the EU's contribution to averting global biodiversity loss. This process provided impetus at the international level (Conference of the Parties to the Convention on Biological Diversity in Nagoya, Japan; See 07 02 Global Environmental Affairs) and will feed into the upcoming 2020 Biodiversity Strategy. The Strategy, initially planned for the end of 2010 will be adopted in 2011 to align it with the upcoming review of agricultural, fisheries and cohesion policies.

Result indicators	Latest known result	Target (result)																	
Designated areas: Natura2000 area (sites designated under Habitats and Birds Directives) (Cumulative surface area, number of sites)	<table border="1"> <thead> <tr> <th colspan="2">Terrestrial</th> <th>Marine</th> <th colspan="2">All</th> </tr> <tr> <th>EU27 Terrestrial area (000 km²)</th> <th>Natura 2000 Terrestrial area (000 km²)</th> <th>Natura 2000 / national Terrestrial area (%)</th> <th>Natura 2000 Marine area (000 km²)</th> <th>Number of sites</th> <th>Total Natura 2000 area (000 km²)</th> </tr> </thead> <tbody> <tr> <td>4290</td> <td>751</td> <td>17,51%</td> <td>198</td> <td>26087</td> <td>949</td> </tr> </tbody> </table> Source: DG Environment, 2011	Terrestrial		Marine	All		EU27 Terrestrial area (000 km ²)	Natura 2000 Terrestrial area (000 km ²)	Natura 2000 / national Terrestrial area (%)	Natura 2000 Marine area (000 km ²)	Number of sites	Total Natura 2000 area (000 km ²)	4290	751	17,51%	198	26087	949	Designation of terrestrial Natura 2000 sites completed by 2010 and marine by 2012 By 2010 up to 20% of EU's terrestrial area covered by Natura 2000 sites.
Terrestrial		Marine	All																
EU27 Terrestrial area (000 km ²)	Natura 2000 Terrestrial area (000 km ²)	Natura 2000 / national Terrestrial area (%)	Natura 2000 Marine area (000 km ²)	Number of sites	Total Natura 2000 area (000 km ²)														
4290	751	17,51%	198	26087	949														
Red List status of European groups of species (% in various threat categories)	Source: IUCN 2007-10	By 2020 the extinction of known threatened species has been prevented and their conservation status, particularly of those most in decline, has been improved and sustained																	
Conservation status of Species and Habitats of European Importance (% in various conservation categories)	Source: Report on the Conservation Status of Habitat Types and Species under the Habitats Directive COM(2009) 358; data concerns 2001-2006 period	Increase the number of species and habitats having a favourable conservation status																	

Implementing the EU Birds and Habitats Directives included the development of new Commission decisions updating the lists of Sites of Community Importance (adopted in January 2011). Significant progress was also made towards **finalising the establishment of the Natura 2000 network**, especially in the marine sector, and developing appropriate conservation instruments and measures on the Natura 2000 sites. Working

²⁷ COM(2010) 4

²⁸ COM(2010) 548

²⁹ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/113591.pdf and <http://register.consilium.europa.eu/pdf/en/10/st07/st07536.en10.pdf>

with key industry and stakeholders the Commission issued new guidelines on the interaction between Natura 2000 and wind energy, non-energy extractive industries, and estuaries and ports³⁰. While taking a holistic approach to nature conservation and economic development the guidelines will encourage the sectors to "work with nature" and avoid conflicts between their development needs and nature conservation objectives. The Commission also organised a stakeholder conference on the future financing of Natura 2000.

The Green Paper on forests³¹ launched a public debate on options for an EU approach to forest protection, forest management and information on forests, also in the context of climate change. The goal is to ensure that EU forests can continue to perform their social, economic and environmental functions. The response to the Green Paper will inform and guide the Commission on whether additional EU level action is needed to maintain the productive and protective functions of forests, and to enhance the resilience of EU forests in view of climate change and biodiversity loss. The Commission also adopted the **Final Report on Forest Focus**³² which, among others, showed that forest condition is more stable nowadays; and that sulphur content levels have decreased meanwhile nitrogen levels remain stable. Adopted in October 2010, a **Regulation**³³ **laying down the obligations of operators who place timber and timber products on the market** prohibits the placing on the market of illegally harvested timber and of products containing such timber, and requires EU operators to exercise "due diligence" to minimise the risk of illegal timber entering their supply chain.

Implementing existing legislation included also adoption of implementing rules³⁴ for the regulation banning the trade in seal products in the European Union.

SPECIFIC OBJECTIVE 3: Environmental quality, chemicals & industrial emissions

To contribute to a high level of quality of life and social well being for citizens by providing an environment where the quality of environmental media does not give rise to harmful effects on human health and the environment.

2010 marked a major step towards the safe management and use of chemicals throughout the EU. A large proportion of the total volume of chemicals produced and used as well as the most dangerous chemicals (e.g. those that are carcinogenic, mutagenic or toxic for reproduction) were registered at the European Chemicals Agency (ECHA) by the 30 November deadline set by the **REACH Regulation**³⁵. The Commission and Member States must now fulfil their role and use evaluations, authorisations and restrictions to target the chemicals of highest concern. A political agreement in the Council was reached on the **biocides proposal**³⁶ which improves the safety of biocides (used to suppress organisms such as pests and germs), simplifies authorisation procedures and introduces new rules for articles such as furniture and textiles treated with biocides.

The Report on the Community Strategy for dioxins, furans, and polychlorinated biphenyls (PCBs)³⁷ concluded that the overall objective of the strategy to reduce the presence of these chemicals in the environment as well as in feed and food has been achieved to a large extent. Industrial emissions of these pollutants had decreased by about 80% over the past two decades. In **the Communication on the Review of the Community Strategy Concerning Mercury**³⁸ the Commission found that the Strategy had delivered on almost all foreseen actions. International action will now be a priority given the global aspect of the mercury problem. **The Report on the POPs Regulation**³⁹ found that its requirements are largely fulfilled in relation to intentionally produced POPs. As regards unintentionally produced POPs, emission inventories have been established but they suffer from data gaps and inconsistencies, especially for water and land. Following an assessment of the application of the **Seveso II Directive**⁴⁰ the Commission proposed⁴¹ to strengthen rules on the control of major accident hazards involving chemicals aligning this legislation to changes in EU chemicals law and clarifying and updating other provisions. This includes introducing stricter inspection standards and

³⁰ http://ec.europa.eu/environment/nature/natura2000/management/guidance_en.htm

³¹ COM(2010)66, Green Paper on forest protection and forest information in the EU: Preparing forests for climate change

³² COM(2010)430, Final Report on the Implementation of the Forest Focus scheme according to (EC) No Regulation 2152/2003

³³ Regulation 995/2010

³⁴ Commission Regulation (EU) No 737/2010

³⁵ Regulation No 1907/2006 for Registration, Evaluation, Authorisation and Restriction of Chemicals

³⁶ COM(2009)267, Proposal to revise the regulation on the placing on the market and use of biocidal products

³⁷ COM(2010)562, Communication on the implementation of the Community Strategy for dioxins, furans, and polychlorinated biphenyls (PCBs)

³⁸ COM(2010) 723

³⁹ COM(2010) 514, Report on the application of the Regulation (EC) No 850/2004 on Persistent Organic Pollutants

⁴⁰ C(2010) 5422, Report on the Application in the Member States of Directive 96/82/EC on the control of major-accident hazards involving dangerous substances for the period 2006-2008

⁴¹ COM(2010)0781, Proposal to revise Directive 96/82/EC on control of major-accident hazards involving dangerous substances (so-called Seveso II)

improving the level and quality of information available to the public in the event of an accident as well as access of the public to justice.

Result indicators	Latest known result	Target (result)												
<p>Production of environmentally harmful chemicals by toxicity class (from most to least dangerous) (million tonnes per year)</p> <p>Includes chemicals covered by biocides and REACH legislation (CMR - carcinogenic, mutagenic and reprotoxic)</p>	<p>Source: Eurostat, 2010</p>	<p>A shift away from the two most dangerous classes of toxic chemicals towards less harmful toxic chemicals.</p>												
<p>Progress in dealing with biocidal products (decisions on non-inclusion, authorisations, restrictions, substitutions)</p>	<p>By 2010: 36 substances evaluated and authorised under defined restrictions</p>	<p>Increased number of processed substances (in order to better know and manage risks due to their use). Estimated approximately 660 evaluations by 2024 (apprx. 50 per year).</p>												
<p>REACH – registrations, evaluations, authorisations, restrictions, substitution of substances of high concern (Number)</p>	<table border="1"> <thead> <tr> <th></th> <th>2010 (latest data)</th> </tr> </thead> <tbody> <tr> <td>Registrations*</td> <td>24,675 files; 4,300 substances</td> </tr> <tr> <td>Evaluations*</td> <td>N/A</td> </tr> <tr> <td>Authorisations</td> <td>N/A</td> </tr> <tr> <td>Restrictions</td> <td>N/A</td> </tr> <tr> <td>Substitution</td> <td>N/A</td> </tr> </tbody> </table> <p>* includes substances and dossiers</p>		2010 (latest data)	Registrations*	24,675 files; 4,300 substances	Evaluations*	N/A	Authorisations	N/A	Restrictions	N/A	Substitution	N/A	<p>Better and earlier identification of the intrinsic properties of chemical substances and their treatment according to these properties. Replacement of substances of very high concern by suitable alternative substances or technologies.</p>
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Negotiations on the revised **directive on the protection of animals used for scientific purposes**⁴² concluded in 2010. The new legislation strengthens the protection of animals still needed for research and safety testing and will also play a significant role in minimising the number of animals used in experiments.

Result indicators	Latest known result	Target (result)																		
<p>Level of emissions of air pollutants (million tonnes)</p> <p>Trends for selected air pollutant emissions covered by the Thematic Strategy on Air Pollution and affecting human health and the environment (including acidification and eutrophication):</p> <ul style="list-style-type: none"> – sulphur oxides (SO_x) – nitrogen oxides (NO_x) – non-methane volatile organic compounds (NMVOC) – ammonia (NH₃) – particulate matter (PM₁₀) <p>Source: Data from EEA, 2010</p>		<table border="1"> <thead> <tr> <th></th> <th>By 2010*</th> <th>By 2020**</th> </tr> </thead> <tbody> <tr> <td>SO₂</td> <td>8.3</td> <td>18%</td> </tr> <tr> <td>NO_x</td> <td>9.0</td> <td>40%</td> </tr> <tr> <td>NMVOCs</td> <td>8.8</td> <td></td> </tr> <tr> <td>NH₃</td> <td>4.3</td> <td>73%</td> </tr> <tr> <td>PM</td> <td>-</td> <td>41 %</td> </tr> </tbody> </table> <p>*Total of national emission ceilings pursuant to the NEC Directive (million tonnes)</p> <p>**Indicative emission reduction requirements to achieve the targets of Thematic Strategy on Air Pollution (compared to emissions in 2000).</p>		By 2010*	By 2020**	SO ₂	8.3	18%	NO _x	9.0	40%	NMVOCs	8.8		NH ₃	4.3	73%	PM	-	41 %
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According to the **Report on the implementation of Integrated Pollution Prevention and Control (IPPC) and Solvent Emissions Directives**⁴³ some Member States still need to finalise the issuing of permits in order to ensure compliance with the IPPC Directive. In addition, case studies showed that permits were not based sufficiently on Best Available Techniques (BAT). Concerning the SED, no major difficulties were revealed although the implementation in the dry cleaning sector presented some problems due to the sector-specific features. The legislative process on the revised **Industrial Emission Directive (IED)**, updating and merging seven pieces of existing legislation including IPPC and SED, was concluded in 2010. The new Directive strengthens the application of BAT (Best Available Techniques) and promotes emerging techniques stimulating improvement in the EU industry's environmental performance. It also sets substantially reduced emission limit values for large combustion plants and will make a significant contribution to improving ambient air quality in this decade.

⁴² Directive 2010/63/EU

⁴³ COM(2010) 593, Commission Report on implementation of Integrated Pollution Prevention and Control and Solvent Emissions Directives

Under the **Ambient Air Quality Directive**⁴⁴, the Commission must assess Member States' notifications to postpone the deadlines set by this Directive for the achievement of certain air quality standards (limit values) and/or exemptions from the obligation to apply them. Until the end of 2010, the Commission adopted 29 decisions on notifications, exempting from the obligation to apply PM₁₀ limit values 62 zones in 19 Member States. The Commission rejected approximately 70 per cent of the notified zones.

The Commission also started examining more than hundred **River Basin Management Plans** submitted by the Member States in accordance with **the Water Framework Directive**⁴⁵ (WFD) to assess the status of waters against the objectives of the Directive i.e. achieving good status by 2015.

The report on the implementation of the Nitrates Directive⁴⁶ revealed that approximately 2/3 of the monitoring stations for groundwater and 70 per cent for fresh surface water showed stable or decreasing nitrate concentrations. It concluded that nitrogen policies require an integrated approach by considering the whole nitrogen cycle and that the implementation of the Directive brings substantial benefits notably in terms of reductions in ammonia and greenhouse gas emissions as well in the wider field of water protection under the WFD.

The Commission also published a **report on the establishment of groundwater quality standards**⁴⁷ that Member States had to set for pollutants jeopardising compliance with the WFD⁴⁸ objectives. These efforts are accompanied by the improvement of the quality of bathing waters. **The annual Bathing Water Report**⁴⁹ showed that of the 20,000 bathing areas monitored throughout the EU in 2009 96 % of coastal bathing areas and 90 % of bathing sites in rivers and lakes complied with the standards in the Directive⁵⁰.

Result indicators	Latest known result	Target (result)													
Number of water bodies in good status or with good ecological potential (as defined by the WFD) Water bodies compose a river basin	<table border="1"> <thead> <tr> <th></th> <th>Number*</th> <th>Water bodies in good status or with good ecological potential</th> </tr> </thead> <tbody> <tr> <td>EU Water bodies in total:</td> <td>121.198</td> <td rowspan="3">Assessment ongoing (on the basis of River Basin Management Plans - RBMP) Full assessment every 6 years; next in 2012</td> </tr> <tr> <td>- surface (rivers, lakes, coastal, transitional)</td> <td>- 108.107</td> </tr> <tr> <td>- groundwater</td> <td>- 13.091</td> </tr> <tr> <td>River Basins</td> <td>110</td> <td>117 (out of total 176) RBMPs delivered by 19 MS by March 2011</td> </tr> </tbody> </table> <p>Source: DG Environment, *Estimate as of March 2011</p>		Number*	Water bodies in good status or with good ecological potential	EU Water bodies in total:	121.198	Assessment ongoing (on the basis of River Basin Management Plans - RBMP) Full assessment every 6 years; next in 2012	- surface (rivers, lakes, coastal, transitional)	- 108.107	- groundwater	- 13.091	River Basins	110	117 (out of total 176) RBMPs delivered by 19 MS by March 2011	Good status or good ecological potential in all water bodies by 2015, unless a WFD exemption applies
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Nitrate concentrations in ground- and surface waters: - % of sampling points per water quality class (mg nitrate/ L)	<p>Source: DG ENV, 2010; data covering years 2004-2007</p>	Prevention of nitrates from agricultural sources polluting waters (ground and surface waters) Nitrate concentrations in ground and surface waters per water quality class													

The first action undertaken under the **Marine Strategy Framework Directive**⁵¹ was the adoption by the Commission of a Decision on criteria and methodological standards to achieve good environmental status in marine waters⁵². This Decision will be used by Member States in developing the next stages of implementation

⁴⁴ Article 22 of Directive 2008/50/EC

⁴⁵ WFD, 2000/60/EC1

⁴⁶ COM(2010) 47, The report on the implementation of the Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources (Nitrates Directive) based on Member State reports for the period 2004-2007

⁴⁷ C(2010) 1096 Report under the Groundwater Directive 2006/118/EC on the establishment of groundwater threshold values

⁴⁸ Water Framework Directive 2000/60/EC1

⁴⁹ <http://ec.europa.eu/environment/water/water-bathing/report2010/EU-wide%20report.pdf>

⁵⁰ Directive 2006/7/EC concerning the management of bathing water quality and repealing Directive 76/160/EEC

⁵¹ Directive 2008/56/EC

⁵² Decision 2010/477/EU

due from 2012 (comprehensive assessment, characteristics of good environmental status, targets and associated indicators). The Decision also recognises the need for regular update based on scientific information and adoption of management measures in line with the 6-year cycle underlying the Directive.

Result indicators	Latest known result	Target (result)
<p>Urban waste water:</p> <p>Generated wastewater pollution load in agglomerations above 2000 p.e by treatment category (% of total load)</p>	<p>Source: 5th Commission Report on Implementation of the UWWT Directive, 2009 (SEC(2009) 1114 final), data for 18MS</p> <p><i>p.e. - The size of an agglomeration in terms of generated pollution load is measured "population equivalent" (p.e.). This is the organic biodegradable load that has a day biochemical oxygen demand (BOD5) of 60 g of oxygen per day, or in a more terms – the organic biodegradable load generated by one person per day</i></p>	<p>All agglomerations greater than 2000 p.e.:</p> <ul style="list-style-type: none"> - wastewater collection in place - secondary treatment (removal of organic pollution) - more stringent/ advanced (than secondary) treatment when discharging into sensitive areas <p>Target dates differ according to MS (from 1998 to 2005 for EU15 and from 2008 to 2018 for EU12).</p>
<p>Bathing water quality:</p> <p>Compliance of EU coastal and inland bathing waters with mandatory (and guide) standards of the bathing water directive (% of all bathing waters)</p>	<p>Source: EEA, 2010</p>	<p>100% compliance of EU coastal and inland bathing waters with mandatory standards of the bathing water directive</p>

On soil, the actions included the publication of a **study on soil biodiversity** and the September 2010 **conference on the relationship between soil, climate change and biodiversity** covering e.g., the role that agricultural and forestry practices can play in fighting climate change and in biodiversity protection, and the important function of soil biodiversity in the ecosystem.

Result indicators	Latest known result	Target (result)
<p>Soil organic carbon</p>	<p>A survey of Belgian croplands indicates a mean annual loss in organic carbon of 76 g/m². A large-scale inventory in Austria estimated that croplands were losing 24 g/m² annually. The general intensification of farming in the past is likely to have exceeded the effect of changes in the climate on soil organic carbon on agricultural land. The annual loss of carbon due to drainage of peat lands is in the range of 0 to 47 g/m². Climate change may cause loss of soil organic carbon for most areas in Europe.</p> <p>Source: EEA, 2010</p> <p><i>Lower levels of organic carbon in the soil are generally detrimental to soil fertility and water retention capacity and tend to increase soil compaction, which leads to increases in surface water runoff and erosion. Other effects of lower organic carbon levels are e.g. a depletion of biodiversity and an increased susceptibility to acid or alkaline conditions. The release of carbon from the soil contributes to higher CO2 concentrations in the atmosphere.</i></p>	<ul style="list-style-type: none"> - Preventing further soil degradation and preserving its functions - Restoring degraded soils to a level of functionality consistent at least with current and intended use <p><i>(As a direct measure of the above is not possible, soil organic carbon level is used as a proxy for the time being)</i></p>

Under this Specific Objective the implementation of the environmental legislation also covered measures on biocides (inclusion decisions), REACH (adaptation to technical progress of test methods⁵³, ECHA-related issues), Volatile Organic Compounds (VOC), Persistent Organic Pollutants (POPs) (modification of annexes to the Regulation), and the Export and Import of Dangerous Chemicals. The Commission also adopted updated BAT reference documents under the IPPC Directive.

⁵³ Commission Regulation No 1152/2010

SPECIFIC OBJECTIVE 4: Compliance & awareness raising

To promote compliance, strengthen effective policy implementation and enforcement in the EU, *inter alia* through the definition of coherent implementation priorities and innovative approaches; to ensure that EU environment policy is based on the principles of 'better regulation'; to promote awareness-raising, access to information, and transparency in relation to EU environment policies; to promote the participation of interested parties and the public at large, including non-government organisations, in the environment policy-making and implementation.

As part of its evaluation activities the Commission adopted the **Communication on the mid-term review of LIFE+ Regulation⁵⁴ (MTR)** which confirmed the relevance of the three interventions funded under the LIFE+ Regulation (Nature and Biodiversity, Environment Policy and Governance, Information and Communication). The MTR concluded that the major issue is how to best maximise the EU added value through careful design and operation of these interventions.

The Commission also concluded a selection procedure for **LIFE+ proposals** submitted under the 2009 call. Of 210 **projects** selected for co-financing, 116 were in the Environment Policy and Governance (EPG) strand, 10 in Information and Communication (I&C) and 84 in Nature and Biodiversity (N&B). Under the EPG stand, the majority of selected projects concerned waste and natural resources, water and climate change while in the I&C strand the projects were equally divided between nature and biodiversity and other environmental policy areas. As in previous years, the large majority of N&B projects target Natura 2000, including, among others, the development and implementation of management plans and the work leading to the designation of new marine sites. A new call for proposals under LIFE+ was published in 2010 and the corresponding selection procedure will be concluded in 2011. A total of 748 proposals were submitted, 399 in EPG, 146 in I&C and 203 in N&B strands.

Result indicators	Latest known result				Target (result)	
Evolution of infringement cases (Number) Complaints received in CHAP* Open infringement cases Cases sent to ECJ <i>*a centralised, SG-managed database for registering all the incoming complaints and inquiries</i>		2007	2008	2009	2010	Better and more efficient management of infringement cases/complaints focusing on the priorities defined by the Commission. Reduction of the number of old cases and of cases not respecting relevant benchmarks.
	Complaints received	n/a	n/a	143*	620	
	Open infringement cases	479	481	451	442	
	Cases referred to ECJ	77	61	61	60	
* between the introduction of CHAP on 28/09/2009 and 31/12/2009						
LIFE projects running LIFE projects launched (Number)		2008	2009	2010		
	running	536	481	534		
	launched	141	193	210		
* Projects launched in year N correspond to the call for proposals of year N-1.						
Contribution made by LIFE III and LIFE+ to policy development	LIFE III and its successor LIFE+ have provided a useful contribution to the development (knowledge based), negotiation (providing good experience and practices) as well as enforcement (compliance phase) of the environmental policies. Moreover, it helped to integrate environment into other policies by providing a comprehensive approach, in particular for Nature and Biodiversity in acting as a "catalyst" to activate other funds such as the structural or agriculture fund.				Sufficiently broad and policy-useful LIFE + programme proposals, such that implementation, updating and development of Community environmental policy and legislation are enhanced, including the integration of the environment into other policies.	

Under LIFE+ the Commission also launched a call for proposals for **grants co-financing the operation of non-governmental organisations** that are primarily active in protecting and enhancing the environment at European level. The funding aims at promoting the participation of NGOs in the policy process. 32 NGOs were selected for funding in 2010, broadly covering all key areas of environmental policy and contributing to both policy development and implementation as well as carrying out awareness raising activities.

The report on the implementation and effectiveness of the Public Participation Directive⁵⁵ concluded that the Directive had the effect of establishing the right of the public to participate in the decision-making process on plans and programmes in the legislation of Member States. However, the efforts made must be sustained to

⁵⁴ COM(2010) 516

⁵⁵ COM(2010) 143, Report on the application and effectiveness of Directive 2003/35/EC providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment

ensure that the public is aware of its rights and to achieve participation by a larger number of people in consultations. **The report on the effectiveness of the Environmental Liability Directive (ELD)** in remedying environmental damage⁵⁶ pointed to the areas where further improvement would be necessary. It highlighted that authorities often did not have rules in place compliant with the ELD on time; operators were often unaware of the specific legal obligations; and insurers and other institutions offering financial security were not sufficiently familiar with the requirements their products had to meet to be ELD-compliant.

Result indicators	Latest known result	Target (result)																								
Levels of public awareness of environment issues Level of public support and recognition of EU role in environment action	<i>Eurobarometer 2008 survey:</i> Europeans progressively position the state of the environment (80% compared to 72% in 2004) on a par with economic factors (84%) and social factors (76%) as issues which most influence their quality of life. 67% of European citizens prefer decisions to be made at the EU level when it comes to protecting the environment rather than by national governments (28%).	High levels (over 70%) of public awareness and support in European environment policy-making.																								
Levels of behavioural change in citizens towards more environmentally conscious lifestyles and consumption habits Levels of public awareness of biodiversity	<i>Eurobarometer 2008 survey:</i> 17% of European citizens actively implemented changes in their lifestyle and consumption habits for environmental reasons. <i>Eurobarometer 2009 survey:</i> 83% of European citizens consider the environmental impact of a product important when deciding which one to buy <i>Eurobarometer 2010 survey on biodiversity</i> 35% of European citizens know what biodiversity means. 22% of citizens think EU should inform them better about the importance of biodiversity	Driving behavioural change in citizens towards more environmentally friendly lifestyles and consumption habits (25%) Increase of awareness of biodiversity (40%)																								
Number of municipalities taking part in participative schemes	2008: 2012 2009: 2181 2010: 2240	Increase																								
Media outreach (in mln)	<table border="1"> <caption>Media Outreach Data (in mln)</caption> <thead> <tr> <th>Category</th> <th>2008</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Distributed copies of Environment for Europeans newsletter</td> <td>~0.5</td> <td>~0.5</td> <td>~0.5</td> </tr> <tr> <td>Viewers of audio-visual products</td> <td>~10</td> <td>~15</td> <td>~18</td> </tr> <tr> <td>DG ENV website visits</td> <td>~28</td> <td>~30</td> <td>~35</td> </tr> <tr> <td>Uptake of DG ENV printed publications</td> <td>~1</td> <td>~1</td> <td>~1</td> </tr> <tr> <td>Minimum audience reached by awareness campaigns</td> <td>~2</td> <td>~3</td> <td>~4</td> </tr> </tbody> </table>	Category	2008	2009	2010	Distributed copies of Environment for Europeans newsletter	~0.5	~0.5	~0.5	Viewers of audio-visual products	~10	~15	~18	DG ENV website visits	~28	~30	~35	Uptake of DG ENV printed publications	~1	~1	~1	Minimum audience reached by awareness campaigns	~2	~3	~4	
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Information campaigns/events were carried out on a number of issues. Coinciding with the International Year of Biodiversity, **the Green Week**⁵⁷ - the EU's largest annual conference on the environment policy - concentrated on the state of **biodiversity** and nature in Europe and the world, the benefits they bring, present-day pressures on them, and possible solutions to the current rates of loss. The conference also saw the launch of the Business and Biodiversity platform, an initiative to raise awareness about the business arguments for protecting biodiversity. The Commission's campaign on biodiversity 'We are all in this together'⁵⁸ won a "**European Excellence Award**" intended to honour outstanding achievements by communications professionals. The Commission has long recognized the important role that local authorities play in improving the environment in urban areas where 80 per cent of Europeans live; the **European Green Capital Award** acknowledging these efforts was awarded to Hamburg for 2011, Vitoria-Gasteiz for 2012 and Nantes for 2013.

⁵⁶ COM(2010) 581, Report under Article 14(2) of Directive 2004/35/CE on the environmental liability with regard to the prevention and remedying of environmental damage

⁵⁷ <http://ec.europa.eu/environment/greenweek2010/index.html>

⁵⁸ www.weareallinthis.together.eu

SPECIFIC OBJECTIVE 5: Development of the knowledge base to support policy making and implementation

To generate and facilitate exchange of environmental data and information and develop the knowledge base to support policy-making and implementation. *(This objective is implemented mainly through the European Environment Agency - EEA, the Joint Research Centre, the RTD Framework Programmes and GMES)*

The European Environment Agency (EEA) released its **fourth Environment State and Outlook Report — SOER 2010** — a comprehensive assessment of how and why Europe’s environment is changing and what we do about it. Among others, it concluded that a fully integrated approach to transforming Europe to a resource-efficient green economy would not only result in a healthy environment but also boost prosperity and social cohesion⁵⁹.

The implementation measures by the Commission included the work on harmonised access to spatial data sets and services, the interoperability of spatial data sets and services and download and transformation services under the **INSPIRE Directive**⁶⁰, as well as further work on implementation of the Shared Environmental Information System (SEIS) and preparations for structural improvements of the science-environmental policy interface.

Result indicator	Latest known result	Target (result)
Availability of key information and assessments on past and future changes in the state of and pressure on the environment and policy responses, e.g. the Core Set of Indicators (CSI) and five yearly state and outlook reports published by (SOER) the EEA	CSI used widely by EEA and Commission SOER 2010 published Nov 2010 Up-time of EEA web- site in 2009 above 98 %. EEA data file downloads up by 20% as compared to the previous year	Increased volume and quality assured environmental information generated and used in accordance with general principles of the Shared Environmental Information System (SEIS) and INSPIRE compliant. EEA CSI and other indicator sets and underpinning data available via web-based platforms as part of SEIS. Maintain EEA website annual up-time of at least 98%.
Level of co-operation with Eionet partners, including improved national delivery of annual Eionet priority data flows and level of co-operation with the wider international community	Use of Reportnet tools established. SEIS implementation agreed with member countries. 16 member states exceed 90 % in the EEA Priority Data Flow exercise 2009-10	EEA, JRC and Eurostat elements of SEIS fully functioning including Reportnet and web-based platforms. All member countries and cooperating countries delivering datasets on schedule. At least 20 member states reach a reporting level higher than 90 % in the EEA Priority Data Flow exercise by 2011.
Level of quality assured data on key environmental domains: - biodiversity, - land cover and use -resource use -water -air - noise - resource efficiency - waste - sustainable consumption and production.	2 nd biodiversity assessment report based on the 26 SEBI indicators published in 2010 EU 2010 Biodiversity Baseline published in Oct 2010. Biodiversity Information System for Europe (BISE) launched in 2010. 3 rd update of European land cover database Analysis of spatial changes including urban sprawl, coastal environment in support to EU integrated policies. Annual air emissions inventories (NEC and CLRTAP) published. Eye on Earth platform launched with information on bathing water quality and air quality (Water and Air watch) Reporting by EU Member States under specific thematic legislation e.g., on noise mapping, waste policies.	Biodiversity, Land Use, Water and Air Data Centres further developed as source of quality assured data relevant to EU policies. Produce operational database on noise maps. Analysis of traffic’s contribution to noise in cities, neighbourhoods and districts. Effectiveness evaluations relevant to waste legislation and on sustainable consumption and production published. Indicators for resource efficiency as part of the Beyond GDP activities developed.

⁵⁹ <http://www.eea.europa.eu/soer>

⁶⁰ Directive 2007/2/EC establishing an Infrastructure for Spatial Information in the European Community

PART 2 - MANAGEMENT AND INTERNAL CONTROL SYSTEMS

2.1. Introduction

Highlights

DG Environment's policy role was supported by a budget of €358m commitments and €299m payments in 2010.

The LIFE + programme accounted for 83,7% of the DG's operational budget. This legal base stipulates that at least 78% of its Budget, must be devoted to action grants, an amount of € 9 000 000 is aimed at operating grants for NGOs active in the field of environment and the rest is devoted to specific actions, mainly procurements.

The other operational funds managed by DG ENV are: an operating grant to the European Environment agency (10,09% of the total budget), multilateral environment agreements and other external actions partly subdelegated by AIDCO (3,3%), pilot projects/preparatory actions (2,8%) and funds subdelegated from the Competitiveness and Innovation Programme (0,11%). The management mode of the DG is 98% in respect of the activity centralised direct management and 2% for joint management. One programme (Forest Focus) was managed in centralised indirect management but it has been discontinued and the last payments were made in 2010.

The budget was implemented up to 96, 60 % for commitments and 82, 85% for payments in 2010 (see Annex 3). The average payment delay was 26, 83 days.

A significant reorganisation of the DG took place following the taking of office of the new Commission; this led to the creation of DG Climate Action, the transfer of civil protection function and staff to DG ECHO and the transfer of staff and work related to GMOs to DG SANCO.

The Resources Directorate was transformed into a common service working for both DG Environment and DG Climate Action. Similarly, a new Shared Internal Audit Capability was created.

Despite the scope of the reorganisation, there was no significant negative impact on the functioning of DG ENV. Handover reports were prepared and adaptations made to management and control systems were implemented. In addition, the new shared services also adapted swiftly and in a flexible manner to the new situation.

Agencies

The European Environment Agency (EEA) provides information and data on key policy areas. While DG Environment represents the Commission on the Management Board and thus influences decisions on activities and management of the Agency, the EEA is an independent Regulatory Agency. It has its own Financial Regulation, is subject to a specific discharge procedure, and issues its own Annual Activity Report. However the Commission participates in its administration Board and approves the establishment plan of the Agency. An annual exchange of call for tenders planning is also done in order to avoid duplication of actions.

Since 2007 DG ENV shares joint responsibility with DGs ENTR and TREN for the Executive Agency for Competitiveness and Innovation (EACI). In 2008, it was agreed to delegate tasks to the EACI for the Entrepreneurship and Innovation Programme (EIP) eco-innovation pilot and market replication projects.

The Annual Activity Report from EACI is enclosed.

Management of expenditure

With the exception of the Forest Focus programme, where action grants are managed by National Forest Agencies, and for some actions within the ENRTP under joint management, the 98% of expenditure is disbursed through centralised direct management.

2.2 The functioning of the internal control system

2.2.1 Compliance with the requirements of the control standards

A self-assessment carried out by managers confirmed compliance with all the requirements of internal control. In particular, progress was made in the following areas: risk management, business continuity, internal communication and awareness-raising on professional ethics.

The yearly reports of the 'Authorising Officers by Sub-delegation' (AOS) are positive, giving assurance on the functioning of the control and supervision system. No systemic weaknesses are identified. Some AOS' commented on the concentration of commitments at the end of year and cited the following reasons for this: staff shortages, heavy workload at the beginning of the year in order to factor in the outcome of previous events and previous contracts and late financing decision approval. The reorganisation also had an impact with respect to delays in adoption of revised financing decision.

No derogation on mobility rules was granted in 2010.

2.2.2 Effectiveness of implementation of the prioritised control standards

As required by the Commission's internal control framework, DG ENV identified the following four standards to prioritise 2010:

ICS 2 – Ethical and organisational values

The Away Day organised for all ENV and SRD staff followed a survey of staff opinion in relation to vision and goals, internal communication, decision making and workload issues. At the event, discussions took place between the Director General and staff, leading both to increased mutual understanding and concrete actions, including monthly meetings between the Director General and staff, regular meetings of DG ENV managers, publication of Directors' Meeting minutes, debriefings on important external meetings etc.

As part of an awareness-raising campaign, information or training was provided to staff on procedures relating to fraud prevention and detection, reporting of irregularities, professional ethics and dealing with lobbyists.

ICS 6 – Risk management process

The implementation of actions addressing the seven recommendations issued by the IAS in their audit report on risk is on track. The action plan was presented to the Audit Progress Committee on 23 April and approved by its members.

Roles and responsibilities in terms of risk management have been clarified. The newly created Risk Steering Committee met several times, among others carrying out a quality view of high level risks flagged in the management plan 2010 exercise and leading to the establishment of a risk register for the DG. In cooperation with DG BUDG, training on risk analysis and management was provided to

middle management in DG ENV on 8th July 2010. Senior Management has stressed the need for Managers both to consider the likely impacts of risk to their missions and how to prepare for it or avoid it. Tools for recording risk underpin this increased awareness.

ICS 9 - Supervision

Following the reservation in the 2009 Annual Activity Report on eligibility of costs declared by beneficiaries of action grants, the guidance to beneficiaries and controls on legality regularity were enhanced. The supervision of risks was also reinforced by the creation of a risk steering committee.

Monitoring of budgetary implementation was increased and Senior Management regularly reviews the situation.

ICS 12 – Internal Communication and information

As mentioned above, one of the main outcomes of the DG ENV Away Day was a series of actions aimed at improving internal communication. These have been implemented and have undoubtedly improved the flow of information in the DG.

2.3 Information to the Commissioner

In conformity with the code of conduct for Commissioners of 20th August 2004, a special report on financial and internal control matters of DG ENV on 8th August 2010 was sent to the Commissioner on 8th September 2010 and was discussed during a bilateral meeting on 5th October 2010. Minutes of this meeting were issued and sent to all the participants.

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Potočnik on 22nd March 2011.

2.4 Conclusion

The result of the survey on internal control standards and the individual reports of the AOS show that functioning of the entire control system is effective and was not affected by the significant reorganisation of the DG implemented on 17th February 2010. A significant effort was made in 2010 to progress from formal compliance (new tools, notes etc) to greater understanding and implementation in everyday work. In 2011 additional efforts will be made in relation to the timely implementation of the Budget and an action plan is being finalised which will deal with this issue.

PART 3: BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE AND RESERVATION

3.1 Building blocks towards reasonable assurance

3.1.1 Building Block One: Assessment by Management

Control strategy

The control strategy of the DG is defined in Annex V, but the main elements are as follows:

- ex-ante controls: definition of proposed spending as part of the management plan process, examination of specifications and launching of calls for tenders, checks on the justification of direct grants and a process of opinion on tenders of a value greater than 300 000 € via an internal procurement advisory body (ENVAC).
- transaction controls: there are two principal circuits: firstly the decentralised model (model one) for the action grants of LIFE+ and secondly a hybrid of models two and three, with involvement of the financial unit in the process, for other operations. There are no second-level ex ante controls.
- ex-post controls: these are applied to projects which are selected on a risk based approach.
- reporting: monthly reporting on budgetary implementation, six monthly reporting on recovery orders, yearly reports from Authorising Officers by Sub-delegation on financial management and also by managers on the implementation of internal control standards.

Key indicators on controls

<i>Input indicators</i>	<i>2010</i>	<i>2009</i>
Staff devoted to financial initiation in full time equivalent (FTE).	21.25 (25 for CLIMA and ENV)	27 (for CLIMA, ENV and Civil Protection)
Staff devoted to financial verification in full time equivalent.	6.5 (8 for CLIMA and ENV)	7 (for CLIMA, ENV and Civil Protection)
Number of files submitted to ENVAC	45 (55 for CLIMA and ENV)	60 (for CLIMA, ENV and Civil Protection)
Staff devoted to ex-post audits in FTE	4	2,75
Financial resources for outsourced ex-post audits	161 330 €	177 053 €

<i>Output indicators</i>	<i>2010</i>	<i>2009</i>
Number of transactions verified	3450 (3832 for ENV and CLIMA)	4188 (for ENV, CLIMA and civil protection)
Corrections made before final payment.	156	191 (for ENV, CLIMA and Civil protection)
Amount of corrections made before final payment.	7 928 433 €	8 633 268 € (for ENV, CLIMA and Civil Protection)
Rate of transactions corrected/rejected by ex-ante control	8,3%	9,8%
Exceptions registered	10 (11 for ENV and CLIMA)	18 (for ENV and CLIMA)
Negative opinions given by ENVAC	2	0
Ex post audit reports issued	36	27
Amount of payments audited	47 160 648,31 €	23 822 013,95 €
Amount of recovery orders recommended by ex-post auditors.	3 367 362,64 €	1 421 264,21 €
Rate of recovery orders recommended to payments audited	7,14 %	5,97%

This breakdown reflects the reorganisation in 2010, notably the creation of DG CLIMA on 17 February 2010 as well as the transfer of Civil Protection and GMO policy to other DGs. At the creation of the Shared Resources Directorate, it was specified that the workload would be notionally split between DG ENV (75%) and CLIMA (25%).

Main conclusions and issues related to the output indicators

- A post was redeployed to ex-ante verification of transactions.
- For the first time since 2006, there was no vacancy in the team of ex-post auditors.
- The full operational audit team, in addition to increased use of external auditors, led to a 33% increase in audit reports issued and a 50% increase in the number of payments audited.
- 2010 saw a reduction in the number of transactions that had to be corrected or rejected by the verification team. There was a similar fall in the numbers of exceptions recorded.
- The number of corrections on transactions made before payment cannot be compared with the figures of previous years as it includes transactions transferred to other DGs in 2010. However, the general trend has remained stable.

Conclusion

The level and quality of control implemented in the DG provides reasonable assurance of the legality and regularity of operations.

3.1.2 Building Block Two: Results from audits during the reporting year

The Court of Auditors' considered in 2009 that the supervisory and control systems for agricultural and natural resources chapter of the DAS were partially effective. However it did not detect any significant weakness for DG ENV. The comments from the Court concerned eligibility of expenditures for some transactions. The Court also made a thorough assessment of the accounting methodology but did not make any particular comment on the report. Examination of the AAR led to a comment on extrapolation of ex-post audits on a risk-based sample to the whole population and this comment is clarified in this document.

The Court also mentioned the average delay in issuing ex-post audits reports which increased from 190 to 230 days in 2009. **In 2010 the average delay decreased to 146 days.**

The Internal Audit Service (IAS) issued two audit reports concerning the DG in 2010, as follows.

Risk management in the Commission: three very important and four important recommendations were particularly addressed to DG ENV: The three very important ones referred to risk management (which should be a regular process and not just an annual exercise), the approach and methodology for risk identification and assessment and the acceptance, risk response and related mitigation actions. An action plan was drafted and is being implemented.

LIFE+ grant management: the report of 26th May 2010 contained three very important and nine important recommendations. The three very important concerned integration of IT systems, outsourcing and ex-post audit strategy. An action plan was presented by the DG and approved by the Audit Progress Committee on 30th June 2010.

The Shared Internal Audit Capability (SIAC) issued two main reports.

Firstly, an audit of DG ENV's payments, resulting in recommendations to the units involved in the financial circuits. They mostly concerned procedural compliance. Management accepted all recommendations and an action plan designed to mitigate the risks identified during the audit was developed. None of the findings identified during this audit was considered as a material weakness.

Secondly, an audit of the procurement processes practised in the DG. The findings were largely positive, setting out the strengths of the processes in place, notably the ability of the DG to use the financial resources in place to support environmental policies, the sound knowledge and expertise available in the financial units, the provision of high quality in-house financial training and the involvement of operational HoUs in ENVAC which helps to build financial management expertise. No systemic weaknesses were identified. The report made 3 very important, 11 important and 5 desirable recommendations. The very important recommendations concerned: monitoring and supervision of procurement management, notably monitoring the timetable for the different steps, the quality of evaluation reports and the functioning of the internal consultative committee on procurements (ENVAC). An action plan has been prepared and is under consideration by SIAC at the time of writing.

SIAC also reported on the follow-up to audits on LIFE+ Implementation, HR Management and Financial Management showed that all recommendations had been satisfactorily implemented.

Ex-post audits produced the following results:

	<u>Number of reports</u>	<u>Payments audited</u>	<u>Recommended recovery orders</u>	<u>Recommended Recovery Order/Payments audited</u>
<u>Forest Focus</u>	9	11 217 158,32 €	995 418,28 €	8,87 %
<u>LIFE III ENV</u>	6	6 868 956,68 €	754 364,24 €	10,98 %
<u>LIFE III Nature</u>	18	28 048 232,14 €	1 221 304,75 €	4,35 %
<u>Others programmes</u>	3	1 026 301,17 €	396 275,37 €	38,61%
TOTAL	36	47 160 648,31 €	3 367 362,64 €	7,14%

Due to the average duration of the projects funded, the ex-post audits related to projects funded between 2000 and 2006. Only one of the projects audited is from 2008 on the LIFE + legal base. As a result, the impact of measures implemented in the 2007 and 2009 action plans cannot be fully reflected in the results of the 2010 ex-post audits.

Although the total amount of recommended recovery orders represents a relatively high percentage, it should also be noted that the audits were performed on a risk-based sample. The figures cannot therefore be extrapolated as such to the whole population and need to be assessed in more depth in order to gather information on the non-audited files and, as such, provide a more complete picture.

The criteria used to select the projects included in the risk based sample were: the files signalled by operational Units with implementation problems, projects carried out by beneficiaries that benefited from more than one grant during the period, grants in favour of beneficiaries having their registered office in the EU that have never been audited, beneficiaries having received a grant of more than EUR 1 million, projects with large partnership, projects where, during the implementation period of the action, the beneficiary was at the same time beneficiary of other significant grants from the Commission, projects from programmes – even discontinued – with high error rates in the past.

Of the 36 audits conducted, only 10 resulted in recommendations of recovery greater than 5% - in other words these few files represented the greatest risk. This is illustrated by the following table.

	Files with 5% or more of RO recommended				Files with less than 5% of ROs recommended			
	Number	Payments	Recoveries	Rate %	Number	Payments	Recoveries	Rate
Forest Focus	3	3 657 667.43	953 334.49	26.06	6	7 559 490.89	42 083.79	0.55
LIFE ENV and LIFE III ENV	4	3 823 361.1	688 060.82	18	2	3 045 595.58	66 303.42	2.18
LIFE III NAT	2	4 200 718.19	1 154 375.21	27.48	16	23 847 513.95	66 929.54	0.28
OTHERS	1	396 000	396 000	100	2	630 301.17	275.37	0.04
TOTAL	10	12 077 746.72	3 191 770.48	26.42	26	35 082 901.59	175 592.12	0.5

A detailed analysis of those 10 files shows that 2 of them were already flagged by the Units for auditing and the Forest Focus cases were also flagged as part of action n° 3 from the action plan linked to the 2009 reservation: detection audits still to be implemented on the closed programmes audited in 2009 with high level of error rates.

Globally, it appears that the 25% highest risks represent 95% of the overall amount of recovery orders. This repartition of risk is confirmed by an analysis made of the results of the last four years of ex-post audits. Between 2007 and 2010 some 106 audits were carried out on a risk based selection and 89,16% of the recovery orders recommended were due to 22,34% of the payments audited.

Moreover in 2010, the number of files presenting a recommended recovery order of more than 5% remained the same as in 2009, despite an increase of 33, 33% of the number of files audited. We can therefore make a reasonable assumption that the risk analysis identified files with the highest risks in the DG. As last year's sample was risk-based and represented 18,06% of the total payments of the DG in 2010, the assumption could be made that the risk is limited to only 5% (25% of 20%) of the total population. If we apply the average recommended recovery orders rate to this population, the total risk for the DG is: $26.42 \% * 0.05 + 0.5% * 0.95 = 1.796\%$

If we apply this rate to the amount of payments of grants made in 2010 (€190,427,503) then the result (€3,420,078) represents just 1.31% of the total of payments made in 2010 (€261,257,243). This amount also represents 0.99% of the ABB total activity budget (€343 270 000) and is therefore less than the 2% materiality threshold.

For 2011, the audit methodology will clearly separate risk based samples and representative samples and this will help validate the above conclusion.

3.1.3 Building Block Three: Follow-up of previous years' reservations and action plans for audits from previous years

The action plan issued after the reservation made last year has been successfully implemented, with the main points as follows.

Action 1: Reinforcement of preliminary information to beneficiaries and ex-ante checks of time sheets by the services of the Commission as of 2010.

Internal guidelines on time registration were issued on 30 June 2010 for the LIFE+ action grants. A model of the timesheet was also made available on the LIFE website and a summary of those internal guidelines was sent to all beneficiaries of ongoing projects and to the Life + National Focal Points. However, its use is not obligatory if the time registration in place in the beneficiary's premises offer the same level of details.

Those guidelines are now also presented in meetings with the beneficiaries and timesheets are systematically checked during the monitoring visits of projects by the Commission's services. Each project is visited at least once during its lifetime.

In September, instructions were given to the external monitors who visit each project every year. Those instructions were:

- to request a minimum of three timesheets per mission, in case of projects with partners one timesheet from the three should be from a partner;
- to annex these timesheets to the mission reports.

A systematic check of a significant sample of timesheets and salary documents are conducted by Commission staff during visits to projects.

Where there are significant doubts on the way time is registered, a sample of the timesheets and salary slips/contracts can be requested before releasing the second pre-financing payment.

Independently of this action plan, a meeting has been organised between ex-post auditors and financial initiators in order to discuss the main findings and how better to detect errors.

Action 2: Improvement of the audit methodology for 2011 in order to increase the representativeness of the results.

The audit plan for 2011 has been approved and a new strategy defined that reinforces the detection of unduly claimed and paid amounts and, at the same time, allows for the performance of verifications that can be taken into consideration in order to evaluate the whole population. The new strategy foresees two different batches of grants to be audited and a reserve list:

- the **first batch** is composed by **30** grants and aims at being representative of the whole population. The choice of the samples is based on the "**Monetary Unit Sampling**" (**MUS**) technique.

- the **second batch** is based on a **directed selection** of **15** grants that present significant risk indicators or red flags. The ex-post verifications will focus on clarifying such indicators/red flags in order to detect or correct the potential fraud, errors and irregularities.

The need for this new strategy is arises from the results of 2010 ex-post audits which indicate that the population of beneficiaries is divided between a very limited number of high value files with high rates of recommended recovery orders and the majority of files which have lower recommended recovery orders. This last category would be more representative of the whole population.

This new methodology also responds to Action Three: detection audits to be still implemented on the closed programmes audited in 2009 with high level of error rates. These actions have already been implemented in 2010, with audits on the Forest Focus and LIFE Third countries programmes.

The DG has also continued to implement the action plan resulting from the 2007 reservation. In particular, the DG has continued to limit and focus the type of grants by suppressing several calls for proposals where ex-posts audits revealed a high rate of errors. However, the effect of the new and clearer legal bases, which was one of the actions in this plan, will not appear in ex-posts audits results for two or three years due to the average duration of the projects funded.

The action plan on the audit of payments made in 2009 by SIAC was successfully implemented in 2010.

The two remaining elements of the action plan, following the validation of local accounting systems by BUDG in 2008, were also closed.

3.1.4 Building Block Four: Assurance received from other Authorising Officers in cases of crossed sub –delegation

In 2010, DG ENV sub-delegated the following amounts:

2010 implementation of crossed sub-delegations							
	Commitment				Payment		
Sub-Delegated DG	RAL 2009	2010 Appropriations	2010 Consumption	RAC* 2010	Appropriations	Consumption	RAL 2010
ESTAT	39.785,51	0	0	0	39.785,51	39.785,51	0
JRC	1.495.000	300.000	300.000	0	0	0	1.795.000
SANCO	238.554,27	0	0	0	350,000	148.857,50	89.696,77

**Reste à Engager*

Activities covered by the crossed sub-delegation granted to DG ESTAT:

This crossed sub-delegation covers the work done by the Statistisches Bundesamt Deutschland for an amount of €39,785.51.

Activities covered by the crossed sub-delegation granted to JRC:

This crossed sub-delegation was intended to fund the following:

- Implementation of a preparatory action on "Climate of the Carpathian Basin" - three contracts were awarded in 2010 for an amount of €1,495,000.
- A pilot project on "Certification of low carbon farming practices", with a value of €300,000.

The crossed sub-delegation foresees half-yearly reports on the implementation of the project and the allocation of resources. No exceptions were encountered in 2010 and DG ENV relies on the positive declaration of assurance received from DG JRC regarding the implementation of the projects.

Activities covered by the crossed sub-delegation granted to SANCO:

This activity concerns a RAL amounting 238.554,27 transferred to DG SANCO in April 2009 and payments appropriations of €350,000 delegated in April 2010 to implement the contracts related to genetically modified organisms.

Two payments related to two of the commitments transferred from ENV were made for a total of €148.857,50.

Activities implemented by the Executive Agency on Competitiveness and Innovation (EACI):

This delegation of tasks, made in April 2008, concerns Eco-innovation market replication projects funded on the basis of a yearly call for proposals. In 2010 all pre-financing payments were made to the 45 beneficiaries of the 2009 call. The evaluation of the 287 proposals submitted in response to the 2010 call for proposals is ongoing.

DG ENV received quarterly activity reports from the Agency and their annual activity report. It also participated in the steering committee of the Agency and has received assurance from the Director of the EACI. The Agency has also informed DG ENV on its ex-post audit strategy for those projects.

All the Authorising officers by subdelegation gave assurance on the management of the resources they received.

3.1.5 Completeness and reliability of the information reported in the building blocks

As far as the completeness of the information is concerned, all financial activities of DG ENV are covered by appropriate and efficient control systems, on which information has been provided. As indicated in part 2.1, two activities – LIFE + and the European Environmental Agency – represent close to 95% of the DG's activities.

Concerning the reliability of the information, all operational services with financial responsibilities and all control actors in the DG, SRD and SIAC have been actively involved in the provision of relevant information and in the final approval of the AAR.

Concerning ex-post audits, the amount of payments audited in 2010 represents more than 20% of the overall population.

However, two elements should be taken into consideration concerning the reliability of this information:

- the ex-post audit figures published were issued before the conclusion of the contradictory procedure between the AOS and the beneficiary;
- the long duration of the majority of the projects funded (around five years) limited the representativeness of the results for 2010 activity.

Finally, all major control actors within DG ENV, SIAC and SRD have effectively contributed to the drafting of the report.

3.2. Conclusion

There are no findings which could prevent the Director General from giving his reasonable assurance on the use of the resources.

A reservation was made in the AAR 2009 concerning the eligibility of expenditures declared by beneficiaries of grants. This reservation was based on the overall rate of recovery orders recommended by ex-post auditors.

In 2010, it appears that the results were largely influenced by a minority of files with a very high rate of error. A detailed analysis of the audit results from the last four years of risk-based samples shows that for 77, 66% of audited payments the recommended recovery order was inferior to 5% and for 66, 28 % – even if selected on risk criteria – the error rate was inferior to the 2% materiality threshold. For 2010, there was an improvement in this figure to 67,27 % of the payments.

DG ENV and SRD management feel confident that the risk analysis used to select the audited files has led to the detection of the highest risks of the DG and that the remaining lower and acceptable risk files are representative of the overall population. This analysis should be confirmed by the 2011 audits that are divided into a representative sample and a detection sample.

DG management also takes note of the positive implementation of the action plan following the reservations of the AAR 2007 and 2009 and the continuation of efforts to improve the management of action grants. Considering the average duration of the grants, the audited projects were still from years 2000 to 2006. The impact of the previous action plans will not appear in the results of ex-post audits for another two or three years.

Taking into consideration these elements, DG ENV has concluded that it is not necessary to make a reservation in relation to 2010.

PART 4 DECLARATION OF ASSURANCE

I, the undersigned, Karl Falkenberg

Director-General of DG Environment

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁶¹.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 31 March 2011

(signed)

Karl Falkenberg

⁶¹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.