



# European Energy and Network Policy

European Commission – DG Energy and Transport



## Trans-European Energy Networks

### 1<sup>st</sup> TEN-E Information Day

**Brussels, 30<sup>th</sup> March 2007**

Mr. Edgar Thielmann	Acting Director
Dr. Wolfgang Kerner	Policy Officer
Mr. Mark Vangampelaere	Project Officer
Mr. Patrick Bourrel	Project Officer
Mr. Jean-Claude Merciol	Head of the financial unit



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## AGENDA

- **TEN-E Policy and Priority Interconnection Plan**
  - ☞ Questions and Answers
- **TEN-E Funding Programme**
  - ◆ **Call 2007**
    - ☞ Questions and Answers
  - ◆ **Project management**
    - ☞ Questions and Answers



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## Trans-European Energy Networks

# Policy & Priority Interconnection Plan

Dr. Wolfgang Kerner, DG TREN/B1



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## Outline

- Need for Common Energy Policy
- European Council 8/9 March 2007
- Energy for a Changing World 10 January 2007
- Completion of the Internal Market
- European Grid for a European Electricity & Gas Market
- Priority Interconnection Plan
- TEN-E Guidelines
- Conclusions



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## Need for common European Energy policy

- **Increasing import dependence of EU**
- **Climate change**
- **Completion of Internal Energy Market**
- **Need for European Transmission Grid**

**“It has become apparent to the European citizens as well as to the policy makers that Europe must develop a common energy policy.”**

**“Increasingly interlinked regional and national markets give customers the benefit of better service quality, a wider choice of the energy mix and competitive prices.”**



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## BRUSSELS EUROPEAN COUNCIL 8/9 MARCH PRESIDENCY CONCLUSIONS

- The European Council emphasised the strategic objective of limiting the global average temperature increase to not more than 2° C above pre-industrial levels.
- The European Council agreed to a set of headline political targets:
  - on **climate change**, an independent EU commitment to reduce greenhouse gases by at least 20% by 2020, compared to 1990 levels, plus a commitment to extend this reduction to 30% if other developed countries commit themselves to comparable emissions reductions.
  - on the **internal market for gas and electricity**, the need for effective separation of supply and production activities from network activities (unbundling) based on independently run and adequately regulated network operation systems which guarantee equal and open access,
  - on **renewable energies**, a binding target of 20% by 2020 with a minimum of 10% for the share of biofuels in overall EU transport petrol and diesel consumption.



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## Presidency Conclusions

The European Council:

- welcomes, as a first step, the Commission's intention to appoint, in accordance with Article 10 of Decision 1364/2006/EC, **European coordinators**;
- invites the Commission to table proposals aiming at **streamlining approval procedures**.
- it notes, however, that **new projects** are needed and asks the Member States concerned to achieve at least **10% of electricity and gas interconnection capacity by 2010**.



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## Energy for a Changing World

Sustainability – Competitiveness - Security of supply

The “ENERGY PACKAGE” published on 10 January 2007 includes:

[http://ec.europa.eu/energy/energy\\_policy/index\\_en.htm](http://ec.europa.eu/energy/energy_policy/index_en.htm)

### 1°) Core Strategic energy objective

### 2°) Strategic reports

- **Energy Policy for Europe**

Report a) : Strategic European Energy Review (SEER)

- **Communications part of the Energy package**

Reports b) – j) : Priority Interconnection Plan

### 3°) Concrete action plan

#### Core objectives for EU by 2020 (relative to 1990)

- Reduce Greenhouse Gas emissions by 20% (80 % of GHG from energy; CO2 emission are 75% of GHG)
- Improve energy efficiency by 20%
- Increase share of renewable energy to 20%
- Increase use of biofuels in transport to 10%





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## Completion of the Internal Energy Market

- **Ownership unbundling**  
To split vertically integrated companies - or by **full Independent System Operator - ISO**
- **Functioning European wide Regulation** with Effective Regulation in every Member State
- **Europe wide electricity and gas networks**
  - At the heart of a well functioning European market
  - Sufficient transmission capacity needs to be available
  - Increased investment in the network with a pan European objective is needed.



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## Operation

- European grid code
  - Capacity allocation rules (Regulation 1228/2003)
  - Security rules (Regulation 1228/2003)
  - Emergency operation rules
- Harmonised regulation (European Energy regulator)
- Physical security (critical infrastructure actions)

## Organisation

- Office of Energy Observation: Monitoring, Transparency & Reporting
- Independent TSOs association? ISO
- European Energy regulator



## Priority Interconnection Plan

- **Based on revised TEN-E guidelines (2006)**
  - Key priority projects
  - European Coordinator
  - Obligation on MS to monitoring & coordination meetings
- **Structure of the PIP**
  - Status of Projects of European Interest
  - Structural Problems
  - Way forward



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## **DECISION No 1364/2006/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**of 6 September 2006**

**laying down guidelines for trans-European energy networks and  
repealing Decision 96/391/EC and Decision No 1229/2003/EC**

**OJ L 262/1**



## Trans-European Electricity & Gas Networks

- **Identification of Most Important Projects**

- **Enlargement**

⇒ Explicit incorporation of the new Member States into the priority projects and projects of common interest

Good Interconnections with 3rd Countries

- **Strengthen Implementation**

⇒ Increased coordination (reporting & monitoring)



## New measures for implementation in TEN-E Guidelines

### Criteria of Projects of European Interest

- ◆ **‘Projects of European Interest’** should be mature projects on priority axes with cross-border component or with significant impact on cross-border transmission capacity

### European Co-ordinator

- ◆ Very selective appointment of a European Co-ordinator to accelerate implementation of the most important projects declared of European interest (political push, authorisation procedures, etc.)



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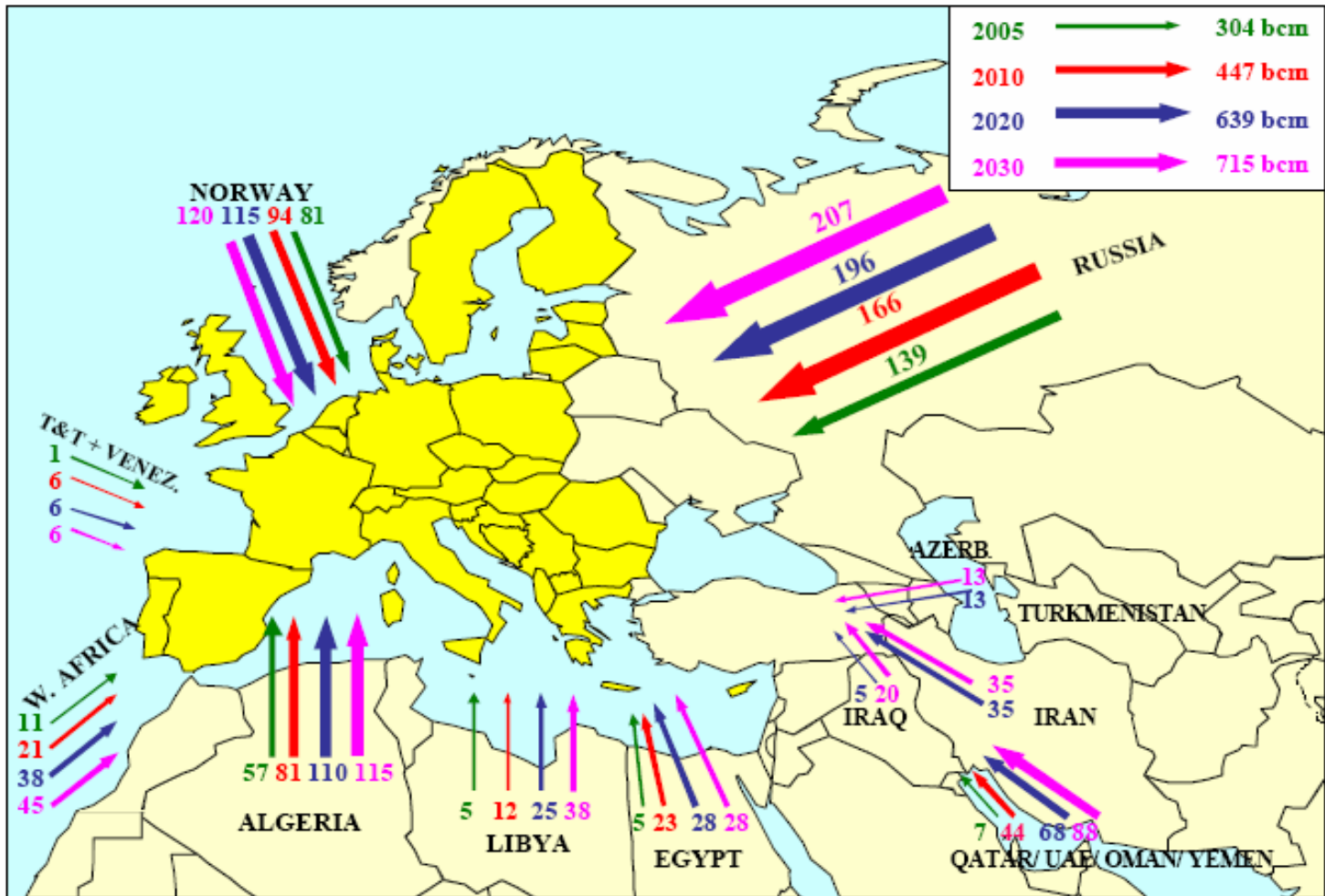


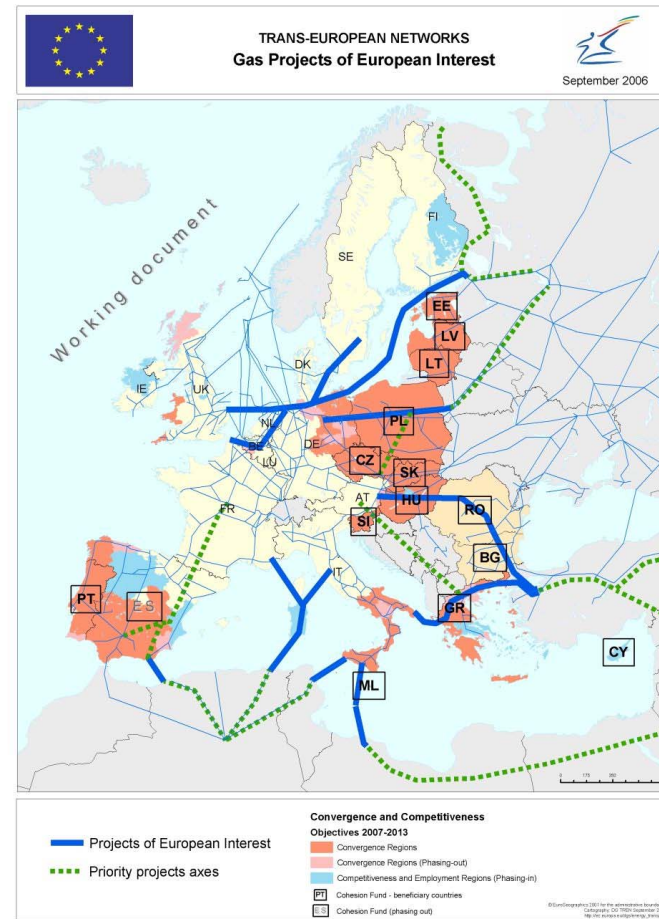
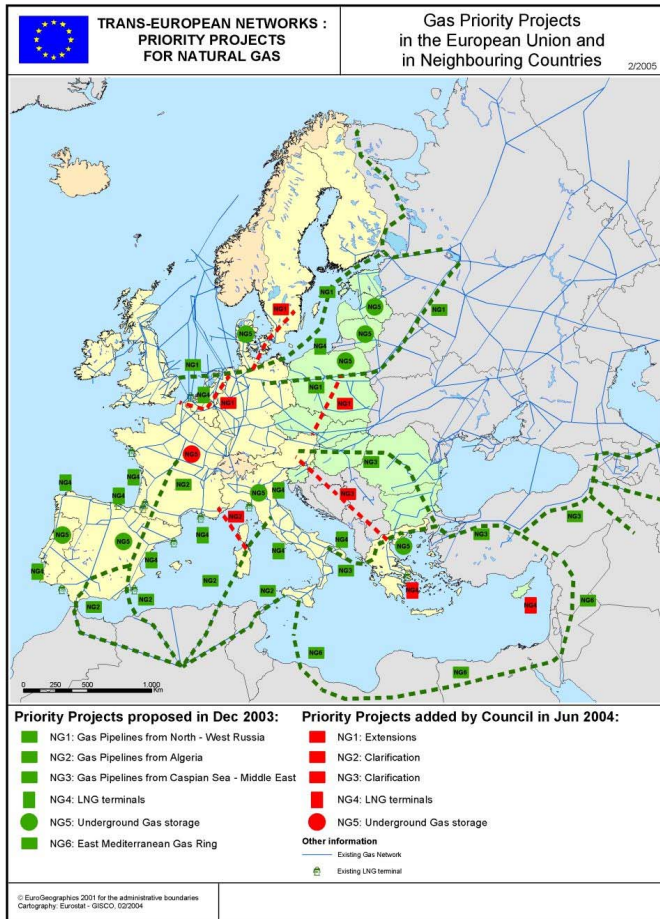
Figure 2.2 Gas export potential of the main producers to the European Union, Switzerland and Balkan countries

Source: OME



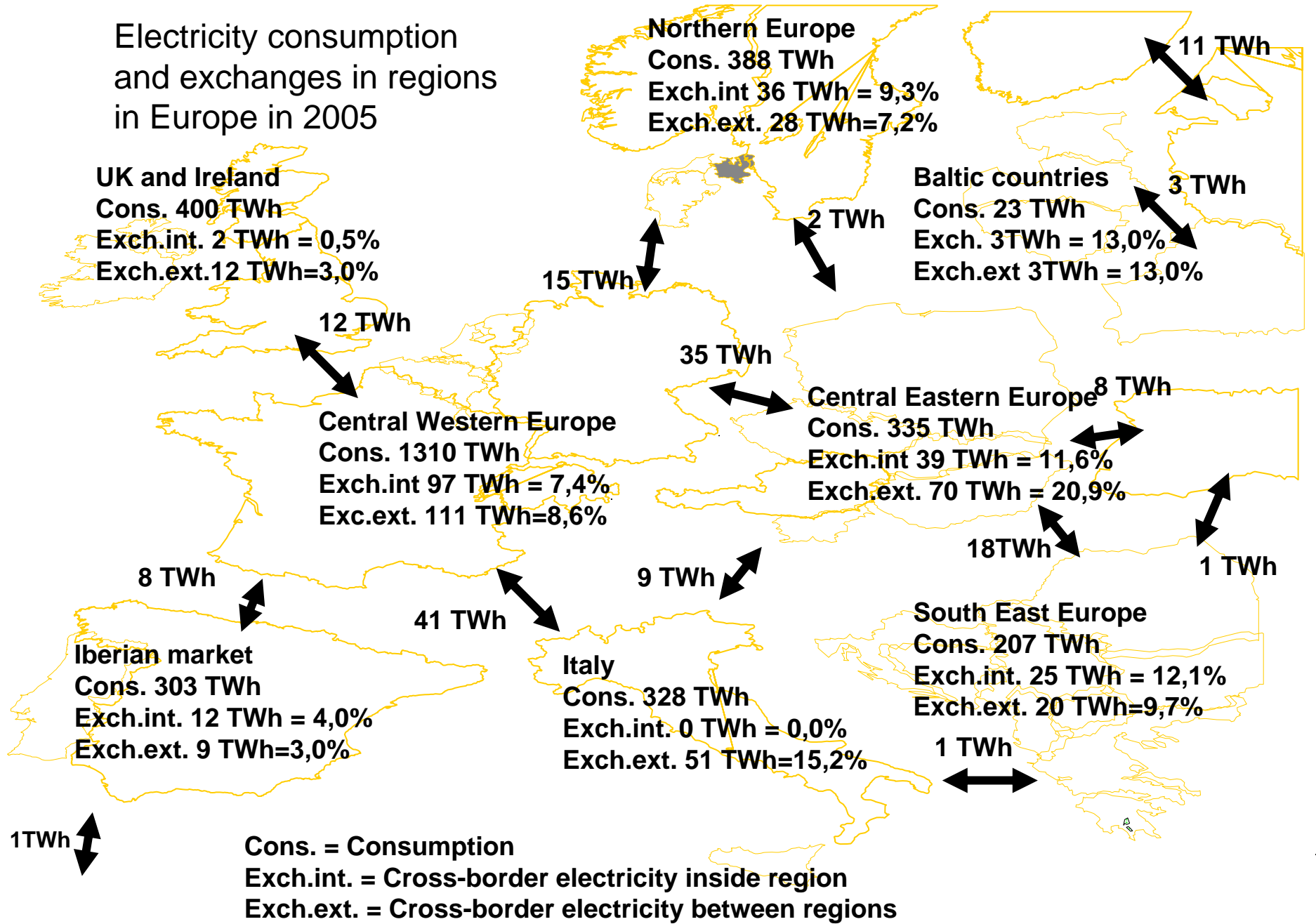
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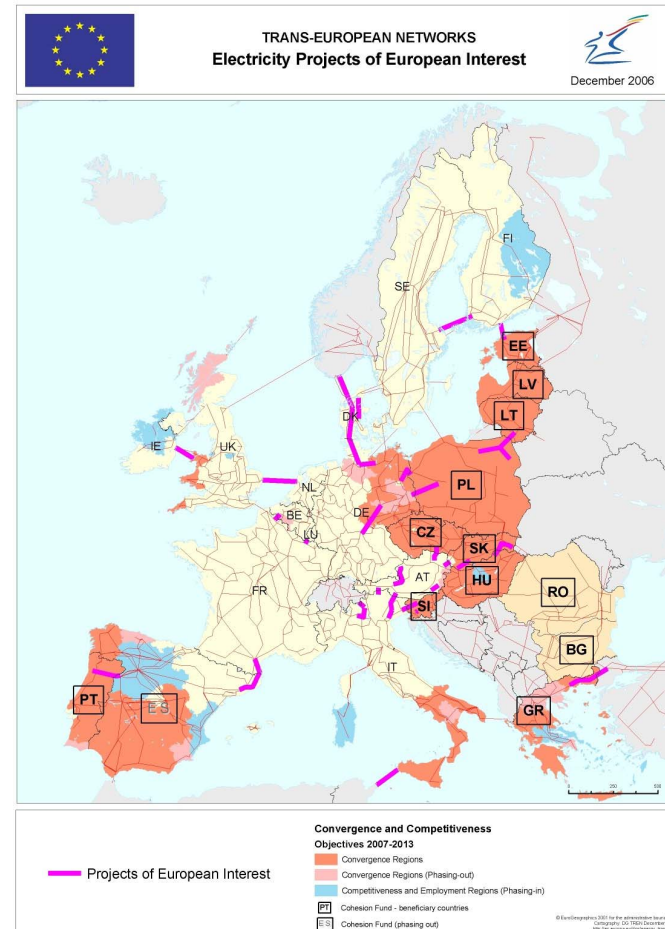
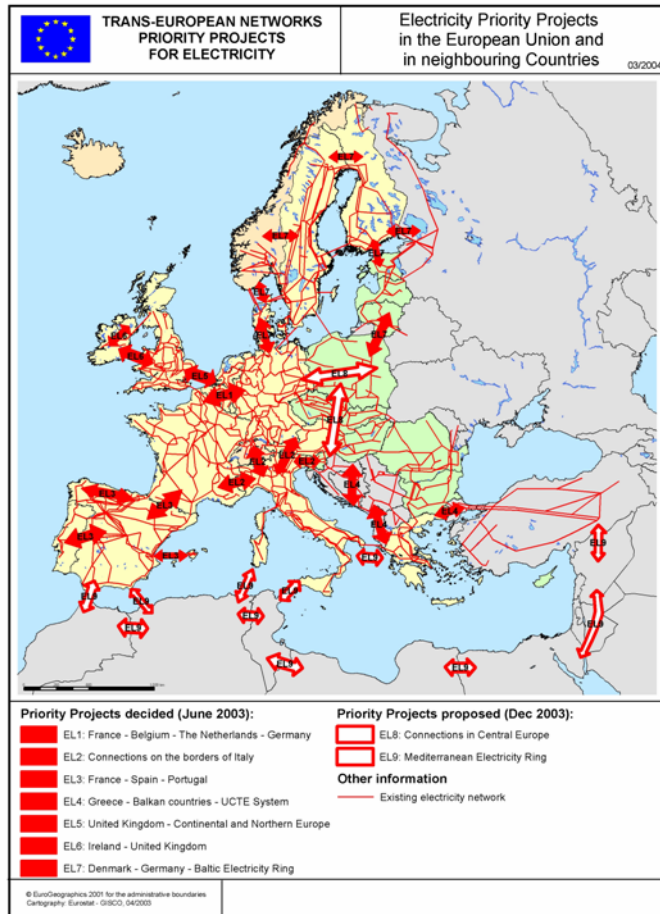
# Electricity consumption and exchanges in regions in Europe in 2005





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## Status of Projects of European Interest

### Status of Implementation of the 42 Projects of European Interest

- **Action 1: Identification of the most important infrastructure encountering significant difficulties has been made**

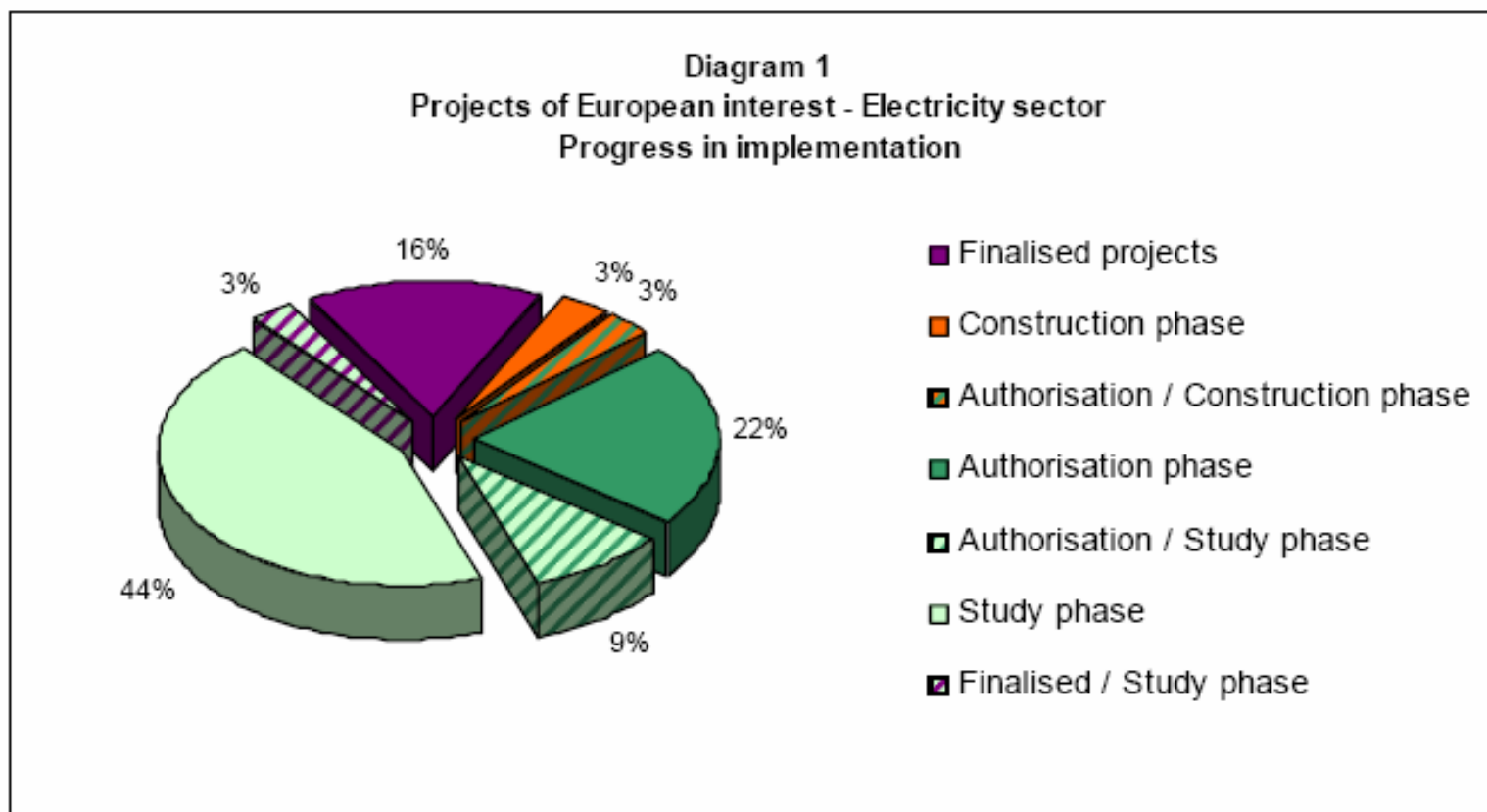


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## Statistics on projects progress



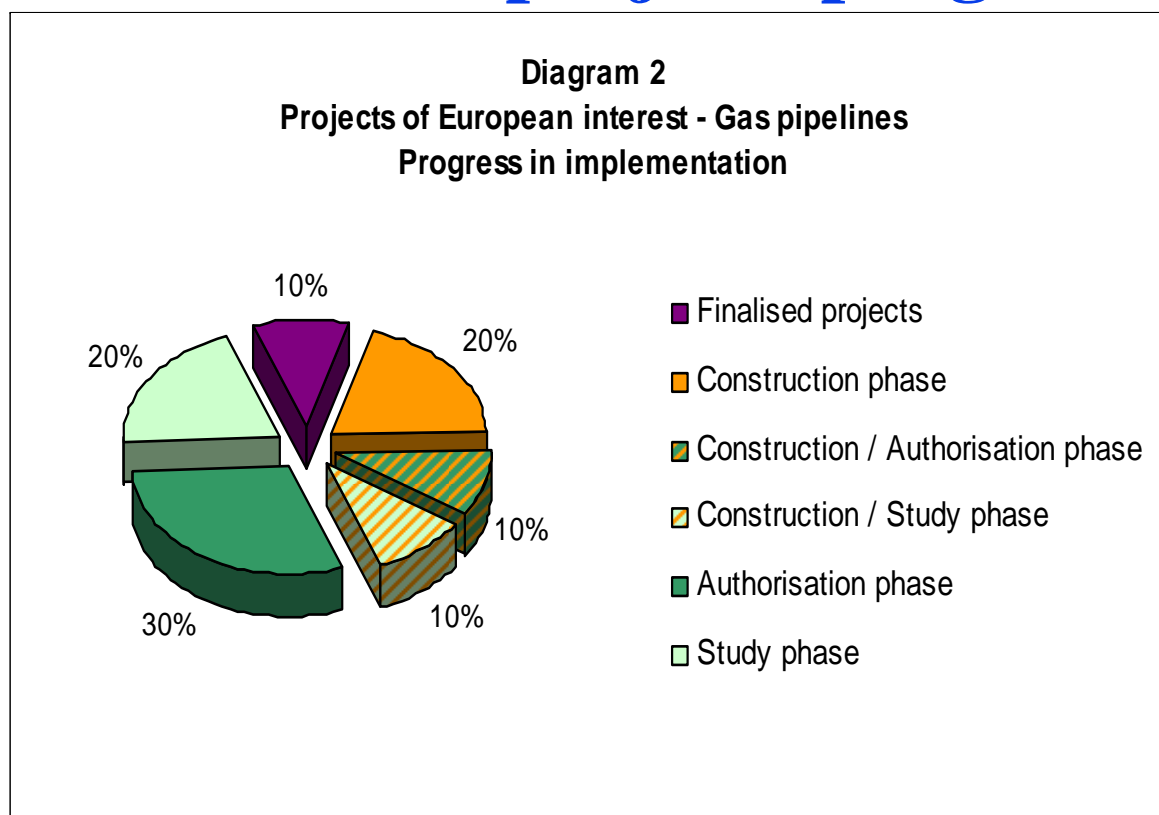


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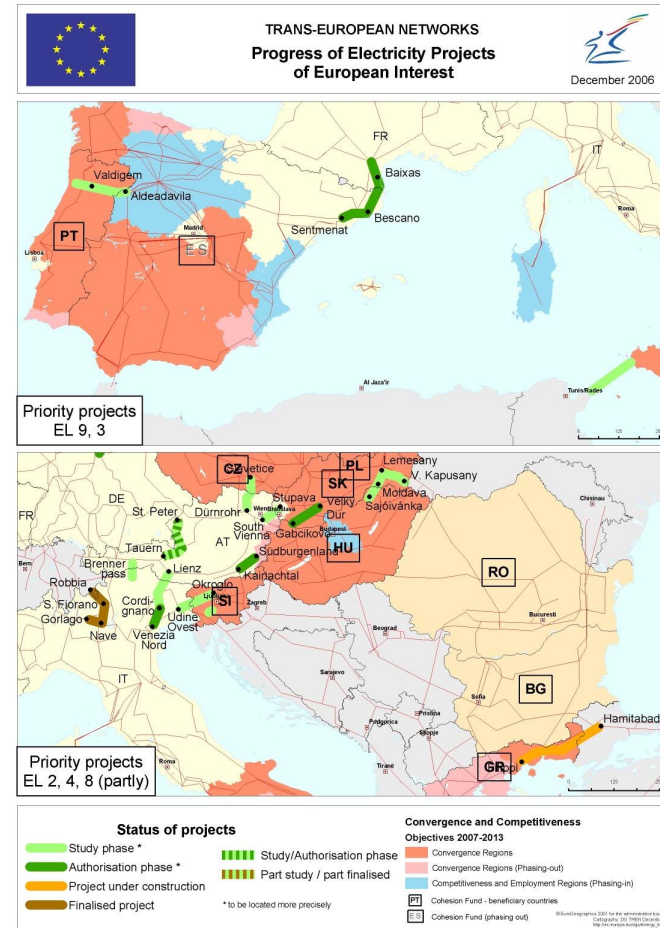
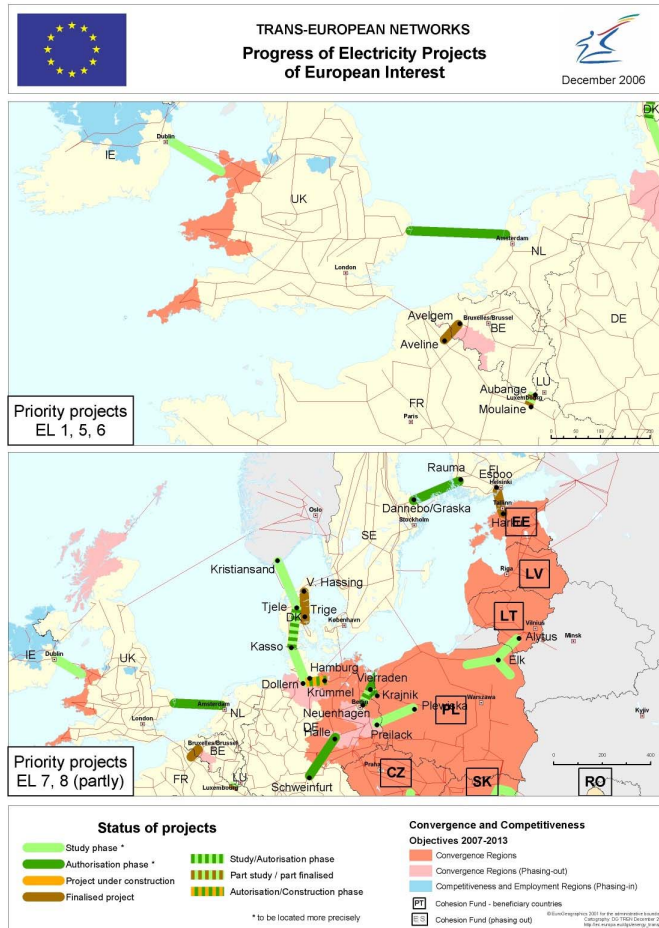
## Statistics on projects progress





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## Structural Problems

### Status of Implementation of the 42 Projects of European Interest

#### ● Action 2: Appointing European coordinators

The Commission will propose early in 2007 the designation of European Coordinators to facilitate the completion of the following projects:

##### For electricity:

- **Power link between Germany, Poland and Lithuania, especially Alytus – Elk (back-to-back station);**
- **Connection of offshore wind power in Northern Europe (Denmark, Germany and Poland);**
- **Connection between France and Spain, especially Sentmenat (ES) – Bescanó (ES) – Baixas (FR) line.**

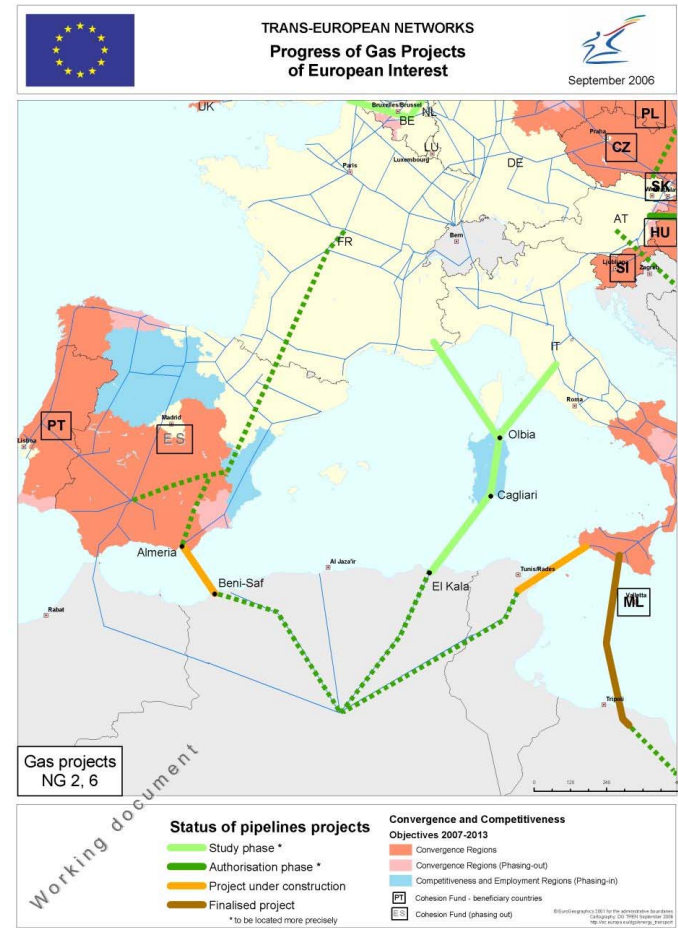
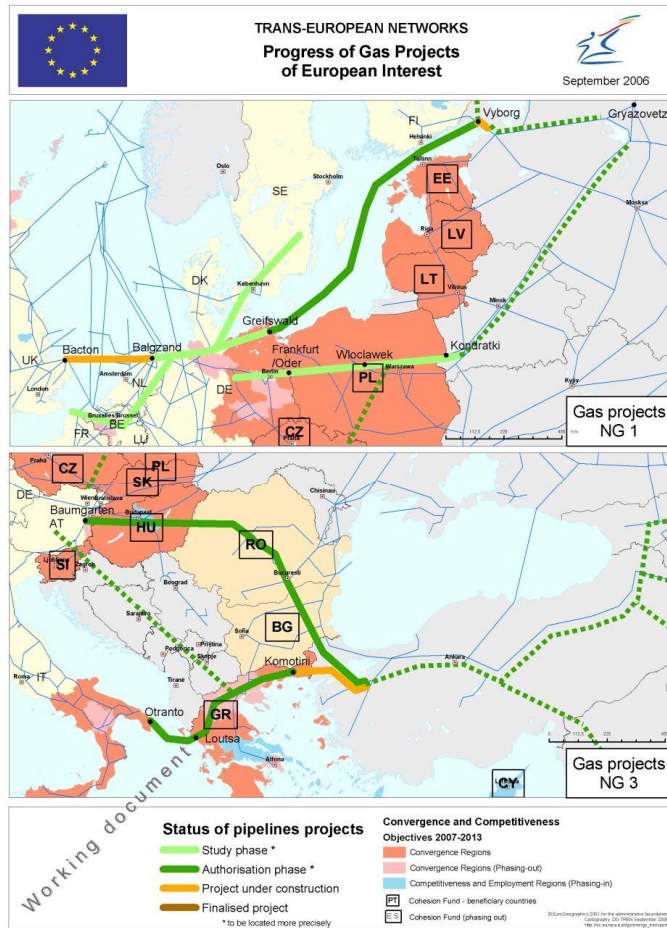
##### For gas:

- **NABUCCO pipeline.**



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**Framework for increased coordination, exchange of information between Member States and other parties.**

**Concerning the implementation of the ‘Projects of European Interest’ the following instruments are mentioned:**

- coordination meetings between all parties included in cross-border sections;
- monitoring progress in implementation to be carried out by the Commission and Member States (jointly with the companies concerned);
- and, when appropriate, Community financial support, including loans by the European Investment Bank.



## Way forward

Open and transparent planning of grids according to consumer needs

- **Action 3: Coordinated planning at regional levels**

The Commission will propose in 2007 establishing a strengthened framework for TSOs responsible for coordinated network planning



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- **Action 4: Streamlining of authorisation procedures**  
The Commission will in 2007 begin revising the TEN-E Guidelines with a view to requiring the Member States, with due regard to the subsidiarity principle, to set up national procedures under which planning and approval processes for projects of European interest should be completed in a **maximum time span of five years.**
- **Action 5: EU funding**  
For specific purposes the Commission will examine in the 2008 revision of the Financial perspectives whether an increase in EU funding for TEN-E networks necessary.



## Conclusions

### Planning at regional level

- **The fragmentation of the planning and authorisation rules needs to be overcome.**
- **A time span of five years for planning, approval and construction should be the target.**

**Priorities → Responsibilities → Means → Construction**

➤ **Wind power Transmission corridors**



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## Legislative action

- **Strong link between the TEN-E priorities and effective implementation procedures.**
- **Revision of TEN-E Guidelines**



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## Trans-European Energy Networks

### TEN-E Funding Programme

Mr. Mark Vangampelaere, DG TREN/B1

Mr. Patrick Bourrel, DG TREN/B1

Mr. Jean-Claude Merciol, DG TREN/B3



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## LEGAL BASE for TEN-E Funding

- **Financial Regulation** (to be adopted in June 2007)
- **Guidelines 2006** (6 September 2006)

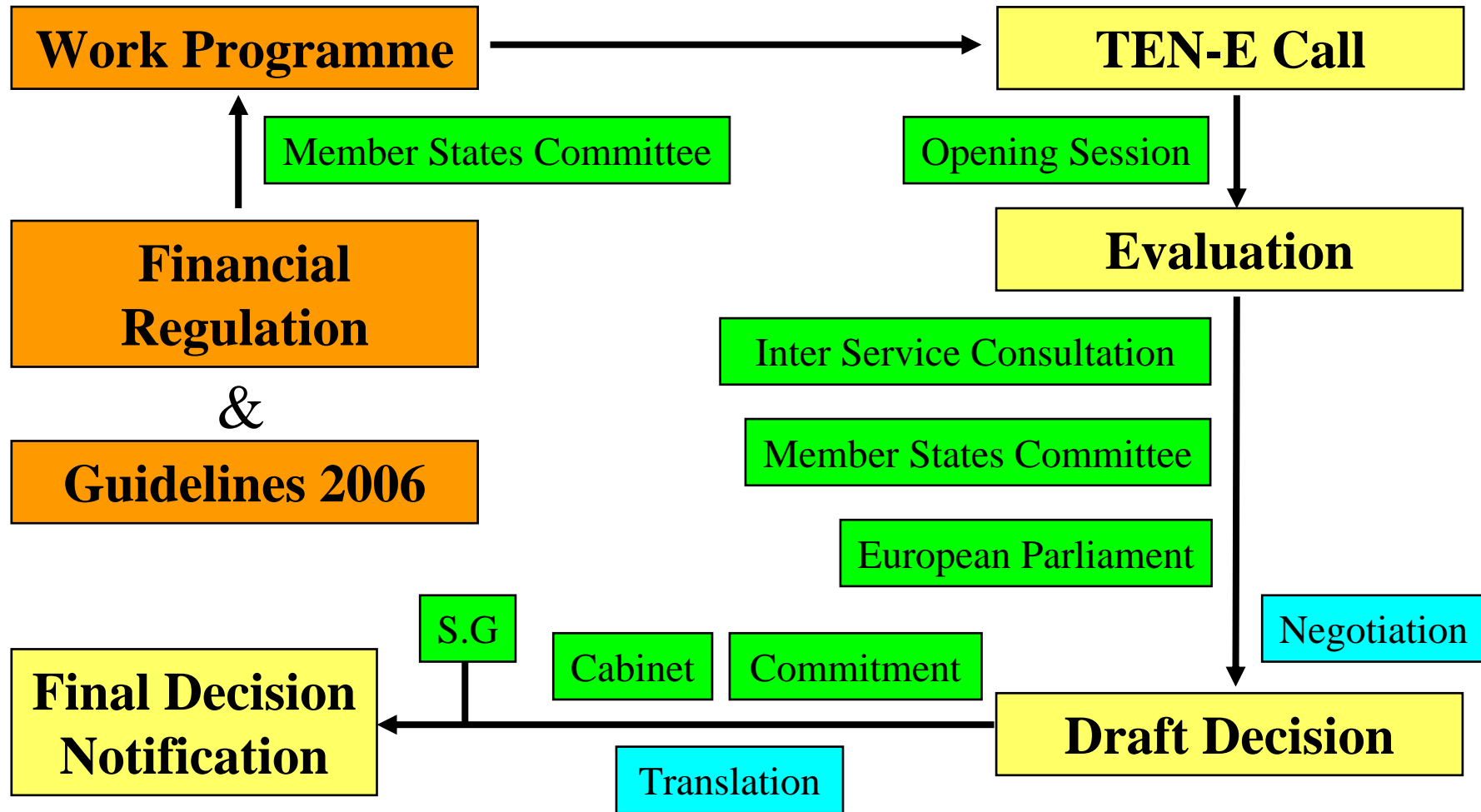
## OUTCOME

- **Work programme 2007** (to be adopted in June 2007)
- **Call 2007** (to be published in May 2007)
- **TEN-E Decision 2007** (to be notified in February 2008)



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**Time table**

1<sup>st</sup> TEN-E Information Day, Brussels, 30<sup>th</sup> March 2007





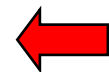
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## Decision n° 1364/2006 (O.J L262 – 06/09/2006)

- Aim
  - ◆ To establish guidelines (objectives, priorities and action lines)
  - ◆ To define nature and scope of EC actions
  - ◆ To identify project of common interest and priority projects
- Projects of Common interest (Article 6 - Annex III)
  - ◆ List of eligible projects for funding
- Priority projects (Article 7 – Annex I)
  - ◆ List of Axes
- Project of European interest (Article 8 – Annex I)
  - ◆ Selected project on the priority axes
  - ◆ Highest priority for funding





## Financial Regulation **TEN-E** (to be adopted in June 2007)

- Eligible criteria for funding:
  - ◆ Only projects of common interest ( annex III of guidelines)
  - ◆ With particular attention to projects of European interest
    - ☞ Development of network to strengthen cohesion by reducing isolation of less favoured and island regions of the Community
    - ☞ Optimisation of capacity of the network and the integration of the internal energy market, in particular cross border sections
    - ☞ Security of energy supply, diversification of sources of energy supplies and in particular interconnections with third countries
    - ☞ Connection of renewable energy sources
    - ☞ Safety, reliability and interoperability of interconnected networks



## Financial Regulation TEN-E

- Proposals have to be submitted by Member States or have their agreement
  
- Award criteria
  - ◆ Maturity of project
  - ◆ Stimulative effect of EU intervention on public and private finance
  - ◆ Soundness of financial package
  - ◆ Socio-economic effects
  - ◆ Environmental consequences
  - ◆ Need to overcome financial obstacles
  - ◆ Complexity of projects





## Work programme TEN-E 2007

- TEN-E Regulation not yet adopted
- So pragmatic way forward = Draft Work programme
- After adoption of Financial Regulation TEN-E:  
formal adoption of Work Programme 2007
- Draft Work Programme 2007 is the basis for the  
TEN-E Call 2007



## Work programme TEN-E 2007

- Work programme fully based on proposed TEN-E Financial Regulation + 2006 Guidelines
- 2007 Budget is 21,2 Mio €
- 80-85% of the budget should go to the priority projects => Particular attention to projects of European interest
- Eligibility criteria:
  - ◆ Projects of common interest (annex III of Guidelines)
  - ◆ Presented by Member States or with their agreement



## Work programme TEN-E 2007

- Award criteria:
  - ◆ Maturity of project
  - ◆ Stimulative effect of EU intervention on public and private finance
  - ◆ Soundness of financial package
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  - ◆ Need to overcome financial obstacles



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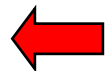


- Award criteria (cont):
  - ◆ The degree of contribution to the continuity and interoperability of the network, as well as optimisation of its capacity
  - ◆ The degree of contribution to the improvement of service quality, safety and security
  - ◆ The quality of the application



## Work programme TEN-E 2007

- Continuity and interoperability of the network :
  - ◆ All major networks connected
  - ◆ No missing links
- Improvement of service quality, safety and security
  - ◆ Secure energy availability (no black outs)
  - ◆ Security of supply

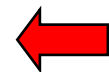






## Member States Committee (Financial assistance)

- Role
  - ◆ Assist the Commission to define the annual priorities of the Work Programme
  - ◆ Validate the Work Programme
  - ◆ Verify that procedures during the evaluation phase are followed and that the best projects are selected
- Composition and voting
  - ◆ 1 representative per Member State
  - ◆ Voting on the Commission proposed ranking list of selected projects
  - ◆ Qualified majority (weighted voting system)





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## TEN-E CALL 2007

- Based on Work Programme 2007
- Which is based on Regulation to be adopted in June 2007
- And guidelines of September 2006
  
- TEN-E application for funding will be published on the Europa Web site

[http://ec.europa.eu/ten/energy/applications/index\\_en.htm](http://ec.europa.eu/ten/energy/applications/index_en.htm)

- ◆ Call TEN-Energy 2007
- ◆ Application Form (Study or Works)
- ◆ Draft model Commission Decision



## TEN-E CALL 2007

### How to apply to TEN-E funding ?

- ◆ Use the application form (mandatory)
- ◆ Pay special attention to all necessary signatures, dates and stamps throughout the application form
- ◆ Submit by mail (include an electronic copy on CD-ROM)
- ◆ Send to the correct address (central mail service of the Commission)



## TEN-E CALL 2007

### Filling out the application form

- ◆ Use the correct application form (Study or Works)
- ◆ Clearly mention all administration information of the beneficiary(ies) and Member State(s)
  - ☞ Multi-beneficiary applications are possible
  - ☞ Appoint a coordinator
- ◆ Describe clearly what you want to do and set clear objectives
  - ☞ Split into parts (Work packages) the work programme
  - ☞ Give a detail technical description for each Work Packages
- ◆ Indicate the exact co-ordinates of the project (GIS) and provide a map in annex



## TEN-E CALL 2007

### Filling out the application form (cont)

- ◆ Fill in the breakdown costs table using the same division into work packages (see Annex III)
  - ☞ Make sure that the Indirect costs (overheads) are correctly indicated
- ◆ Verify the coherence between all the financial tables (especially table 9 and 19)
- ◆ Legal entity and Financial identification forms have to be downloaded from the Europa Web site and must be signed and stamped
  - [http://ec.europa.eu/budget/execution/legal\\_entities\\_en.htm](http://ec.europa.eu/budget/execution/legal_entities_en.htm)
  - [http://ec.europa.eu/budget/execution/ftiers\\_en.htm](http://ec.europa.eu/budget/execution/ftiers_en.htm)



## TEN-E CALL 2007

### Filling out the application form (cont)

- ◆ Environmental impact assessment must be filled out
  - ☞ Declaration by authority responsible for Natura 2000 sites is mandatory for applications “Works”, or “Study” which include minor works
- ◆ Required annexes
  - ☞ Agreement of the Member State(s) (signature in administrative part)
  - ☞ Annex V of the application form for each beneficiary (point 31.6)
  - ☞ Financial capabilities = Annual accounts (point 31.3)
  - ☞ Technical capabilities = Proof of experience (point 31.5)
  - ☞ Conclusions of pre-studies

**The application form MUST be signed by all beneficiary(ies) and Member State(s)**



## Other Sources of financing

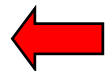
- European Investment Bank
  - ◆ Specific TEN-E programme
    - <http://www.eib.eu.int/site/index.asp?designation=tens>
- Directorate General for Regional Policy
  - ◆ [http://ec.europa.eu/dgs/regional\\_policy/index\\_en.htm](http://ec.europa.eu/dgs/regional_policy/index_en.htm) (under "Means")
    - ☞ Cohesion Fund, ERDF etc...





## Opening Session

- Role
  - ◆ Verify that the proposals are in conformity
    - ☞ On time (post mark)
    - ☞ Signed original by the applicant(s) and Member State(s)
    - ☞ Complete (annexes, legal form, financial identification form, Annex V, Nature 2000, etc...)
- Non conform proposals will not be evaluated
- Unique project reference is attributed (ex: E218/07)







## Evaluation

- Done by a committee composed by internal experts in Gas and Electricity
- Each proposal is evaluated at least by 2 independent experts
- Evaluation criteria described in the Call are applied equally to all proposals
- 3 steps
  - ◆ Eligibility criteria (Annex III, Member State support, compliance with Community law)
  - ◆ Selection criteria (financial and technical capacity)
  - ◆ Award criteria (quality of the proposal, maturity, etc...)
- Ranking of the selected proposals  $\Rightarrow$  Evaluation report



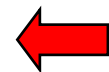
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## Award criteria

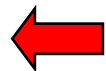
- ◆ Maturity of project
- ◆ Stimulative effect of EU intervention on public and private finance
- ◆ Soundness of financial package
- ◆ Socio-economic effects
- ◆ Environmental consequences
- ◆ Need to overcome financial obstacles
- ◆ The degree of contribution to the continuity and interoperability of the network, as well as optimisation of its capacity
- ◆ The degree of contribution to the improvement of service quality, safety and security
- ◆ The quality of the application





## Validation procedure

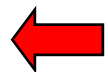
- Inter-Service Consultation: internal procedure to get the approval of all Commission services
  - ◆ Legal Service, Secretariat General, Budget, Environment, etc...
  - ◆ The evaluation report could be adapted
- Member States Committee
- European Parliament
  - ◆ Right of scrutiny (procedural check - 1 month)





## Negotiations

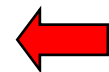
- Fine tune the proposal
- Correct the proposal according to requirements of the evaluation report (basis and framework will always be the proposal as it was evaluated – No “add on”)
- Update timetable and breakdown costs (if necessary)
- Completion of negotiations leads to the technical annex of the draft Decision





## Commission Decision

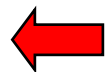
- Main decision text (2 articles)
- Annex I: Specific conditions
  - ◆ Annex I-A: Description of the project / budget
  - ◆ Annex I-B: Special conditions
  - ◆ Annex I-C: List of expenses (4 tables to be filled by the beneficiary)
  - ◆ Annex I-D: Statement certifying the expenses incurred (Member State)
  - ◆ Annex I-E: Evaluation form (to be filled by the Member State)
- Annex II: General conditions
  - ◆ Annex II-A: Legal and administrative provisions
  - ◆ Annex II-B: Financial provisions





## Administrative procedure

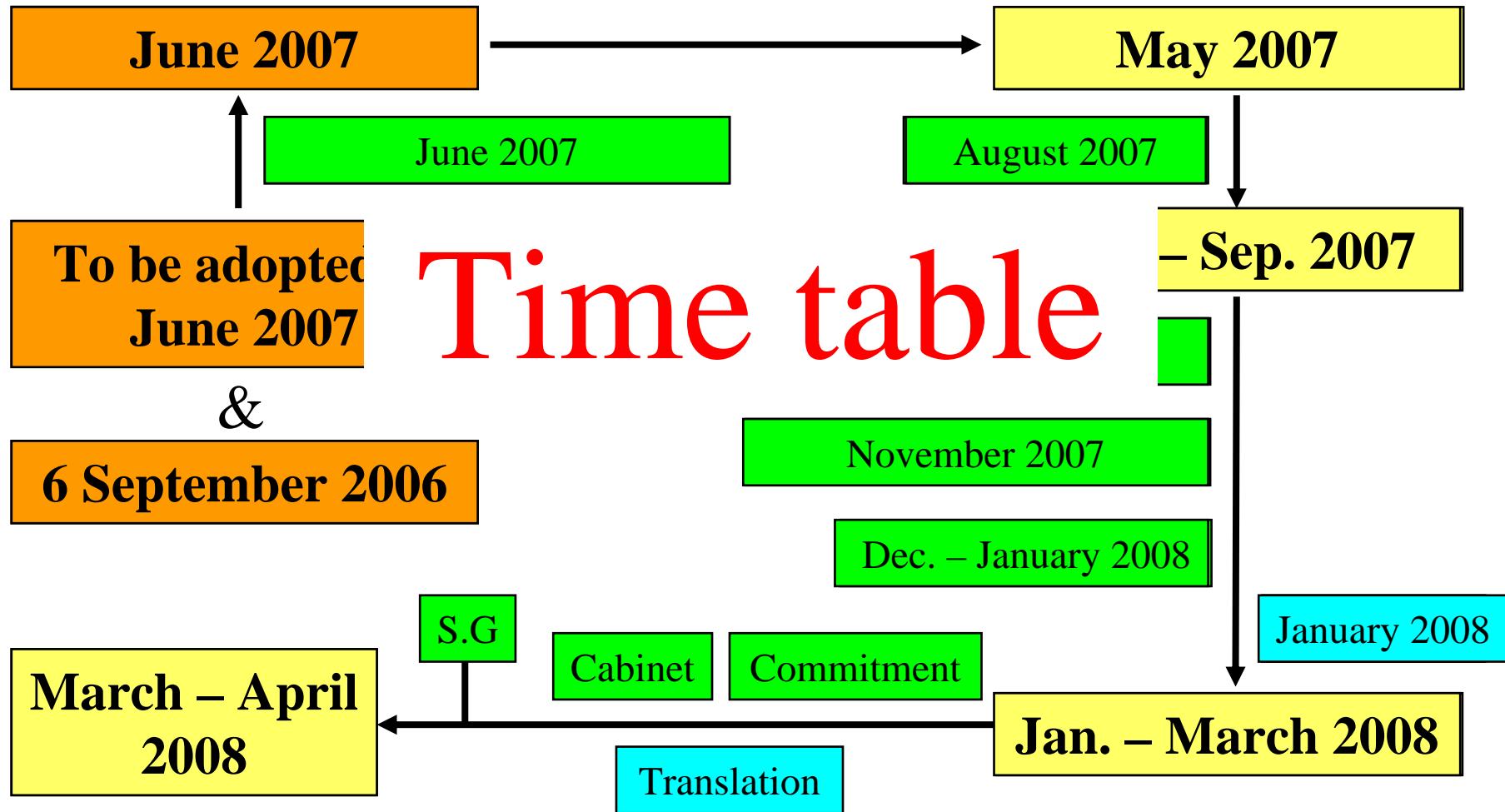
- Commitment: reservation of the budget in the Commission's accounting system
- Translations: Decision in all beneficiary languages
- Cabinet: Signature of the Decision
- Secretariat General: Official notification of the Decision to all beneficiaries and Member States





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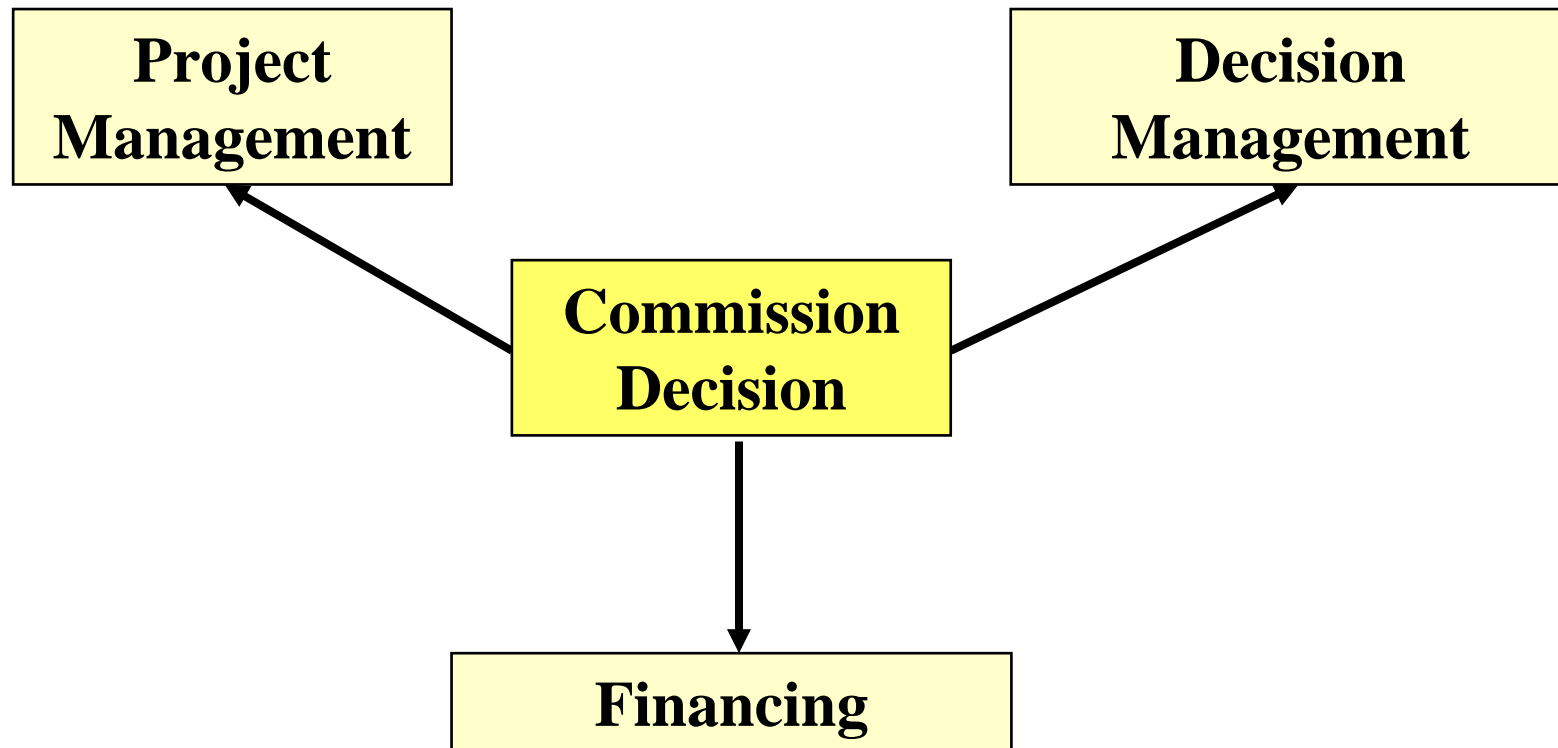
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## Project Management - Planning

- Decision notification date
  - ◆ Date when all beneficiary are notified
  - ◆ Starting point for the reporting time table
- Validity period of the Decision = Eligible cost period
  - ◆ Begin with the Start date of the project or deadline for the call for proposals
  - ◆ End with the end date of the project



## Project Management - Reporting

- Day D = Decision notification date
- D + 6 months = Technical Implementation Summary
- D + 6 months + 1 year = Tech. Impl. Summary
- ... every year until day E
- Day E = End date of the project



## Project Management – Reporting (cont)

- Interim Technical Implementation Report
  - ◆ 70% of the total eligible cost
  - ◆ Request for Interim payment
  
- Final Technical Implementation Report
  - ◆ Maximum 12 months after the End date
  - ◆ Request payment of the balance



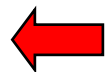
## Project Management – Reporting (cont)

- Technical Implementation Summary: State of progress
  - ◆ No payment
  - ◆ Technical summary
  - ◆ Financial summary
  
- Interim Technical Implementation Report
  - ◆ Interim payment request
  - ◆ Technical report
  - ◆ Financial statement
    - ☞ List of expenses (Annex I-C)
    - ☞ Statement certifying the expenses (Annex I-D)
  - ◆ External audit report (approved by Member State)



## Project Management – Reporting (cont)

- Final Technical Implementation Report
  - ◆ Final payment request
  - ◆ Technical report
  - ◆ Financial statement
    - ☞ List of expenses (Annex I-C)
    - ☞ Statement certifying the expenses (Annex I-D)
  - ◆ External audit report (approved by Member State)
  - ◆ **Evaluation form – Member State appraisal (Annex I-E)**





## Decision Management - Amendment

- Written request by the beneficiary
  - ◆ Justification mandatory
  - ◆ Supported by the Member State
  - ◆ Latest one month before the End date
- The amendment may not have the purpose or the effect of making changes to the decision which might call into question the decision to grant the Community financial aid or result in unequal treatment of applicants



## Decision Management - Amendment

- Amendment request concerns mainly
  - ◆ Change of beneficiary
    - ☞ Transmission of responsibility
    - ☞ Name of the company
  - ◆ Change of bank information
  - ◆ Extension request
- An amendment is not necessary in case of transfer of the budget (in a limit of 20%) but must be notified and accepted by the Commission



## Decision Management - Amendment

- An amendment takes minimum 5 weeks !
  - ◆ Writing the draft Decision
  - ◆ Inter-service consultation
  - ◆ Translation
  - ◆ Notification







## Financing

- Day D = Decision notification date
- Between D and D + 45 days = Pre-financing request
  - ◆ 30% of the total eligible costs
  - ◆ Bank guarantee (if necessary)
- 70% of the total eligible cost = Interim payment request
  - ◆ 40% (or 70%) of the total eligible costs
  - ◆ Release of the Bank guarantee
- Day E = End date of the project
- E + maximum 12 months = Final payment request



## Financial concerns: Budget

- Budget needs to be in line with technical description
  - Budget is (in principle) fixed for the duration of project
  - Budget is the benchmark for financial closure of project
- We work on information provided by you



## Financial concerns: pre-financing

- Pre-financing and interim payment
- Bank guarantees
  - ◆ Fixed model: no add-ins or end date
  - ◆ Bank guarantee until the final payment
  - ◆ Needed depending on public/private nature of party



# European Energy and Network Policy

European Commission – DG Energy and Transport



## Financial concerns: Subcontracting

- Check if subcontracting is in line with budget
- Respect rules of selection & transparency



## Financial concerns: Closing the project

- End date of the action determines procedure
- Audit certificates: univocal and project related
- Audit reports: post action adjustments are possible
- Member State certification is needed

