

Information Circular

INFCIRC/728

Date: 12 June 2008

General Distribution

Original: English

Communication dated 9 June 2008 received from the Resident Representatives of Germany, the Netherlands and the United Kingdom to the Agency with regard to the Conference on Nuclear Fuel Supply: Challenges and Opportunities

The Secretariat has received a communication dated 9 June 2008 from the Resident Representatives of Germany, the Netherlands and the United Kingdom, attaching the full report of Germany, the Netherlands and the United Kingdom on the Conference on *Nuclear Fuel Supply: Challenges and Opportunities*, held in Berlin on 17-18 April 2008.

As requested in that communication, the report is herewith circulated for the information of Member States.

In a declaration which was circulated as INFCIRC/713 (17 September 2007), the Foreign Ministers of the Federal Republic of Germany, the Kingdom of the Netherlands and the United Kingdom of Great Britain and Northern Ireland set out their countries' shared thinking on multilateral approaches to the nuclear fuel cycle. In the declaration, Germany, the Netherlands and the UK stated their willingness to contribute to IAEA discussions on the development of guarantee schemes and the multilateralisation of nuclear fuel cycle activities. It is clear that the IAEA plays a vital and central role in promoting such discussions.

The three governments stress that they support the right of all Parties to the Non-Proliferation Treaty to develop research, production and use of nuclear energy for peaceful purpose without discrimination and in conformity with Articles I and II of the Treaty and underlined the importance of ensuring that the implementation of those rights are consistent with the highest standards of safety, security and non-proliferation. We respect that countries do not wish to renounce the option to develop nuclear fuel cycle activities and we do not ask them to do so. The Federal Republic of Germany, the Kingdom of the Netherlands and the United Kingdom of Great Britain and Northern Ireland, as possessors of advanced enrichment technology, reaffirm that they feel a special responsibility to develop multilateral cooperation in this area and to stimulate a constructive debate around the development of guarantee schemes and the multilateralisation of the fuel cycle.

As a follow-up to the declaration of September 2007, Germany, the Netherlands and the UK organised a conference entitled 'Nuclear Fuel Supply: Challenges and Opportunities' which took place in Berlin on 17 and 18 April 2008. As Dr. Frank-Walter Steinmeier, Foreign Minister of Germany, explained in his opening address, the aim of the Conference was to highlight a number of key issues facing countries that were considering nuclear power for the first time. The conference brought decision-makers and technical experts from these countries together with colleagues from countries that have experience in nuclear energy or which are potential suppliers of enrichment services. This way, States that are considering developing nuclear energy were able to have an informed discussion about the various issues and available options concerning nuclear fuel supply. It was important that the conference provided and facilitated an open forum so that participants were allowed to share best practice and gain a greater understanding of these issues.

The 28 States that took part in these discussions represented a broad range of interests including: those that are considering whether to introduce nuclear power to their energy mix; countries that have recently made the choice to introduce nuclear power; countries that have experience in enriching for foreign markets, and countries with a nuclear energy programme that have no indigenous enrichment capability but instead rely on the international market for nuclear fuel. Experts from a number of commercial enrichment companies and other international experts with experience in the nuclear fuel cycle also attended the conference.

In his key-note address, the Director General of the IAEA, Dr. Mohammed ElBaradei, reiterated his conviction that a multilateral approach to the nuclear fuel cycle has great potential to ensure the safe and secure use of nuclear energy for peaceful purposes, while minimising the risk of proliferation. The DG stressed the importance of developing assurance of supply mechanisms and warned that if the international community failed to achieve such a solution, the alternative could be the mastery of sensitive parts of the fuel cycle by more and more States, not only for economic reasons but equally for deterrence purposes. The DG

stated that in his view, there are four key requirements for an assurance of supply mechanism to work: multinational control; access on a non-discriminatory basis; release of nuclear material using criteria that are not politically motivated, and an-overarching multilateral framework in which non-proliferation and nuclear disarmament are linked.

During the conference participants discussed political and commercial aspects of the nuclear fuel cycle in an open and frank manner. Many of the delegates actively participated in the discussions, which contributed to a broader mutual understanding of the issues involved.

In addition to the addressing the risk of supply disruptions the arguments in favour of establishing national fuel cycle activities were discussed. These included:

- self-sufficiency,
- political, economical and technological independence
- status,
- wish to master the fuel cycle in accordance with Article IV rights of the NPT

The arguments against establishing national fuel cycle activities included:

- increased proliferation risks;
- high costs of establishing enrichment facilities,
- the fact that commercial supply is, and is likely to remain, at a reasonable price, with sufficient stocks available.

Some of the proposals that had been presented by States as possible options to provide assurances of nuclear fuel supply were discussed. It was noted that all existing proposals were developed by countries possessing nuclear technology. In this context it was acknowledged that it would have been useful to consult with countries that may become purchasers of nuclear fuel and enrichment services before the proposals were developed. This would have helped to set the scene for a more focussed debate on the issue. 'Trust' was mentioned by many delegates as a necessary building-block for constructive progress in the discussions, not least to give confidence on both sides- e.g. in the political and economic motives of supplier states, and the intentions of potential customer States. It was also questioned whether it was useful, in terms of transparency and clarity, to have such a broad range of proposals. Others argued that such a broad range could be helpful to potential customer States in deciding how best to proceed. Disarmament obligations of Nuclear Weapon States under Article VI of the NPT were also raised in with the context of discussions on Article IV.

The importance of the IAEA taking a central role in discussions on nuclear fuel cycle issues, including nuclear fuel assurances, was underlined and acknowledged by many. The DG and the IAEA were encouraged to continue their efforts to stimulate and foster an open and transparent debate.

Various delegations welcomed the conference, and noted that its approach to the issue of nuclear fuel supply was timely and useful, and a follow-up event was called for. Taking this into account, the organisers believe that the conference achieved its ambitious aim of providing an open forum for constructive, cooperative, and forward-looking discussion. The host partners stand ready to facilitate and stimulate further debate on this issue of major importance. In the spirit of Minister Steinmeier's opening address, it is of the utmost importance to our future generations that nuclear energy is used in a safe, secure and peaceful way.