

# THE INTERNATIONAL NUCLEAR FUEL CYCLE CONFERENCE: SECURING SAFE ACCESS TO PEACEFUL POWER

17 March 2009

## Working Group C: How can the IAEA play a role in assurances of supply and services?

### Running Themes:

- (a) **Confidence** – how can MNAs increase confidence? What is the effect of increased confidence on national decision-making on MNAs? What is the role of the IAEA as a confidence-building mechanism in itself;
- (b) Questions related to **reassurance** and **trust**;
- (c) A broad consensus around the need for Article IV (NPT) desire not to be abridged (although this consensus does not presuppose an underlying consensus on the definition of the word “abridged.”)

### Questions Discussed:

**The IAEA’s role, if any:** a general consensus existed regarding the existence of a role for the IAEA. The question, in fact, was not whether such a role existed, but the manner of its existence – how it might play out. The IAEA has an accepted role as an honest broker, and an objective, neutral third-party. Moreover, the IAEA is already playing a role in the context of MNAs.

It was suggested that the question of the IAEA’s role has a precursor, specifically: what do we want assurances for? Given that the market is functioning, what would prevent, in practice, honouring existing arrangements for supply (and, by extension, triggering a fuel bank question)?

Vis-à-vis broader multilateral arrangements, parallels were noted between the expected progress of the MNA agenda (as envisioned by the IAEA Director General) and the questions of Article VI obligations under the NPT. In the case of MNAs, it has been anticipated that, first, fuel assurances will be agreed, followed by the multilateralisation of all new enrichment (and reprocessing) facilities, followed by the multilateralisation of all such facilities. In both cases (MNAs and the NPT), these steps see most States refrain from certain activities now, whereas other States – who have already undertaken such activities – agree only to moderate their behaviour at some undetermined point in the future. Addressing these apparent parallels, and the mistrust they have given rise to, is crucial to the success of the broader MNA project.

Generally, however, it was agreed that the IAEA plays a crucial role in bringing an independence and objectivity to the MNA enterprise. Nonetheless, it was noted that the IAEA is not immune to the prevailing political climate, and thus one shouldn’t overstate the “inherent” objectivity of an international organisation.

**The IAEA's involvement in commercial activities:** such involvement should be minimal. The IAEA should not be a new entrant to the market. It is not a vendor or a supplier, but rather a facilitator. One possible codicil to this is the fact that, depending upon the amount of material in a fuel bank, some slight market distortion might be inevitable. The Russian proposal for a fuel bank (at Angarsk) provides a counter-example, however, in that it anticipates a reserve of 120 tonnes of LEU – enough for two reloads of a 1000 MWe reactor – in other words, an amount of fuel small enough that the market should not be affected.

**Release criteria:** Responsibility for discussing, generating, and agreeing upon release criteria is the Member States's – specifically, the IAEA Board of Governors's. However, upon the agreement of such criteria, the IAEA Secretariat – the Director General – should be charged with deciding when these criteria have been met. It is crucial that confidence should exist that this will be the case; to assume otherwise is, effectively, to remove the “assurance” from “assurance of supply mechanisms” writ large.

**Remaining areas of discussion:** with respect to **whether IAEA activities should be expanded in scope** – the discussion indicated that the only certainty at this point is that the IAEA's involvement will be in the form of verification, safety, security, and possibly in licensing. However, the German Multilateral Enrichment Sanctuary Project (MESP) proposal envisions a role for the IAEA as the administrator of an MESP site – i.e. an expanded role for the Agency. With regard to **financing of MNA activities**, the specifics are still unclear. Notably, the MESP proposal sees costs being borne by the investors in the Project, not the IAEA. Similarly, the fuel bank component of Angarsk (in the Russian Federation), would see the costs to store fuel paid for by the Russian government, as well as the costs to transport the fuel to port. Thereafter, the consumer State would assume the costs of transportation – the IAEA would not be responsible financially. Finally, the discussion touched briefly on **whether the MNAs could “work” without IAEA involvement**. In this respect, the example of Urenco was held up as evidence that this is indeed possible, although the value of the IAEA as an honest broker was reiterated.

**Selected remaining indicative questions:**

- (a) While it seems clear that trust is crucial, questions remain: trust about what? And between whom?
- (b) How does the existence of a fuel bank, which is assumed to be drawn upon only in extreme circumstances (i.e. as a last resort), benefit nonproliferation?
- (c) How can the IAEA's objectivity, in light of varying political circumstances, be ensured to the confidence of all, particularly potential consumer States?