

**Statement by Henk Swarttouw, Director Security Policy Department,
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**International Nuclear Fuel Cycle Conference: securing safe access to
peaceful power**

London, March 17th 2009

'A nuclear renaissance and the fuel cycle: ways forward'

Mr. Chairman, ladies and gentlemen,

Ambassador Elbling just presented you with an overview of the issues and debate during the Berlin Conference. One of the conclusions was that more of these meetings should take place. We are therefore grateful to the UK for organising this conference in London and in taking the process forward.

This is also what I would like to do with you now: look forward!

Mr. Chairman,

The Prime Minister has eloquently placed this conference in the wider framework of global challenges. Let's now try to narrow our focus.

Energy is an important economic, social, environmental and political issue, nationally and internationally. The growing demand for energy on a global scale is a given. Due to this growing demand on the one hand and the finiteness of fossil fuels on the other, States are increasingly concerned about their ability to guarantee energy security for future generations. Therefore energy takes an evermore prominent place on the international agenda. Looking at their long-term energy needs, several states have recently come to the conclusion that nuclear power will be part of their national energy mix. Other states may reach the same conclusion in the near future. There are approximately 440, mostly ageing, nuclear power plants in the world today and there are many new ones planned

for the future and the Prime Minister just explained how necessary they might be. Whatever our stance on nuclear energy, the growing interest in nuclear power is a matter of fact. Hence, many have started speaking of a nuclear renaissance.

I think all of us would agree that it is of the greatest importance that this nuclear renaissance takes place with maximum safety & security and the best non-proliferation guarantees. This holds especially true for the nuclear fuel cycle. Sensitive nuclear fuel cycle activities pose specific proliferation risks, which we should all seek to minimise, while upholding States' rights under the NPT to have full access to the peaceful uses of nuclear technology. Secure access to and supply of nuclear fuel, and thus increased energy security, is a key interest of states operating nuclear power programmes. If we are to assure that the development of nuclear power is consistent with the highest safety, security and non-proliferation standards, we must make certain that the issue of supply security is properly addressed.

Mr. Chairman,

From my perspective there are basically four ways forward to address security of supply. These four ways are not mutually exclusive and can be pursued simultaneously. In fact, they may all lead to the same destination.

The **first** would be to leave things to the *market*. And why not! The market is functioning very well, which was made clear in the presentations and discussions in Berlin last year, as well as during many other events, most recently at a seminar organised by Japan. The market has done so for a good many years and there are no indications that it won't be able to meet demand in the near and more distant future, even if demand increases substantially. This is also the gist of the report of the Working Group of the World Nuclear Association on Security of the Nuclear Fuel Cycle presented in 2006 and more recently reaffirmed in the OECD/NEA 'Nuclear Energy Outlook' in 2008. Indeed there is a valid case to be made. However, as is abundantly clear today, well-functioning 'markets' can all of

a sudden change and become dysfunctional. Now the nuclear fuel market is fortunately very different from the world's financial markets. Given its nature it is much better controlled, contracts are long-term and its development is much more transparent. Nevertheless, there are countries, as we heard during the Berlin-conference, who are concerned that supply-problems might arise in the future, possibly for political reasons. These concerns are real and need to be addressed.

Hence, the **second** way forward would be to back up this well-functioning market with *fuel banks under the control of the IAEA*. In case of interruptions of supply which are unrelated to commercial reasons, the IAEA could supply LEU from a fuel bank under its control, after having determined that the recipient state is in full compliance with its obligations with regard to safety, security and non-proliferation. Thus far, two proposals for setting up such fuel banks have been submitted. In 2006 the Russian Federation proposed to create a system of international enrichment centres under IAEA-control and offered to establish such a centre in Russia. The International Uranium Enrichment Centre in Angarsk could eventually become such an IAEA fuel bank. Another proposal is based on the offer, also in 2006 from the Nuclear Threat Initiative to partially finance the purchase of a LEU-stock to be placed under the control and in possession of the IAEA and to be used when there is a temporary lapse in other supply arrangements. The NTI would provide US\$ 50 million out of the US\$ 150 million required. Since 2006 the additional US\$ 100 million required to make the fuel bank into a reality have been pledged through contributions from the US, the United Arab Emirates, the EU and Kuwait. The proposal, its conditions and modalities are ready for discussion in the IAEA Board of Governors and are expected to be on the agenda in June. Although such an IAEA-fuel bank would be a step forward, given its relatively small size, it would probably not be sufficient to provide complete fuel assurances to the countries concerned, especially so for states with larger nuclear energy programmes, who operate

several nuclear power plants. But it is a start and it could function as a pilot, from which valuable lessons could be drawn.

A **third** option are so-called '*fuel supply alliances*', through which supplier and consumer countries would enter into arrangements to assure the supply of nuclear fuel. Such a deal has of course been part and parcel of the EURATOM-treaty, which among many other things acts as a fuel supply alliance. On a global scale, a number of proposals for fuel supply alliances have been launched since 2006. Among them are the Global Nuclear Energy Partnership (GNEP) by the US and The Reliable Access to Nuclear Fuel-proposal (RANF) in which six countries (US, UK, France, Germany, Netherlands, Russian Federation) that offer enrichment-services propose a mechanism to guarantee the supply of LEU in case of market fluctuations. This proposal was later complemented by a proposal from Japan to set up an information system to help prevent interruptions in nuclear fuel supply. The UK's proposal for a Nuclear Fuel Assurance, formerly known as the International Fuel Enrichment Bond, also sets up fuel alliances. Such a Nuclear Fuel Assurance will take the form of an agreement between the supplier state and the consumer state, under the auspices of the IAEA, that commercial LEU supply will not be disrupted for wider political reasons. In a sense the Russian International Uranium Enrichment Centre (IUEC) in Angarsk, which is currently owned by Russia and Kazachstan and in which shortly also Armenia and Ukraine will participate already is a fuel supply alliance as it guarantees the supply of nuclear fuel to its shareholder countries. At the same time the IUEC also has the characteristics of the **fourth** way forward: *multinational and/or multilateral production facilities*.

This brings me to URENCO, the example "avant la lettre" of a multilateral nuclear concept. The 3 Urenco countries, brought together under the Treaty of Almelo, have gained unique experience in multilateral cooperation on nuclear fuel cycle facilities in a way that respects the highest non-proliferation standards. The German Multilateral Enrichment Sanctuary Project-proposal (or MESP), submitted in 2007, proposes setting up a multilateral enrichment-centre, with

extra-territorial status under the control of the IAEA, operating on a commercial basis. The proposal is currently being worked out in more detail and a briefing took place in Vienna last week on the margins of the Board of Governors' meeting. Finally there is the Austrian proposal to work towards the multilateralisation of the entire nuclear fuel cycle. Needless to say that all of these proposals are the result of 'creative thinking', as requested by the IAEA's Director-General. They are not set in stone and should be seen as first steps by the supplier countries in order to trigger a debate with the consumer-countries.

As I stated earlier, I believe these four ways forward, or options to deal with security of nuclear fuel supply, do not necessarily contradict one another and can be pursued side by side or sequentially. All proposals regarding Multilateral Nuclear Approaches that have been made so far each have the characteristics of one (and sometimes indeed more) of these four ways forward. That doesn't mean that we shouldn't think of other proposals or of ways to ensure that the current proposals complement each other even better.

In his speech at the Berlin Conference last year, Director-General El Baradei laid out what he saw as the requirements or principles for an assurance of supply mechanism to work. He reaffirmed this during the last meeting of the Board of Governors:

- any such mechanism should be non-political, non-discriminatory and available to all States in compliance with their safeguards obligations;
- any release of material should be determined by non-political criteria, established in advance and applied objectively and consistently;
- No State should be required to give up its rights under the Non-Proliferation Treaty regarding any part of the nuclear fuel cycle.

In addition, I think an overarching principle is required, as became apparent at the Berlin-Conference: Trust. Establishing and increasing trust would be an essential building-block for constructive progress. This holds true for both sides. Consumers need to trust the political and economic motives of supplier states, while suppliers must trust the intentions of potential customer states. I believe that building trust and confidence and working out multilateral nuclear approaches can go hand in hand and can mutually reinforce each other. If we, suppliers and consumers share the goal that the nuclear power renaissance is to take place in the best safety, security and non-proliferation conditions, it is essential that we move forward.

This is the task we have before us and this conference provides us with an excellent opportunity to discuss these possible ways forward in more detail. I am looking forward to the discussions in the working groups. Perhaps there is another, fifth or sixth, approach that we have not thought about! I am counting on your input; let's be creative!

Thank you.