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President: Mr. MINTY (South Africa)

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The composition of delegations attending the session is given in document GC(50)/INF/8/Rev.1.

¹ GC(50)/21.

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Abbreviations used in this record:

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| ASEAN | Association of Southeast Asian Nations |
| DPRK | Democratic People's Republic of Korea |
| NAM | Non-Aligned Movement |
| NPT | Treaty on the Non-Proliferation of Nuclear Weapons |

24. Examination of delegates' credentials (resumed) (GC(50)/27)

1. Mr. RAMZY (Egypt) said that his country believed that the credentials of the State of Israel were limited to the 4 June 1967 borders and did not apply to the occupied Arab territories. The fact that Egypt had accepted the report of the General Committee (document GC(50)/27) adopted the preceding day did not imply recognition of the occupation by Israel of any of the occupied Arab territories, including Jerusalem, the Golan Heights and the Shebaa Farms.

2. Mr. MADI (Jordan) said that, because it was convinced of the importance of achieving and ensuring peace for the peoples of the Middle East, and of the need to make every effort to achieve that end, his country had agreed to accept the report of the General Committee and had not signed the declaration by Arab delegations expressing their reservations regarding Israel's credentials at the current and previous sessions of the General Conference. Jordan was resolute in its belief in the illegality of the Israeli annexation of occupied Jerusalem, which was in breach of United Nations Security Council resolutions. It believed that it was essential to abide by the provisions of United Nations General Assembly resolution 35/169 (1980) which determined that all legislative and administrative measures taken after the occupation of the city of Jerusalem were null and void, and which called upon all States, specialized agencies and international organizations to disregard any measure contravening the provisions of that resolution.

19. Implementation of the NPT safeguards agreement between the Agency and the Democratic People's Republic of Korea (GC(50)/15, L.9 and Add.1)

3. The PRESIDENT noted that the item had been included in the agenda pursuant to General Conference resolution GC(49)/RES/14 adopted the preceding year. The Director General had reported to the Board periodically on the issue during the intervening year and his report, contained in document GC(50)/15, summarized developments over that period. A draft resolution on the agenda item had been submitted in document GC(50)/L.9 and Add.1.

4. Ms. GERVAIS-VIDRICAIRE (Canada), introducing the draft resolution, said that it acknowledged the importance of the joint statement issued at the conclusion of the fourth round of the six-party talks in Beijing, expressed continued support for the six-party talks process, whose goal was the verifiable denuclearization of the Korean Peninsula, and expressed concern that there had been little progress towards that goal since September 2005. It was important that the General Conference send a clear and firm message to the DPRK and she therefore hoped that the draft resolution would be adopted by consensus. It had been sponsored by 55 Member States and was a clear demonstration of the deep concern shared by all regarding the DPRK's nuclear programme.

5. Ms. LACANLALE (Philippines), speaking on behalf of ASEAN, drew attention to the statement issued by the Foreign Ministers of ASEAN member countries on 25 July 2006 in which they had emphasized that the denuclearization of the Korean Peninsula was essential to the maintenance of

peace and stability in the Asia and Pacific region. They had reaffirmed the importance of dialogue among all parties for the peaceful resolution of the issue, their support for the principles of the joint statement issued on 19 September 2005, and the importance of that statement being observed and implemented. Furthermore, they had called upon all the parties concerned to resume the six-party talks as a means of moving forward to achieve a peaceful resolution of the issue.

6. The PRESIDENT took it that the Conference was ready to adopt the draft resolution contained in document GC/(50)/L.9 and Add.1 without a vote.

7. It was so decided.

8. Mr. TANG Guoqiang (China) said that his country had made strenuous efforts in hosting the six-party talks, which had provided an important platform for all interested parties to conduct dialogue and consultations. The talks undoubtedly constituted the most effective mechanism for seeking a peaceful solution to the nuclear issue on the Korean Peninsula through diplomatic efforts. Regrettably, certain complex factors had emerged and the six-party talks were at a standstill. The mechanism faced new challenges. In the current circumstances, it was particularly necessary for the parties involved to hold firm to the path of seeking a peaceful solution while keeping calm and exercising restraint. The difficulties should be resolved through dialogue and consultation, and any action that might lead to tensions on the Korean Peninsula should be avoided. China hoped that the resolution just adopted would help stakeholders continue their diplomatic efforts to establish a nuclear-weapons-free zone on the Korean Peninsula and would facilitate a peaceful resolution of the issue. The maintenance of peace and stability on the Korean Peninsula was in the common interest of the countries of north-east Asia and of the international community as a whole and China would unswervingly pursue its efforts to achieve that end.

9. Mr. AMANO (Japan) said that the DPRK's nuclear weapons and nuclear programmes were a direct threat to peace and stability in north-east Asia. They were also a serious challenge to the international nuclear non-proliferation regime. In spite of a series of General Conference resolutions on the issue, the DPRK had not been implementing comprehensive Agency safeguards and had been refusing to cooperate with the Agency.

10. The multiple launches of ballistic missiles by the DPRK on 5 July 2006 had further intensified concerns. That act directly affected the security of Japan and Asia and was deeply deplorable from the point of view of the peace and security of the international community and non-proliferation of weapons of mass destruction. It also undermined the efforts to achieve an early resumption of the six-party talks.

11. Japan had therefore sponsored United Nations Security Council resolution 1695 (2006) which sent a resolute message from the international community. However, the DPRK had immediately rejected the resolution, which his country deeply regretted. Japan strongly urged the DPRK to implement the measures advocated in the resolution. Japan intended to make every effort to achieve steady implementation of the resolution in coordination with the international community. The DPRK should also show restraint and refrain from any action that might aggravate tension.

12. It was essential that the six-party talks be resumed at the earliest possible date so that agreement could be reached on relevant issues, including details of verification measures and concrete procedures for the prompt realization of the verifiable dismantlement of all nuclear weapons and nuclear programmes by the DPRK. In that regard, he stressed the importance of the Agency's verification role. Together with other partners, Japan would continue to make every effort to resolve the matter through the six-party talks and other diplomatic efforts.

13. Mr. KIM Sung-Hwan (Republic of Korea) said it was a matter of serious concern to the international community that the DPRK's nuclear activities had not been subject to Agency verification since December 2002 and that the Agency had been unable to draw any conclusions regarding the DPRK's nuclear activities.

14. The draft resolution just adopted delivered clear messages from the international community to the DPRK. It stressed the importance of a peaceful resolution of the DPRK nuclear issue through dialogue, and urged the DPRK to return immediately to the six-party talks without precondition and to work towards expeditious implementation of the joint statement of 19 September 2005. The resolution also supported the international community's peaceful efforts in all available and appropriate fora to address the challenges posed by the DPRK nuclear issue. In particular, it supported the six-party talks and called for their early resumption, stressing the importance of the commitment of all participants to the full implementation of the joint statement. It was of the utmost importance that the DPRK abide by its commitment to abandon all nuclear weapons and existing nuclear programmes, and that the other parties' commitment to corresponding measures be implemented in a timely and coordinated manner. The resolution also called upon the DPRK to cooperate promptly with the Agency in the full and effective implementation of safeguards and to comply fully with the NPT.

15. His country had noted the Director General's statement to the effect that the Agency was ready to work with the DPRK, and with all others, to find a solution that addressed the needs of the international community to ensure that all nuclear activities in the DPRK were exclusively for peaceful purposes. Given the nature of the DPRK nuclear issue and its significant impact on the future of the non-proliferation regime, his country fully supported the Agency's critical role in upholding the safeguards system.

16. The Government of the Republic of Korea would continue to make every effort to achieve a negotiated solution to the DPRK nuclear issue in close consultation with other relevant parties. To that end, it was working together with the United States of America and other members of the six-party talks on developing a common and broad approach which would allow the talks to be resumed and expedited with a view to realizing the denuclearization of the Korean Peninsula as envisaged in the joint statement. His country had no doubt that the international community would continue to render valuable support to facilitate a peaceful resolution of the issue.

17. Mr. MÁRQUEZ MARÍN (Bolivarian Republic of Venezuela) said that his country believed that the purpose of the resolution just adopted was to intensify the efforts under way to achieve the denuclearization of the Korean Peninsula. However, operative paragraph 2 could be an obstacle to the resumption of the talks because flexibility and moderation were needed in order to open the way for the DPRK to return to the talks.

18. Ms. GOICOCHEA ESTENOZ (Cuba) noted that the resolution just adopted was different from those adopted by the General Conference at previous sessions. Cuba had accepted its adoption without a vote in spite of the serious difficulties it had with regard to preambular paragraph (e), which referred to a subject that was outside the Agency's mandate. Cuba also had difficulties with regard to operative paragraph 2, which set conditions for the DPRK to return to the six-party talks. In the view of her country, that paragraph was discriminatory in nature and contrary to the spirit of multilateralism.

19. Mr. SOLTANIEH (Islamic Republic of Iran) said that his delegation had not blocked the adoption of the resolution by consensus since there were calls in both its preambular and operative parts for negotiation of a solution. He recalled the position of his own country and other developing countries, particularly the members of NAM, with respect to recognition of the inalienable right of Member States to use nuclear energy for peaceful purposes. The language of threat, and harsh resolutions questioning a country's sovereign rights or aiming to isolate it, were always

counterproductive to the cause of peace and stability and universality of the NPT. He therefore urged all Member States of the Agency, and the DPRK, to choose the right course of action, namely dialogue and negotiation on all issues of concern within the framework of the Agency's Statute, in order to achieve a long-term peaceful solution for the Korean Peninsula.

– Report by the Chairman of the Special Event

20. The PRESIDENT invited the Chairman of the Special Event, Mr. Curtis, to present his report.
21. Mr. CURTIS (Chairman of the Special Event) presented his report, which is reproduced in the Annex.
22. The PRESIDENT thanked Mr. Curtis for his most interesting presentation and the Secretariat for its excellent preparation of the Special Event.

– Oral Report by the Chairman of the Committee of the Whole

23. Mr. SHANNON (Australia), Chairman of the Committee of the Whole, presented the outcome of the Committee's deliberations on agenda items 10, 11, 12, 13 14, 15, 16, 17, 18, 22 and 23.
24. Under item 10, "The Agency's accounts for 2005", the Committee recommended that the Conference adopt the draft resolution on page i of document GC(50)/8.
25. Under item 11, "The Agency's budget for 2007", the Committee recommended that the Conference approve a total Regular Budget figure for 2007 of US \$283 611 000 on the basis of an exchange rate of €1.00 to \$1.00 and adopt draft resolution A in the Annex to document GC(50)/6 entitled "Regular Budget appropriations for 2007"; that it approve a target for voluntary contributions to the Technical Cooperation Fund for 2007 of \$80 000 000 and adopt draft resolution B in document GC(50)/6/Mod.1 entitled "Technical Cooperation Fund Allocation for 2007"; and that it approve a level for the Working Capital Fund in 2007 of €15 210 000 and adopt draft resolution C in the Annex to document GC(50)/6 entitled "The Working Capital Fund in 2007".
26. Under item 12, "Amendment to Article XIV.A of the Statute", the Committee recommended that the Conference adopt the decision set out in document GC(50)/L.4.
27. Under item 13, "Scale of assessment of members' contributions towards the Regular Budget", the Committee recommended that the Conference adopt the draft resolution on page 3 of document GC(50)/16.
28. Under item 14, "Measures to strengthen international cooperation in nuclear, radiation and transport safety and waste management", the Committee recommended that the Conference adopt draft resolutions A, "Measures to strengthen international cooperation in nuclear, radiation and transport safety and waste management", and B, "Transport Safety", in document GC(50)/L.5.
29. Under item 15, "Nuclear security — measures to protect against nuclear terrorism", the Committee recommended that the Conference adopt the draft resolution in document GC(50)/L.3 entitled "Progress on measures to protect against nuclear and radiological terrorism".

30. Under item 16, “Strengthening of the Agency’s technical cooperation activities”, the Committee recommended that the Conference adopt the draft resolution in document GC(50)/L.6.

31. Under item 17, “Strengthening the Agency’s activities related to nuclear science, technology and applications”, the Committee recommended that the Conference adopt draft resolutions A, “Non-power nuclear applications”, B, “Nuclear power applications”, and C, “Nuclear knowledge”, in document GC(50)/L.7.

32. Under Item 18, “Strengthening the effectiveness and improving the efficiency of the safeguards system and application of the Model Additional Protocol”, the Committee had reached agreement on the draft resolution contained in document GC(50)/COM.5/L.1/Rev.2 with the exception of one operative paragraph on which some delegations had expressed reservations.

33. Under item 22, “Amendment to Article VI of the Statute”, the Committee recommended that the Conference adopt the decision set out in document GC(50)/L.8.

34. Under item 23, “Elections to the Agency’s Staff Pension Committee”, the Committee recommended that the Conference elect Ms. Noor Hasnah Mohamed Khairullah of Malaysia and Ms. Olivia Preston of the United Kingdom as alternate members.

35. In conclusion, he thanked the members of the Committee for their spirit of cooperation and the Vice-Chairpersons Ms. Zanathy of Hungary and Mr. Arévalo Yépes of Colombia, and expressed particular appreciation to Mr. Lundby of Norway and Mr. Beven of Australia for their outstanding work in conducting consultations on important items.

The Agency’s accounts for 2005 (agenda item 10)

36. As recommended by the Committee of the Whole, the draft resolution on page i of document GC(50)/8 was adopted.

The Agency’s budget for 2007 (agenda item 11)

37. As recommended by the Committee of the Whole, draft resolutions A, B and C contained in the Annex to document GC(50)/6 and in document GC(50)/6/Mod.1 were adopted.

Amendment to Article XIV.A of the Statute (agenda item 12)

38. As recommended by the Committee of the Whole, the decision contained in document GC(50)/L.4 was adopted.

Scale of assessment of members’ contributions towards the Regular Budget (agenda item 13)

39. As recommended by the Committee of the Whole, the draft resolution on page 3 of document GC(50)/16 was adopted.

Measures to strengthen international cooperation in nuclear, radiation and transport safety and waste management (agenda item 14)

40. As recommended by the Committee of the Whole, draft resolutions A and B contained in document GC(50)/L.5 were adopted.

Nuclear security — measures to protect against nuclear terrorism (agenda item 15)

41. As recommended by the Committee of the Whole, the draft resolution contained in document GC(50)/L.3 was adopted.

Strengthening of the Agency's technical cooperation activities (agenda item 16)

42. As recommended by the Committee of the Whole, the draft resolution contained in document GC(50)/L.6 was adopted.

Strengthening the Agency's activities related to nuclear science, technology and applications (agenda item 17)

43. As recommended by the Committee of the Whole, draft resolutions A, B and C contained in document GC(50)/L.7 were adopted.

Amendment to Article VI of the Statute (agenda item 22)

44. As recommended by the Committee of the Whole, the decision contained in document GC(50)/L.8 was adopted.

Elections to the Agency's Staff Pension Committee (agenda item 23)

45. As recommended by the Committee of the Whole, the Conference elected Ms. Mohamed Khairullah of Malaysia and Ms. Preston of the United Kingdom as alternate members of the Agency's Staff Pension Committee.

Strengthening the effectiveness and improving the efficiency of the safeguards system and application of the Model Additional Protocol (agenda item 18)

46. Ms. KAUPPI (Finland), speaking on behalf of the European Union and the other co-sponsors of the draft resolution contained in document GC(50)/COM.5/L.1/Rev.2, said that, following extensive consultations, consensus had been reached on the draft resolution with the exception of operative paragraph 3.

47. Mr. SHARMA (India), supported by Mr. MICHAELI (Israel) and Mr. SHAHBAZ (Pakistan) requested a separate vote on operative paragraph 3 of the draft resolution.

48. The PRESIDENT said that there had been a request for a separate vote on operative paragraph 3 of the draft resolution and he put that paragraph to a vote by show of hands.

49. There were 77 votes in favour of operative paragraph 3 and 3 against, with no abstentions. The paragraph was adopted.

50. Mr. SHARMA (India) said that, as a founder member of the Agency, India had consistently supported the Agency's activities within the framework of the Statute. It attached great importance to the Agency's safeguards activities and had made constructive contributions to strengthening the effectiveness and improving the efficiency of the safeguards system. In the same spirit, India had joined the consensus on the Board's decision to create an Advisory Committee on Safeguards and Verification and had been participating in its meetings. It believed that the value and success of the Agency were attributable to the meticulous way in which it had carried out its tasks in accordance with its mandate, without being influenced by extraneous issues.

51. Until 2000, the safeguards resolution had been a consensus resolution. However, in 2001 a new operative paragraph had been added whose language contradicted the spirit of the chapeau of the operative part that had been worked out in difficult negotiations. Operative paragraph 3, which had been retained in the current year's resolution, urged all States to bring into force comprehensive safeguards agreements, ignoring the fact that such agreements related to States' obligations under the NPT. That paragraph thus appeared to impose upon States which were not party to the NPT the same obligations as applied to parties, and that was unacceptable to India. As his country had made clear at previous sessions of the Conference, the signing of treaties was a State's sovereign decision. India's

membership of the Agency did not impose upon it any obligation which was not contained in the Statute. Any resolution which ran counter to the spirit of the Statute was unacceptable to his country. Despite efforts to work out a compromise, the operative paragraph in question had continued to appear without change since 2001. Accordingly his delegation had had no option but to vote against operative paragraph 3 of the draft resolution.

52. Mr. SHAHBAZ (Pakistan) said that his country had always supported efforts aimed at strengthening the role of the Agency within the framework of its Statute and its legal authority, and under international law. Its efforts and actions to enable the Agency to discharge its responsibilities in an efficient and credible manner were well known.

53. Pakistan's vote against operative paragraph 3 of the draft resolution was consistent with its principled stand on the issue. The language contained in that paragraph did not take into account the differentiated nature of the safeguards undertakings of Member States and, as such, negated their rights under the Agency's Statute. Pakistan had always shown the utmost flexibility in the search for language for operative paragraph 3 which met the concerns of all and rectified the anomaly. However, that flexibility had not been reciprocated, forcing it to vote against the operative paragraph in question.

54. Pakistan would continue to play an active role in furthering the Agency's objectives in a positive and constructive manner within its legal parameters.

55. The PRESIDENT took it that the Conference wished to adopt the draft resolution as a whole.

56. The draft resolution contained in document GC(50)/COM.5/L.1/Rev.2 was adopted.

The meeting rose at 1.05 p.m.



SPECIAL EVENT AT THE 50th IAEA GENERAL CONFERENCE

New Framework for the Utilization of Nuclear Energy in the 21st Century:

Assurances of Supply and Non-Proliferation

Vienna: 19 – 21 September 2006

REPORT OF THE CHAIRMAN OF THE SPECIAL EVENT, MR. CHARLES CURTIS

Overview

At the outset of the 21st century, a discussion is taking place concerning the challenge of meeting increasing global energy demands through a possible expansion of the use of nuclear energy, while at the same time minimizing the proliferation risks created by the further spread of sensitive nuclear technology such as uranium enrichment and spent fuel reprocessing. A number of useful suggestions have recently been put forward regarding new approaches to the nuclear fuel cycle, which aim to establish an assured supply of nuclear fuel, as a back-up measure to the commercial market, in certain situations. In general, these proposals are seen to be mutually compatible with, and supportive of, each other.

These recent proposals for assuring supplies of uranium-based nuclear fuel can be seen as one stage in a broader, longer-term development of a multilateral framework that could encompass assurance of supply mechanisms for both natural and low enriched uranium and nuclear fuel, as well as spent fuel management.

Establishing a fully-developed, multilateral framework that is equitable and accessible to all users of nuclear energy, acting in accordance with agreed nuclear non-proliferation norms, will be a complex endeavour that would likely require a progressively phased approach. In general, it is the sense of the Event Chairman that the following could be a possible way forward:

1. a first – near term – phase focusing on establishing mechanisms for assurances of supply of nuclear fuel for nuclear power plants. Included for examination in the near term phase would be the proposal for an IAEA-owned low enriched uranium (LEU) fuel bank advanced by the Nuclear Threat Initiative (NTI), the proposal of the six major nuclear fuel supplier States (France, Germany, the Netherlands, the Russian Federation, the United Kingdom and the United States of America) and the proposal of the Russian Federation for international nuclear fuel cycle centres. This near term phase examination should also include the proposals of Japan and the United Kingdom, described as “complementary” to the six major fuel-supplier State initiative, and the proposal of the German Foreign Minister (still under development), as well as any other such proposals that might be elaborated in the near term.

2. a second – mid and long term – phase, focusing on the possibilities of evolving a truly comprehensive multilateral system, integrated with commercial market mechanisms and designed to assure supply adequacy and responsible management and disposition of waste. Included for examination in the mid and longer term phase would be proposals for assured access to power reactor components and technologies and the possibilities for developing future enrichment and reprocessing operations on a multilateral basis and ultimately converting existing enrichment and reprocessing facilities from exclusively national to multinational operations.

The evolution of a fuel assurance framework, in the first phase, would likely entail a step-by-step approach, requiring the IAEA Secretariat, in consultation with Member States, industry and other expert parties, to present proposals to the IAEA Board of Governors, through the Director General, as they mature and as policy, technical and legal issues are worked out.

IAEA Special Event

To facilitate IAEA Member State discussion of recent proposals on assurance of supply mechanisms, with a view to formulating well-structured recommendations regarding the establishment of assurance of supply mechanisms for the consideration of the Board of Governors in 2007, and focusing in the first phase on assurances of supply of nuclear fuel for nuclear power plants, the Director General organized a Special Event entitled “New Framework for the Utilization of Nuclear Energy: Assurances of Supply and Non-Proliferation” during the 50th regular session of the IAEA General Conference, from 19 to 21 September 2006 in Vienna. More than 300 participants from 61 Member States and various industry and other organizations took part in the discussions.

The discussions at the Special Event indicated that, in order to move forward, a number of policy, legal and technical issues remain to be addressed in greater detail. It was not the purpose of the Special Event to judge or rank the feasibility of the current proposals put forward by the Director General, States and non-governmental organizations. Instead, the objective was to constructively identify the possible strengths, weaknesses and opportunities presented, taking advantage of the full range of perspectives represented by the Event attendees.

A Way Forward

May I say from the outset that through the discussions that took place during the Event, great care was taken by all participants to make clear that assurance of supply mechanisms are not intended to alter the right of any State to take its own decision regarding fuel cycle choices. I should also note that a number of participants expressed concerns about implied or intended conditions as may be applied to fuel assurance mechanisms. From the discussions during the event, I believe the following issues would benefit from further elaboration.

Why is an assurance of supply mechanism needed?

Proponents of the establishment of an international back-up mechanism for assured supply of nuclear power reactor fuel assert that it would have a dual-objective, i.e. to address: (a) the possible consequences of interruptions of supply of nuclear fuel due to political considerations that might dissuade countries from initiating or expanding nuclear power programmes; and (b) the vulnerabilities that create incentives for building new national enrichment and reprocessing capabilities. Thus, an assurance of supply mechanism would be envisaged solely as a back-up measure to the operation of the commercial market, for those States that want to make use of it, in order to assure supply in instances of interruption for political reasons. It would neither be a substitute for the existing commercial market in nuclear fuels, nor would it deal with disruption of supply due to commercial, technical or other non-political reasons. While an assurance of supply mechanism would be designed to give supply assurance to States that voluntarily choose to rely on international fuel supply, rather than build their own indigenous fuel cycle capabilities, a State availing itself of such a mechanism would not be required to forfeit, or in any way abridge, its rights under Article IV of the NPT, in connection with peaceful uses of nuclear energy.

The path forward would benefit from a clear consensus judgment of the proliferation risks associated with increased diversification of enrichment and other fuel cycle capacities. Correspondingly, Board of Governors consideration would benefit from clarification, by each of the proposal sponsors, concerning any explicit or implicit conditionality applicable to eligible beneficiaries of the supply assurance mechanism.

What is to be assured?

From the discussions, it was clear that existing proposals dealt with assurances of supply in different but complementary ways. Some of the proposals focused on assuring supplies of natural uranium and low enriched uranium stocks, and still others focused on assurances of the supply of nuclear fuel itself, through the establishment of a series of interlocking arrangements among major suppliers. Furthermore, it was asserted that there was also a complementary need for greater transparency in uranium markets, and that assured access to a broader range of nuclear reactor technology would be important to operators and countries seeking to reduce the risk of interruptions on political grounds.

It was clear that a fully developed assurance of supply mechanism would comprise several of the ideas advanced which, taken as a whole, are considered mutually supportive and consistent. It is equally clear that this evaluation would need to be phased in over time.

What are the modalities of assurance mechanisms?

The discussions showed that the modalities of possible fuel assurance mechanisms would also need to be assessed. The possible modalities could include: 1) a virtual reserve¹ of natural and low enriched uranium, based on binding contractual agreements for the supply of such material, plus parallel binding commitments/assurances of fuel fabrication services. It was recognized that while an actual (physical) bank of natural or low enriched uranium could be established, it would be impractical for technical and economic reasons to have an actual bank of nuclear fuel assemblies, given the different types of reactor designs and the many variants of nuclear fuel required for them – in this case, the physical bank of nuclear material would need to be supplemented by parallel binding commitments/assurances of fuel fabrication services. It was recognized that the complexity and details of such modalities requires further consideration.

What objective criteria would be required?

The discussions also touched upon the issue of objective criteria, i.e. the conditions governing eligibility for benefiting from assurance mechanisms. Different eligibility criteria have been included in the proposals discussed. Further discussion is required regarding the nature of the non-proliferation undertaking to be considered as the qualifying criterion. It was recognized that in accordance with the IAEA Statute, an Agency-administered assurance mechanism would have to be available to all Member States in a non-discriminatory manner. For any mechanism, whether or not it involves a role for the Agency, certain release criteria would need to be defined and agreed upon, either by the IAEA Board of Governors or the supply consortium. Another aspect requiring further assessment is how best to assure that the application of the release mechanism is demonstrably non-political and based on objective criteria.

Possible role(s) of the Agency?

Existing proposals envisage different roles for the Agency, and yet others can be considered. The suggested roles ranged from Agency administration or ownership of natural or low enriched uranium stocks, to administration of virtual stocks and associated parallel fuel fabrication commitments. It was noted that the IAEA Statute was sufficiently broad to allow the Agency to establish its own stocks of nuclear fuel, purchased from, or donated by, Member States for supply to another Member State against charges determined by the Board; to facilitate the supply of nuclear fuel from one Member State to another; and also to facilitate, inter alia, the provision of enrichment and fuel fabrication services by one Member State to another or to the IAEA. It was noted further that a number of legal arrangements were needed, with variations, depending on whether title to the material concerned passes through the Agency or whether it

¹ A virtual reserve does not involve a separate physical storage of natural or low enriched uranium, but relies on its availability from suppliers that have agreed to be a part of the fuel assurance mechanism.

passes directly from the Supplier State to the Recipient State. These were: (1) an arrangement between the Supplier State and the Agency; to include inter alia consent rights by the Supplier State to export the fuel, licensing and transport requirements as well as the corresponding privileges and immunities; (2) an arrangement between the Recipient State and the Agency to include inter alia the issues listed in Article XI.F of the Statute; (3) the underlying contractual arrangements with nuclear fuel providers, transporters, storage providers, etc.; and, (4) in case the IAEA were to establish an actual bank of nuclear fuel, agreements covering safeguards, security, safety and liability for nuclear damage with the State where the fuel is located as well as transit agreements with neighbouring States. While models of certain legal arrangements already exist, the details would need to be worked out.

Possible role(s) of the nuclear industry?

The discussions involved the participation of representatives of the nuclear industry and showed that different roles for the nuclear industry can be envisaged or have been proposed and that there are many technical and other issues pertaining to nuclear fuel that need further discussion and consideration. It was recognised that for a well-functioning assurance of supply mechanism, whether for nuclear fuel or for reactors, the nuclear industry would be an essential partner. In this regard, further consultations would be useful with the nuclear industry, particularly on a framework under which the nuclear industry would provide the required goods and services in support of an assurance of supply mechanism, without negative effects on the diversity and stability of the existing commercial market in nuclear fuels.

Other key issues

The discussions also showed that several other important issues concerning assurance mechanisms require further consideration. These include, for instance, issues related to sustainable financing. Other unresolved key issues are how to structure assurance mechanisms in a manner that does not result in a real or perceived division between nuclear fuel/reactor technology haves and have-nots, and does not undermine existing multilateral, treaty-based nuclear non-proliferation norms or State sovereignty/rights.

Next Steps

Based on the discussions at the Special Event, it is the sense of the Event Chairman that the issues noted above require further detailed expert examination with a view to formulating well-structured recommendations regarding the establishment of assurance of supply mechanisms.

It is also the sense of the Event Chairman that such recommendations could usefully be structured in terms of policy, legal and technical issues, and that proposals could be formulated by the IAEA Secretariat working in parallel with and drawing upon Member States, nuclear industry and other appropriate expertise. This work would naturally take into account current as well as future proposals and other relevant ideas and studies, and this work can and should be undertaken to allow consideration of these matters by the Board of Governors in 2007. It is likely that these undertakings will evolve into an agenda for near- and mid term actions.

I trust that these observations will be conveyed, along with any recommendations in this connection by the Director General, to the Agency's Board of Governors.