

## Information Circular

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# Communication received from the Resident Representative of Germany to the IAEA with regard to the German proposal on the Multilateralization of the Nuclear Fuel Cycle

1. The Agency has received a communication dated 26 April 2007 from the Resident Representative of Germany, attaching the German proposal on the Multilateralization of the Nuclear Fuel Cycle.
2. As requested in that communication, the proposal is herewith circulated for the information of Member States.

**Multilateralizing the Nuclear Fuel Cycle**  
**German Proposal**  
**Discussion paper**

The report by the IAEA Director-General's advisory group on "Multilateral Approaches to the Nuclear Fuel Cycle" revitalized the long-standing debate on multilateralizing fuel-cycle activities and supply guarantees for nuclear fuel; that debate continued during the "Special Event" at the 50<sup>th</sup> IAEA General Conference. Against this background, and in addition to previous proposals, the German Government would like to present its own proposal for discussion involving an enrichment plant under sole IAEA supervision with regard to export controls. This proposal is aimed exclusively at finding a solution to the major issue of how the objectives of both nuclear weapon non-proliferation and secure access to nuclear fuel for all interested states can be achieved simultaneously. The German Government would be grateful if the IAEA and its Member States gave its proposal serious consideration, and is prepared to further elaborate it and give it concrete shape together with interested governments and the IAEA.

**Motives:**

1. The aim is to render irrelevant, for the purposes of security of supply, the question of whether or not a state operates a uranium enrichment plant on its territory. States' differing assessments of the reliability of supply must be respected in this regard. This judgment is incumbent on each individual state. The proposal offers to significantly increase the security of fuel supply.
2. Uranium enrichment for the world market currently takes place in the US, the UK, France, the Netherlands, Russia and Germany. These states are at the same time technology holders, highly-developed industrial countries and members of the OECD. In order to achieve security of supply in the judgment of all potential customers on the nuclear-fuel market, access to uranium enrichment irrespective of political considerations for all states and their utilities would be desirable. This would entail finding a balance between the aims of the non-proliferation of nuclear weapons and sensitive technology on the one hand and the highest possible level of security of supply on the other. A further enrichment site outside the current provider states could

help diversify enrichment sites and thus place energy-supply security on a broader geographical footing.

3. The present technology holders are not willing to transfer uranium-enrichment technology, both for commercial reasons and due to fears regarding the proliferation of sensitive technology. This is their right, as it is the right of other states to develop their own technology as long as they uphold their NPT obligations. But it is in the shared interests of all states to ensure that energy-supply security does not entail the risk of the further proliferation of nuclear weapons. However, limits on the spread of sensitive technology should not result in inappropriate restrictions on economic development.
4. Apart from the guarantee of increased supply security, this proposal offers economic advantages through the use of tried and trusted enrichment technology, but does not involve the transfer of sensitive technology. In the interests of non-proliferation it encourages states not to embark on costly and unsafe economic and technological development work. Thus the proposal, without prohibitions and restrictions and based on purely economic considerations, contributes both towards the non-proliferation of sensitive technology and security of supply.

**Core elements of the proposal:**

1. A host country would have to be willing to cede administration and sovereign rights over a certain area yet to be defined to the IAEA, and to sign an agreement to that end. The IAEA would be given the right to exercise controls over low-enriched uranium (LEU) exported from this area, as well as all the rights necessary to construct, run and monitor a uranium-enrichment plant (including safety and safeguards monitoring).
2. Interested states or firms from interested states would then be able, on the basis of agreements between the IAEA and those states or firms, to erect one or more commercial enrichment plants. Arrangements would have to be made to ensure that no comparative advantages arise from the fact that the plant(s) were sited in an area not under national jurisdiction, thus acting as competitively neutral players in the world market for uranium-enrichment services.

3. The IAEA Board of Governors must draw up a binding catalogue of criteria, adherence to which would guarantee the release of deliveries of LEU from this area by the IAEA or its Director-General.

**Explanations:**

- The proposal does not envisage any limits on the use of nuclear technology beyond those contained in the NPT. All states retain the right to develop, construct and run their own enrichment plants as players in the global market.
- There is no intention to transfer technology to the IAEA. The core of the plant, still to be defined, would have to be constructed as a "black box" and would therefore only be accessed and maintained by the supplier.
- The proposal assumes that there is currently a functioning and continually growing market for enrichment services. The IAEA enrichment plant would join the others in the market and would not in our view lead to market distortions. This means that the following preconditions need to be fulfilled in order to implement the proposal:
  - o The plant would not be subsidized by the IAEA but rather financed on a commercial basis or by the Member States on their own responsibility. The IAEA itself would not own the plant.
  - o The plant would be run on a commercial basis by a management independent of the IAEA, under the control and responsibility of the owners.
  - o The owners would be responsible for tendering plant construction and management using economic criteria.
  - o Supervision of the plant, if this is normally carried out by a state body, would in this case be done by the IAEA.
  - o Taxes or fees paid by commercial firms in the host country would have to be charged towards the IAEA, or some other arrangement created, in order to avoid distortion of competition.

- There is no intention to limit construction of enrichment plants in future exclusively under the aegis of the IAEA. Other suppliers have equal rights to adapt their capacity to global market requirements.
  
- The site of the multilateral uranium-enrichment plant must be acceptable to the broad majority of the international community, as well as be appropriate for the plant's task of generating a secure fuel supply and therefore for its guaranteed operation. The criteria include: reliable infrastructure, good accessibility, for example through direct access to the sea, and a politically stable host country which verifiably upholds the Safeguards Agreement and the NPT. The site should contribute towards diversification, i.e. should not be in one of the current enriching states.
  
- The plant must be built to the state of the art as regards safety, security and safeguards.
  
- Supplies of material subject to "flag rights" must be treated as such also by the IAEA. The end-user is advised to seek supplier countries in line with his supply-security criteria.
  
- Deliveries from the plant must be made on the basis of commercial supply contracts.