

## Information Circular

**INFCIRC/727**

Date: 30 May 2008

**General Distribution**

Original: English

---

# Communication dated 30 May 2008 received from the Permanent Mission of the Federal Republic of Germany to the Agency with regard to the German proposal for a Multilateral Enrichment Sanctuary Project

The Secretariat has received a communication dated 30 May 2008 from the Permanent Mission of the Federal Republic of Germany, attaching a document entitled “Ensuring Access to Nuclear Fuel and Enrichment Services Multilateral Enrichment Sanctuary Project (MESP)”.

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

**Ensuring Access to Nuclear Fuel and Enrichment Services  
Multilateral Enrichment Sanctuary Project (MESP)**

On 4 May, 2007, the German Government presented its proposal Multilateralizing the Nuclear Fuel Cycle to Member States of the IAEA (INFCIRC/704). The discussion paper outlined the aims, core elements and background to the above-mentioned proposal.

The discussion, which gained new momentum following the report of the IAEA Director General's Expert Group on Multilateral Approaches to the Nuclear Fuel Cycle and the Special Event at the IAEA 50<sup>th</sup> General Conference, has been intensified since. The International Conference on Nuclear Fuel Supply, Challenges and Opportunities held in Berlin on 17 and 18 April 2008 focused on strategic implications of a discussion of uranium supply and enrichment and demonstrated that a common understanding of the importance of the subject is emerging.

The German proposal for a Multilateral Enrichment Sanctuary Project (MESP) has been presented in various fora and widely discussed with different participants.

The German Government would like to update its information on this proposal and would be grateful if the IAEA and its Member States could give its proposal serious attention and invites all interested parties to participate in further discussions.

*Developments since May 2007*

Since its publication in INFCIRC/704, the German Government is involved in discussions at expert level with the IAEA Secretariat to refine the proposal, identify and clarify important questions and adapt the proposal to technical and legal necessities. In addition the German Government has presented the proposal to various audiences. In October 2007, it organized a workshop for German decision-makers also attended by other European countries and Members of the European Parliament. In February 2008, it presented the proposal to Member States of the IAEA in Vienna. In April 2008, it organized the International Fuel Cycle Conference in Berlin together with the United Kingdom and the Netherlands to clarify the background of uranium supply and enrichment and engage especially those countries who had recently voiced their interest in nuclear power. The German proposal, which includes creative

out-of-the-box thinking, has been refined and amended; in the meantime, draft model agreements to organize the relationship between a Host Country and the IAEA as well as between the IAEA and a Group of Interested States are being worked out. Together with its different partners, Germany intends to continue discussions on the issue of Assurances of Supply of Nuclear Fuel with interested partners in the near future.

Main elements of the Multilateral Enrichment Sanctuary Project (MESP):

1. A Group of Interested States (GIS) agrees among themselves and with the IAEA to build one (or more) enrichment plant(s) in a special territory (Multilateral Enrichment Sanctuary = MES). The plant(s) would operate under normal market conditions. The GIS would invite their national industries to set up a Commercial International Company which finances, constructs and manages an enrichment plant on a commercial basis. The Commercial Company would be owned, governed and managed under rules set by the GIS and their national industries. Standards concerning financial soundness, liability coverage, provisions for decommissioning etc. will have to be agreed with the IAEA.
2. A Host Country would cede the administration and certain sovereignty rights to the IAEA in a part of its territory. The IAEA would have full control over the low-enriched uranium (LEU) exported from this area as well as all the necessary rights to allow the construction and management of one or more uranium enrichment plants. The IAEA would act as the nuclear regulator for the operation of the plants.
3. The IAEA would have to agree upon a binding catalogue of criteria, adherence to which would serve as the basis for the release of deliveries of LEU from this area. The enrichment plant would offer enrichment services to all potential clients which fulfil the criteria set by the IAEA. The supply of LEU would not be limited to the nuclear power plants of the GIS.
4. The enrichment plant(s) could in addition provide a revolving buffer stock of LEU which, released only by order of the Director General of the IAEA, would serve as a crisis mechanism to supply countries in need, in cases of political, i.e. not commercial or technical, interruption of supply.

Expected achievements:

1. The proposal is fully in line with the analytical set of criteria which the European Union formulated in June 2007 (European Non Paper on the Nuclear Fuel Cycle for IAEA discussions). It is especially proliferation-resistant, because an internationally-run enrichment centre will be under strict control of the IAEA and apply highest standards of safety, security and safeguards. It will increase the level of assurance of supply because the enrichment plant is taken out of any national decision-making process and its deliveries are based on prior consent based on clear criteria. It is fully consistent with equal rights and obligations as it is based on voluntary participation and does not infringe any existing rights. What is more, the proposal is market neutral because the enrichment plant will participate in the functioning market as an additional supplier with equal rights and obligations in relation to other participants.
2. The proposal is based on voluntary participation. It has a high potential to encourage countries not to create their own national enrichment capacity by giving them an opportunity to fully participate in international enrichment on the most advanced technical level.
3. The proposal finds a (new) balance between the interests of enrichment-technology holders and potential consumers, between the legitimate interest to protect intellectual property and hinder the spread of sensitive technologies on the one hand and the highest possible level of assurance of supply on the other.
4. The proposal ensures that legitimate limits on the spread of sensitive technology do not result in inappropriate restrictions on economic development.
5. The proposal provides a cost-efficient alternative in international enrichment, controlled by the IAEA, thus serving the non-proliferation goal by increasing the level of supply of nuclear fuel.
6. The proposal is not limited to one single enrichment plant, it is flexible enough to permit several similar projects in different regions on a non-discriminatory basis and under full control of the IAEA.

7. The project should be implemented under the highest available standards of safety, security and safeguards and thus further the advancement of standards in this regard.

The German Government invites all interested parties to engage in intense discussion to further shape this proposal and clarify the general background of nuclear fuel supply.