

MEMORANDUM TO:

Chairman Meserve
Commissioner Dicus
Commissioner Diaz
Commissioner McGaffigan
Commissioner Merrifield

December 1, 2000

FROM:

Janice Dunn Lee, Director
Office of International Programs

/S/

SUBJECT:

VISIT OF ALEXANDER GUTSALOV, FIRST DEPUTY
CHAIRMAN, RUSSIAN FEDERAL NUCLEAR AND RADIATION
SAFETY AUTHORITY

Alexander Gutsalov, First Deputy Chairman of the Russian Federal Nuclear and Radiation Safety Authority (Gosatomnadzor or GAN), and his delegation will visit the NRC December 4-8, 2000. This will be the ninth annual meeting to review the NRC program for safety assistance to GAN since the inception of assistance efforts in 1992. The Chairman, the Commissioners, and the EDO will meet with the delegation during the week.

Attachment 1 provides a schedule for Mr. Gutsalov's meetings. Attachment 2 provides general background information and suggested talking points for use during these meetings.

Of special note is the scheduling of an interagency "round table" discussion with Mr. Gutsalov on Thursday, December 7, from 1:30 p.m. to 4:30 p.m. The focus on this "round table" discussion will be on the legislation recently proposed in the Russian Duma purporting to transfer GAN's licensing authority to MINATOM. (The invitation to participants is at Attachment 3). In addition, please note that the EDO will host a buffet lunch for Mr. Gutsalov on Tuesday, December 5, and is scheduled to sign the Memorandum of Meeting with Mr. Gutsalov on the afternoon of Friday, December 8. The Commissioners are invited to attend these functions.

- Attachments:
1. Meeting Schedule
 2. Background and Talking Points
 3. Invitation to Participants

cc: SECY
OGC
EDO
OPA
NRR
RES
NMSS
IRO
OCIO
OCFO

CONTACT: Gordon Fowler, OIP
415-2329

DISTRIBUTION:

OIP r/f EDoroshuk
R Hauber G Fowler
J D Lee

DOCUMENT NAME: G:\GFJ\GAN Background and Talking Points.wpd

To receive a copy of this document, indicate in the box: "C" = Copy without enclosures "E" = Copy with enclosures "N" = No copy

OFFICE	OIP/Team A	OIP/Team A	OIP/DD	OIP/D
NAME	* G Fowler	* EDoroshuk	R Hauber	J D Lee
DATE	12/ /00	12/ /00	12/ /00	12/ /00

OFFICIAL RECORD COPY

** previous occurrence*

AL 003774199

**ANNUAL MEETING WITH
NUCLEAR REGULATORY AUTHORITY OF RUSSIA
DECEMBER 4-8, 2000**

DELEGATION:

Federal Nuclear and Radiation Safety Authority (Gosatomnadzor - GAN)

Alexander Gutsalov, First Deputy Chairman

Alexander Matveev, Director, Science and Technical Department

Andre Vistgov, Director, Inter-regional Information Center

Irina Sokolova, International Relations Officer

State Department Interpreters:

Galina Holmes

Nicholas Berkoff

SCHEDULE:

Monday, DECEMBER 4

8:45	Commissioner Merrifield
9:30	William Travers, EDO
10:15	Chairman Meserve
11:00	Commissioner Dicus
11:30	Janice Dunn Lee, OIP
12:00	Lunch

(Rm. O-4B6)

1:00 - 2:15	<u>Regulatory Activities</u> <ul style="list-style-type: none">- Licensing - NPPs- Oversight & Inspections: Inspection Bases and Implementation (NRR: Lee Banic, Barry Zalcmann)
2:30 - 3:00	<u>Legal Basis: Legislation</u> (OGC: Stu Treby, James Lieberman)
3:00 - 3:30	<u>Regulatory Activities</u> <ul style="list-style-type: none">- Oversight & Inspections: Enforcement (OE: Bill Borchardt, OGC: Jim Lieberman)
3:30 - 4:30	<ul style="list-style-type: none">- Licensing - Fuel Cycle (NMSS: Barry Mendelsohn)- Licensing - Nuclear Materials- Non-Fissile (NMSS: Barry Mendelsohn)

Tuesday, DECEMBER 5

(Rm. O-4B6)

- 9:00-9:30 **Regulatory Activities**
- Fissile: MPC&A
(NMSS: Mike Kelly)
- 9:30-10:45 - Fissile: Mixed Oxide Fuel
(NMSS: Drew Persinko)
- 11:00-11:30 Commissioner Diaz
11:30-12:00 Commissioner McGaffigan
- 12:30-2:00 Lunch hosted by Commission
(Commission Dining Room, 18th Floor)
- 2:15-4:30 **Analytical Techniques and Methods to Support Regulatory Activities**
- Codes
 - PRA Studies (Kalinin)
(RES: Tom King, Mary Drouin, John Lane)

Wednesday, DECEMBER 6

(Rm. O-4B6)

- 9:00-10:30 **Analytical Techniques and Methods to Support Regulatory Activities**
- Uses of Analytical Simulators
(RES: Farouk Eltawila, Sher Bahadur)
- Infrastructure**
- Training
 - Communications
(Joe Himes: IRO; W. Beecher; OCIO: Jim Shields, Walt Oliu)
 - Data bases
 - Hardware upgrades
- 11:30-1:30 - Lunch
- 1:30-3:00 **Emergency Response & Contingency Planning**
(IRO: Joe Himes)

Thursday, DECEMBER 7

(Rm. O-4B6)

- 10:00-12:00 - Additional program discussion
- Review and revise Memorandum of Meeting

(Commission Conference Room, 1st Floor OWFN)

- 1:30-4:30 **Interagency discussion**

Friday, DECEMBER 8

(Rm. O-4B6)

8:30-1:30 - Review and revise Memorandum of Meeting

(18TH Floor Conference Room)

2:30 - Principals sign Memorandum of Meeting
(W. Travers, A. Gutsalov)

BACKGROUND AND SUGGESTED TALKING POINTS

A. NRC's Diminishing Nuclear Safety Assistance Program

Background

NRC's nuclear safety assistance activities with the Russian Federal Nuclear and Radiation Safety Authority (Gosatomnadzor or GAN) began in 1992. Over the next 4 years (from 1992 until 1996), NRC received approximately \$11,627,000 in funding from USAID to support NRC/GAN assistance activities. This funding support allowed significant progress to be made towards completing the NRC/GAN assistance program as it was originally conceived in 1992. Starting around 1997, Congress began to enact restrictions on the use of Freedom Support Act funds for activities in Russia in response to concerns associated with Russia's agreeing to provide reactors and other nuclear-related technology to Iran. Over the 4 years since then (from 1997 to 2000), NRC has received only \$2,250,000 to support the NRC/GAN assistance program (i.e., NRC's funding from USAID for activities in Russia has dropped from around \$3,000,000 per year to around \$500,000 per year). About one half of this reduction was expected because large outlays for equipment had been completed. The additional reductions resulting from Congressional restrictions have significantly impacted NRC's ability to provide promised follow-on assistance to GAN.

Suggested Talking Point

- o As you know, NRC's funding to support nuclear safety assistance activities with GAN has been significantly reduced by Congress due to continued concerns with Russia's providing reactors and other nuclear-related technology to Iran. This does not diminish our interest in conducting a long-term effective program with GAN. However, it does necessitate that NRC and GAN focus on the highest priorities. What are these in your view?

B. NRC's Possibly Expanding Nuclear Non-Proliferation Program

Background

Funding for NRC's nuclear safety assistance projects with GAN is provided by USAID. USAID typically allows NRC and GAN great leeway in identifying the technical activities that these funds will be used to support. In contrast, funding for NRC's nuclear non-proliferation assistance projects (MPC&A and MOX) with GAN is provided by DOE. DOE has shown a much stronger desire to be involved in the development of the technical activities to be conducted by NRC and GAN. In general, DOE will not allow the use of its funds for activities that do not directly support DOE projects in these areas. DOE apparently does not object to NRC and GAN conducting activities outside of DOE's projects; it simply does not want to have its funds used to support these activities. In addition, Congress has *not* imposed restrictions on funds used for nuclear non-proliferation-related activities in Russia similar to what has been imposed on nuclear safety-related funds.

As an example, after long and arduous negotiations with DOE, an interagency agreement was concluded to provide funding support to NRC for MPC&A-related activities in Russia. This funding is provided to support NRC's involvement in DOE's MPC&A activities in Russia, not

necessarily for NRC to develop its own MPC&A-related projects with GAN. In order to ameliorate this situation, NRC, DOE and GAN are working to identify the kinds of activities that NRC and GAN will conduct under this interagency agreement.

Another example involves the potential use of MOX fuel in Russia and in the U.S. NRC is actively involved in efforts to plan for the possible manufacture and use of MOX in nuclear power plants in the U.S., consistent with NRC's domestic mandates. Activities in Russia are conducted under the umbrella of the U.S.-Russian Agreement on Scientific and Technical Cooperation in Plutonium Disposition, led by DOE on the U.S. side and MINATOM on the Russian side. A working group on regulatory issues has been established under the umbrella of this agreement. This regulatory working group is co-chaired by GAN (for the Russian side) and by DOE (for the U.S. side). However, GAN also has requested assistance from NRC directly. NRC hopes to conclude an interagency agreement with DOE shortly that will allow for more active NRC participation in the activities of this regulatory working group.

These two issues will be discussed during this week's meetings.

Suggested Talking Points

- o NRC and DOE are very close to resolving funding issues involving MPC&A and MOX in Russia. We hope that resolution of these issues will allow more active NRC involvement with these important efforts.
- o The Commission was recently briefed by DOE on fissile materials disposition-related activities in Russia. Can you describe GAN's proposed involvement in fissile materials safeguarding and disposition-related activities? In particular, what is GAN doing to prepare for the possible use of MOX in Russia?

C. Recent Russian Government Actions - Pattern of Undercutting GAN?

Background

Dry Cask Storage of Naval Reactor Fuel

For several years there has been an international effort (mainly by the U.S. and the Nordic countries) to assist Russia in developing dry cask storage for spent fuel from submarines from Russia's Northern Fleet (Kola Peninsula). This is a non-proliferation-related as well as a safety-related effort, as the rate of dismantlement of Russian submarines is being negatively impacted by this lack of spent fuel storage capacity. Approximately 3 years ago EPA, the lead agency for the U.S., informally asked for NRC to assist GAN in developing a capability to approve/license the dry cask storage facility. NRC and EPA have since informally discussed NRC's providing such assistance to GAN several times, but no agreement has been reached. Recently, NRC learned that the Russian government may have issued a decree removing any authority GAN may have had in this area, instead authorizing MINATOM to self-license this facility.

Core Conversion

For several years, NRC and GAN have been negotiating an agreement to outline the assistance that NRC could provide to GAN on issues associated with converting the cores of Russia's operating weapons-grade plutonium production reactors at Seversk (Tomsk) and Krasnoyarsk (Zheleznogorsk) to a design that does not produce weapons-grade plutonium.

This effort has been on hold for approximately one year, awaiting resolution of broader issues that have emerged associated with the viability of the core conversion project. NRC also recently heard that the Russian government may have removed GAN's authority in this area, permitting MINATOM to self-license this facility as well.

Changes to Russian Nuclear Energy Law

In September 2000, NRC learned that legislation had been proposed in the Duma (the Russian Parliament) to amend the Russian 1995 law on the use of nuclear energy to transfer GAN's licensing authority to MINATOM. If enacted, GAN would reportedly be utilized to perform limited assessments of MINATOM's nuclear facilities' compliance with the regulations established by MINATOM. The reported motive behind the proposal is to permit Minatom to import, store and reprocess spent fuel and to extend the lives of first-generation reactors without having to meet GAN's regulatory requirements, requirements with which MINATOM strongly disagrees. It appears that the proposed legislation has a good chance of passage.

Suggested Talking Points

Naval Reactor Spent Fuel Storage and Core Conversion

- o NRC has recently been informed that the Russian government has issued decrees giving authority to MINATOM for approval/licensing of dry cask storage of spent submarine fuel and of core conversion. Can you confirm this? How do these developments affect proposed NRC/GAN activities in these areas?

Changes to Russian Nuclear Energy Law

- o We are aware of the proposed legislation in the Duma to transfer certain regulatory authority from GAN to Minatom. You may be assured that NRC will do whatever it can to assure GAN's independence and technical capability. We are also working closely with other U.S. agencies and the G-7 to develop an appropriate response.
- o What are your views of the seriousness of the proposals, what are the chances of passage, and what can the U.S. in general and the NRC in particular do to help mitigate the risk? As you know, NRC has arranged for you to participate in a "round table" discussion of this issue with representatives from other U.S. government agencies on Thursday, December 7.



**The Office of International Programs
U.S. Nuclear Regulatory Commission
invites you to attend a
"Round Table" discussion with
Alexander Gutsalov, First Deputy Chairman of GAN
on proposed legislation affecting GAN**

**NRC Headquarters
11555 Rockville Pike
Rockville, Maryland**

**Thursday, December 7, 2000
1:30 p.m.
Commission Hearing Room**

Please call Mary Carter (301) 415-2331 to confirm your attendance.