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MEMORANDUM TO: Janice Dunn Lee, Director
Office of International Programs

THRU: Ronald D. Hauber, Deputy Director *RDH*
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FROM: *MRP* Marvin R. Peterson
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SUBJECT: REPORT ON TRAVEL TO VIENNA (IAEA), DECEMBER 4-12
2000

Introduction. I traveled to Vienna from Dec. 4-12 for meetings and discussions in several areas involving the International Atomic Energy Agency (IAEA). Separate reporting cables provide more details on these meetings. The comments that follow provide a concise summary of the meetings with a focus on areas of interest to NRC and a concluding comment which highlights the impending budget crisis facing the IAEA.

1. Annual meeting of the IAEA Technical Assistance and Cooperation Committee (TACC)

IAEA Member States approved the IAEA's proposed Technical Cooperation Program for the years 2001-2002. Funding for the Core Project Program was set at \$66 million. There was general agreement that the IAEA was undertaking only sound projects, including many in the nuclear safety area. However, the TC Department is faced with severe staff shortages which have led to serious morale problems. To alleviate this problem, the TACC approved an extraordinary allocation of \$1 million from the (extrabudgetary) TC fund to hire additional staff in 2001. This is only a temporary solution and a continuance of "zero real growth" budget constraints may ultimately force the IAEA to cancel many worthwhile TC projects.

2. Special meeting of the Nuclear Suppliers Group

The NSG held a special intercessional meeting to discuss Russia's proposal to sell low-enriched uranium fuel pellets to India in contravention of the NSG's policy against exporting nuclear material to countries without full-scope IAEA safeguards. With one exception (Belarus), all NSG members opposed the proposed Russian sale and asked Russia to reconsider its decision. At the end of the meeting, Russia was non-committal regarding its next step.

3. Iraq Retrospective

USG representatives met with senior IAEA safeguards staff to discuss "what was known and when" regarding Iraq's clandestine nuclear activities prior to the Gulf conflict and the eventual exposure of Iraq's nuclear weapons program. The lessons learned from this retrospective will

be used to help guide the implementation of the IAEA's strengthened safeguards system, under which IAEA inspectors will have "country-wide" access authority to information and locations (and not just access to declared nuclear locations as was the case prior to 1991).

4. December IAEA Board of Governors Meeting

The highlight of the December Board was an in depth discussion of the IAEA Secretariat's recent document on "Integrated Safeguards." A key concept of the Integrated Safeguards approach is that the IAEA's developing capacity to provide improved levels of assurance of the absence of undeclared nuclear activities can justify selected reductions in inspection effort on declared nuclear material (e.g., spent fuel at power reactors). While disagreeing with some elements of the Secretariat's proposal, the USG provided a very positive statement in support of the basic approach. Several other member States also commented favorably and the Secretariat was given the green light to continue with its plans to complete the development of this new safeguards approach by the end of 2001.

Another important issue was raised by IAEA Director General Elbaradei in his opening statement when he announced that it will be essential for the Secretariat to break out of zero real growth (ZRG) constraints by 2002 in order to fund major new, and obligatory, nuclear verification activities. The principal "budget buster" will be the need to provide approximately \$3 million dollars in the regular budget to fund inspections at Japan's Rokkasho Mura reprocessing plant. Elbaradei added that increased demand in the Technical Cooperation area may also warrant departure from ZRG. (Comment: As a practical matter, it will be extremely difficult for the IAEA Board of Governors to approve a ZRG breakout only for safeguards.)

5. U.S./IAEA Safeguards Bilaterals

Under the leadership of Bruce Moran (NMSS), the U.S. delegation discussed with IAEA counterparts a wide range of topics concerning the IAEA's nuclear verification activities in the U.S. Currently, the main focus of the IAEA's verification activities in the U.S. is on excess weapons grade material from the nuclear weapons program. At the Vienna meetings, major progress was achieved in resolving difficult technical issues concerning the IAEA's inspection procedures at the HEU downblending facility at Lynchburg, Virginia. Progress was also made in planning for a proposed field trial at a U.S. location of the IAEA's verification activities under the "Additional Protocol." (Note: The Additional Protocol was approved by the IAEA Board of Governors in 1997 and provides the IAEA with country-wide verification authority to correct the deficiencies in the safeguards system exposed by Iraq. The U.S. has agreed to allow implementation of the Additional Protocol in the U.S. at all locations except those involving "national security" considerations.)

6. Meetings in the "margins"

As usual at Board of Governors meetings, there were a wide range of unplanned encounters with colleagues from other countries and IAEA staffers. Key items of interest for NRC in these side meetings include:

- a. Continued IAEA interest in addressing safety and physical security concerns at research reactors around the world, particularly in developing countries.

- b. Concern about the future of UNSCEAR, with revived interest in providing administrative support for UNSCEAR's operations through the IAEA, rather than the UN's Nairobi operations.
- c. Lack of support within the Secretariat for providing IAEA safety assessment assistance for the Mayak nuclear weapons material storage facility in Russia.
- d. Continued IAEA interest in obtaining NRC assistance in improving the capabilities of Ukraine's State System of Accounting and Control (SSAC).
- e. Support for the IAEA's "One House" approach, which recognizes the complementary aspects of all the Agency's various activities. As an example, the activities of the IAEA and its member States under the Convention on Nuclear Safety (CNS) provide significant benefits to the strengthened safeguards system in the form of fostering greater transparency concerning national nuclear programs and by providing additional assurances against proliferation tendencies by virtue of the existence of the independent regulatory authorities as promoted by the CNS. Similar considerations apply to the activities of the IAEA's Technical Cooperation Department.
- f. Concern about the absence of U.S. presence at the IAEA's meetings on "Innovative Reactors."
- g. Indications that Russia's efforts to complete the Bushehr reactor in Iran are plagued with severe safety considerations as witnessed by periodic visits by IAEA experts.
- h. Support for revising the Physical Security Convention to cover domestic use and storage.

7. Concluding comments - The IAEA's Budget Woes

This visit provided an excellent opportunity for a "global" survey of the IAEA through which one can gain a better appreciation of the combined and complementary benefits of the IAEA's various activities. The IAEA contains a treasure trove of information about literally all of the world's peaceful nuclear activities and could do much more to achieve greater benefits and greater transparency in these areas if given additional funding. However, hard budget realities in the U.S. and elsewhere make it unlikely that additional funding will be provided to the IAEA, despite Director General Elbaradei's plea. As a result, the IAEA will likely face a severe budget crisis by the end of 2001, since the increasing demands placed on the Secretariat can no longer be met by increased staff efficiencies or other internal cost saving measures. Staff morale is already reported to be at an all-time low and management is reluctant to ask for still more overtime or, in the Safeguards Department, inspector travel time away from Vienna to meet growing demands.

To begin addressing these serious issues, the State Department is expected to convene a meeting in early 2001 of the interagency IAEA Steering Committee. NRC should be prepared to contribute to these forthcoming interagency discussions by commenting on topics within its area of interest, particularly nuclear safety.

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