



United States Department of State

Washington, D.C. 20520

June 15, 2001

Ms. Janice Dunn Lee
Director, International Programs
United States Nuclear Regulatory Commission
Rockville, Maryland

Dear Ms. Lee:

I refer to the June 29, 1999, Memorandum and Order in the matter of Transnuclear, Inc., (Export of 93.3% Enriched Uranium) CLI-99-20, 49 NRC 469 (1999), in which the Commission accepted the Executive Branch's offer to submit its views on the progress in development of low enriched uranium (LEU) targets for the MAPLE reactors. The Commission requested that such views be submitted no later than thirty days after the submission of the annual status report by the applicants. I refer also to the May 31, 2001, annual status report submitted to the Nuclear Regulatory Commission (NRC) by the applicant, MDSN.

The Executive Branch has reviewed the MDSN 2001 status report and has concluded that the requirements of the Atomic Energy Act, in particular Section 134, continue to be met and that the further export of highly enriched uranium (HEU) targets under export license XSNM3060 would not be inimical to the common defense and security of the United States.

The Executive Branch confirms that cooperation between MDS Nordion (MDSN) and Argonne National Laboratory (ANL) is continuing in the development of LEU targets for the MAPLE reactors and the associated New Processing Facility (NPF). MDSN and ANL still agree that the major technical obstacle remaining involves the calcination process used to condition the waste. Notwithstanding unforeseen delays in the startup of the Maple 1 reactor and the NPF, the Executive Branch believes that there has been continuing progress in efforts to identify a means of dealing with the substantial increases in uranium waste that will be generated by the NPF when using LEU targets. MDSN, AECL and ANL are currently embarked on Phase 2 of the LEU conversion effort, the "Conversion Development Program." MDSN, AECL and ANL met at Chalk River on January 11, 2001 and at ANL on April 5, 2001 to discuss Phase 2 work. The parties agreed that, barring unforeseen events, Phase 2 is likely to be completed by the end of 2003. On April 23, 2001, MDSN briefed Department of State, DOE and NRC representatives on the status of Phase 2.

2001 JUN 19 AM 11:37

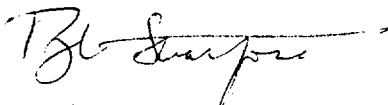
RECEIVED OIP

MDSN reports that the Canadian Nuclear Safety Commission (CNSC) is currently reviewing corrective actions taken by AECL to satisfy CNSC conditions for permitting resumption of MAPLE reactor commissioning. AECL estimates that it will take the CNSC at least until the end of July to complete its review and that even with a favorable decision, reactor commissioning could not resume prior to September 2001. Assuming no additional regulatory delays or technical problems, AECL estimates MAPLE 1 and the NPF could initiate operations in March 2002 and MAPLE 2 in August 2002. Prior to MAPLE 1 startup, AECL calculates that it will need a total of approximately 44 kilograms of HEU targets on hand, representing a one year on-going production supply of 22 kilograms plus a one year reserve of 22 kilograms to ensure uninterrupted production of medical isotopes. MDSN reports no HEU shipments were made in 1999 and that a total of 22.6 kilograms was shipped in 2000. Five Category II shipments are proposed between July and December 2001, totaling 22.6125 kilograms of HEU, to provide the desired one year reserve against unforeseen interruptions of supply. The Executive Branch considers these projections reasonable.

In sum, we believe that MDSN has demonstrated good faith efforts towards resolving technical impediments to converting the isotope production process to LEU. The Executive Branch supports the continued export of HEU targets for production of medical molybdenum-99 at the MAPLE reactors. The Canadians will need to continue to use HEU until the LEU target design has been tested and approved by Canadian and U.S. regulatory authorities. We continue to support cooperation between MDSN and ANL on the remaining technical issues. Funds have been made available for continued work by ANL in conjunction with MDSN, SGN of France, and AECL on the calcining process.

We appreciate the opportunity to provide our views on this very important matter. Should you have any further questions, please do not hesitate to contact me.

Sincerely,



Richard J. K. Stratford
Director
Nuclear Energy Affairs

2001 JUN 19 AM 11:37

RECEIVED OIP