NRC NEWS

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Remarks Prepared for NRC Chairman Dale E. Klein
Goldman Sachs

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Thank you. It is a pleasure to be here.

Let me begin by noting that the last time I came to Wall Street to give a talk, the only thing the investment community wanted to know about was my predictions for the price of uranium. I will tell you what I told them: I don't know! Forecasting commodity prices is your job, not mine.

But, just to scratch that itch for the hedge managers who might be here, let me tell you about the NRC's activities with regard to licensing activities for uranium mining and processing facilities. There is currently one NRC-licensed conventional mill and two mills that have ceased operation but expect to resume operation in the future. There are four in-situ leach facilities that are operating or are licensed to operate. Based on discussion with the industry, the NRC expects a considerable increase in licensing activity, with as many as 21 new applications for conventional milling and in situ uranium recovery facilities in the foreseeable future. As for what that means for the price—well, I don't think it is necessary for a nuclear engineer to explain supply and demand to this crowd.

In the area of enrichment, Louisiana Energy Services received a license from the NRC in June of 2006 to build and operate a major gas centrifuge facility, called the National Enrichment Facility, in New Mexico. In addition, a second license was issued in 2007 to USEC Inc. for their facility, known as the American Centrifuge Plant, which will be located in Ohio. Construction is now under way on both facilities, and when complete, the facilities are expected to annually produce approximately one-half of the current U.S. enrichment services demand. In May 2007, the NRC granted a 10-year license renewal to the Honeywell Metropolis Conversion Plant, which is the only U.S. facility for producing uranium hexafluoride. In addition, we are expecting to receive two more applications for major uranium enrichment facilities in 2008.

Naturally, all this activity is in response to the growing global interest in building new nuclear power plants. Several nations that do not currently have nuclear energy are giving serious consideration to building nuclear power plants, or even have plans already in place to do so. But the question I would pose is: Are we doing everything we can to ensure that these efforts proceed with the proper emphasis on safety and security? The viability of nuclear power is inextricably linked to its effective regulation. There is no way, presently and in the foreseeable future, to maintain and to advance the safe use of nuclear power in free societies without a strong, predictable, and credible regulator.

It would make no sense to purchase a fleet of airplanes, and only then begin thinking about standards for safe runways and aircraft maintenance, pilot certification, and air traffic control. By the same token, a stable, independent nuclear regulatory body, with clear guidelines, standards, and procedures, should be developed prior to any plans for building nuclear power plants. In my capacity as the Chairman of the International Nuclear Regulators Association, I recently wrote to Mohamed ElBaradei, the Director General of the International Atomic Energy Agency, telling him that the heads of all the major nuclear regulatory agencies had prepared a statement reaffirming the need for independent regulatory structures as an essential component of safe nuclear power.

I believe—and I think that industry executives will tell you this as well—that the nuclear revival we seem to be witnessing in the United States would not be possible if there were not an efficient, credible, and independent regulator such as the NRC. With that in mind, let me tell you where we are with regard to new plant license applications. So far, the NRC has received nine site applications for 15 reactors. As I have said many times before, we knew this day was coming, and we do not intend to be a roadblock. But I have also said that our ability to review applications quickly depends on the quality and completeness of those applications.

Licensing a new nuclear power plant under NRC's revised process involves two potential steps in advance of an actual license application: certifying a plant design and approving a site. We have been strongly encouraging applicants to use designs that have already been certified, as well as Early Site Permits, which authorize the general appropriateness of a location for a potential reactor. The combined construction and license application is intended to review how a certified design works at a particular site, with its specific features of terrain, water access, and other factors. But in the interest of getting nuclear power plants built and operating soon, some utilities are not taking advantage of the full benefits of the improved licensing process. Some have skipped the opportunity to apply for an Early Site Permit, while others seek to amend the certified designs in their applications. We will, of course, work to overcome these challenges. The NRC is committed to being an effective and timely regulator, and that has not changed.

There are also challenges presented by the very tight global supply chain of equipment and components. In fact, it may well be the market itself that acts as a check on the "excessive exuberance" worldwide for building new nuclear plants that I have often warned about. There is currently a three-year backlog at Japan Steel Works, which is the only facility in the world producing the heavy steel forgings needed for reactor vessels. I would think that, in time, other manufacturers will revive the capabilities they once had to produce these components; but this will take time. In 1977 there were 1,350 American companies listed as American Nuclear

Society members—and another 430 outside the U.S.—for a total of about 1,800. In 2007, however, there were only 875 companies listed worldwide—less than half the total from 30 years ago.

Let me raise one other point about the current regulatory environment. You have all seen the massive media coverage in the last few weeks of the FAA's heightened inspection scrutiny, leading some airlines to ground hundreds of planes. This has prompted a lot of people—in Congress, in business, and in the general public—to think about how safety regulations should work, and the appropriate way to regulate different kinds of risk.

I don't regulate airlines, so I can't speak to the FAA's approach, but I can tell you a little about how the NRC approaches the issue of risk and regulation. Some you may be familiar with this, but I think it is worth providing a clarification and update on where the NRC stands today.

The NRC has used risk assessment in some form for a long time. In recent years, we have been moving toward a more systematic and comprehensive implementation of probabilistic risk assessment. We use risk information to focus attention on areas that are most risk-significant, and sometimes we adjust our requirements in non-risk-significant areas.

What this means in simple terms is that we do not treat all violations equally, but rather weigh the safety implications through a careful process of significance assessment. In addition, the NRC Enforcement Policy provides incentives for our licensees to engage in self-reporting and self-correcting actions—to resolve any potential issue quickly and effectively. In short, we don't use our regulatory authority in a simplistic way, but rather deploy a variety of tools to address changing and complex issues.

While the NRC sets high safety standards that are the minimum required for safe operations, the industry also encourages excellence through the Institute of Nuclear Power Operations, or INPO. INPO is an independent, nonprofit organization—sponsored by the commercial nuclear industry—whose mission is to promote the highest levels of safety and reliability in the operation of nuclear electric generating plants. Because it is not part of the government, it can offer incentives and provide encouragement in ways that the NRC cannot.

Why don't I stop here, and see if you have any questions. I know that I have touched on a variety of different topics, but I want to make this trip to New York worthwhile by answering your questions.

Thank you.