

June 15, 1979

SECY-78-671B

COMMISSIONER ACTION

For: The Commissioners

From: James R. Shea, Director
Office of International Programs

Thru: Executive Director for Operations *JRS*

Subject: PROPOSED LICENSE TO EXPORT LOW-ENRICHED URANIUM TO JAPAN
(XSNM-1432, SECY-78-671A)

Purpose: Commission review of proposed issuance of subject license to Mitsui and Company.

Review Dates: 60-day period expires on July 29, 1979
120-day period expires on September 27, 1979

Discussion: In December 1978, Mitsui and Company, Incorporated applied for a license to export 26,902 kilograms of uranium, enriched to 3.95% U-235, to Japan for use as reload fuel in the Hamaoka, Unit 2 reactor. The material will be shipped to Sumitomo Metal Mining Company for conversion and Japan Nuclear Fuel Company for fabrication into fuel assemblies.

The application was forwarded for Executive Branch review and comment on December 15, 1978. On May 29, 1979, the Executive Branch (1) advised NRC that issuance of the proposed license would not be inimical to the interests of the US, including the common defense and security; (2) confirmed that the material will be subject to all the terms and conditions of the US-Japan Agreement for Cooperation; (3) confirmed that Japan has adhered to the provisions of its Agreement for Cooperation; and (4) advised that there were no material changed circumstances since the submission of its detailed analysis of April 30, 1979 on a proposed export of high-enriched uranium to Japan (see SECY-79-14A dated May 11, 1979).

The staff has been informed that facility attachments have been completed for Sumitomo Metal Mining Company, Japan Nuclear

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Fuel Company, and Hamaoka Unit 2 reactor.

The staff believes that there are no material changed circumstances concerning exports to Japan which would affect the Commission's consideration of licensing criteria and which have occurred since issuance of export licenses (e.g. XSNM-1244 and XSNM-1365) for similar material to Japan after Commission review.

Based upon its independent analysis and review of the Executive Branch submission, the staff has concluded that the requirements of the Atomic Energy Act and the NNPA of 1978, or their equivalent, have been met and that the proposed export would not be inimical to the common defense and security.

Assuming that Commissioner Bradford's questions (discussed in SECY-78-498D, SECY-79-32, SECY-79-64, SECY-79-64B, SECY-79-111, and most recently SECY-79-316) are resolved, the staff believes that this proposed export license may be issued. This procedure is authorized by § 110.44(a)(2) of Part 110 and is based on section 126(a)(2) of the AEA as amended by the Nuclear Non-Proliferation Act of 1978.

The following documents are forwarded for Commission review of the subject application: (1) application of December 8, 1978 (Appendix A); (2) Executive Branch views of May 29, 1979 (Appendix B); and (3) copy of proposed license (Appendix C).

NMSS Technical Review:

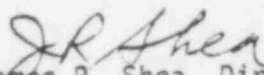
NMSS has received no information concerning IAEA safeguards implementation activities and problems in Japan other than from the source which was the basis for NMSS conclusions reflected in Table VIII of the November 21, 1978 memorandum to Commissioner Gilinsky and document SI-79-10029 (Secret). The principal conclusion of the NMSS examination of these documents is that the available information on IAEA implementation is insufficient to permit an evaluation of the effectiveness of IAEA safeguards in Japan. However, NMSS notes that this export does not significantly add to the scope of safeguards associated with the large quantities of SNM already possessed in Japan. Also, no information has been received concerning the state systems of accounting and control in Japan. Consequently, NMSS is unable to make any determination regarding the capabilities of the Japanese system to support the effective application of IAEA safeguards.

NMSS has reviewed the physical security program in Japan and found it adequate for the purpose of this export.

This action involves no new resource requirements.

Recommendation: That the Commissioners approve issuance of the proposed license to Mitsui and Company.

Coordination: ELD has no legal objection. NMSS views on the adequacy of the accounting and control system, the effectiveness of IAEA safeguards implementation, and the adequacy of the physical security program in Japan are as stated above.


James R. Shea, Director
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Enclosures:
As stated

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NOTE: Commissioner comments should be provided directly to the Office of the Secretary, by c.o.b. Monday, June 25, 1979.

Commission staff office comments, if any, should be submitted to the Commissioners NLT June 21, 1979, with an information copy to the Office of the Secretary. If the paper is of such a nature that it requires additional time for analytical review and comment, the Commission and the Secretariat should be apprised of when comments may be expected.

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