



Department of Energy
Washington, D.C. 20461

MAY 15 1979

Mr. Lee V. Gossick
Executive Director
for Operations
U. S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Dear Mr. Gossick:

On February 21, 1979, a West German utility (through the EURATOM Supply Agency) terminated a Requirements Contract covering enriched uranium for the Philippsburg-2 nuclear unit. On April 2, 1979, another German Requirements Contract was terminated for the Biblis-A reactor. The principal reason given by the utility (Badenwerk-EVS) for the termination of the Philippsburg unit was their feeling that security of supply from the U.S. was not assured. The utility stated that DOE has performed very satisfactorily, and that neither quality nor DOE's production schedule were causes for termination. Their chief concern was the adverse effect that the Nuclear Non-Proliferation Act was perceived to have on the certainty of the schedule for obtaining an export license for their enriched uranium. We are advised that two additional Requirements Contracts for West German reactors will be terminated soon. On May 3, we met with EURATOM to discuss the termination of the Wuergassen contract. In each of these cases, the utilities will be turning to a European enrichment supplier. That is, these terminations are not the result of the cancellation of plans to build the nuclear unit, and, hence, the disappearance of the need for enriched uranium; in fact, the two expected terminations are for operating plants which have each been in service for 7 years and, therefore, have continuing needs for reload fuel. The Philippsburg-2 unit is expected to start operating in perhaps 1983, and we understand that URENCO will supply the enriched uranium required by Philippsburg-2. In addition to the above, DOE has lost four LTFC contracts held by Germany and Spain, although in these cases the nuclear project has been cancelled or delayed.

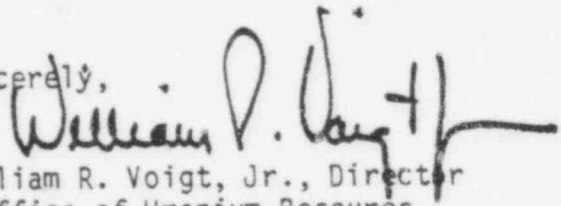
All of the above represents a trend in the wrong direction, coming at a time when DOE has reopened the order books after a 5-year period when the U.S. was not able to accept any additional contracts. The Administration and Congress would both like to see the U.S. reestablish a strong position as a reliable supplier of enriched uranium in the world market. Our progress in that direction has not been encouraging.

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I believe it is important that the senior staff of NRC, and the Commissioners as well, should be informed of the current problems in retaining our foreign enrichment customers, since one aspect of the problem is convincing existing and potential foreign buyers that uncertainties which they perceive in their being able to obtain an export license from the U.S. are not valid grounds for their turning away from DOE as an enrichment supplier. DOE has proposed that a 5-year rolling export license be granted consistent with the 5-year rolling separative work requirements used in the Adjustable Fixed Commitment Contract. We have met with NRC staff to consider this approach and we understand that further discussions will take place within the Interagency Subgroup on Nuclear Export Coordination.

We would be pleased to present a short briefing to NRC on the above subject. Please contact me at 633-9375 if you should wish to schedule such a briefing.

Sincerely,

William R. Voigt, Jr., Director
Office of Uranium Resources
and Enrichment

cc: Honorable John F. Ahearne, Commissioner