

The Under Secretary of Energy
Washington, DC 20585

18867

June 11, 1999

REC'D BY SECY

Dr. Shirley Jackson

17 JUN 99 3:16 Chairman
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Chairman Jackson:

This letter transmits the Department of Energy's application for a license to export natural uranium to the Russian Federation that it receives title to in the United States under the U.S.-Russia HEU Agreement. Accordingly, we are enclosing NRC Form 7, an Environmental Assessment, and the corresponding Finding of No Significant Impact for the proposed action.

The application is in support of a "Transfer Agreement" signed on March 24, 1999, between the United States Department of Energy and the Ministry of the Russian Federation for Atomic Energy that provides for the shipment to Russia of any natural uranium *not* purchased under a long term commercial contract between Russia and a western consortium of uranium producers. Any of the "feed component" returned to Russia will remain subject to appropriate U.S. nonproliferation assurances and go into a stockpile to be sold by the consortium at a later date or be used in downblending HEU from Russian weapons. As you know, the new approach on the feed component enabled the U.S.-Russia HEU Agreement to resume operation on March 24.

The Department urges the Nuclear Regulatory Commission to urgently review the license application, since it is central to the recently signed agreements. The NRC staff was very helpful in discussing the approach that led up to the Transfer Agreement that has resulted in this license application. Next month, deliveries under the HEU Agreement will mark the first Russian feed component that, if not purchased by the consortium, would be a candidate for returning to Russia. Approval of the license by the Nuclear Regulatory Commission will help sustain the U.S.-Russia HEU Agreement and further U.S. nonproliferation objective

If you have any questions on this application, please contact me or have your staff contact Jeffrey L. Hughes of my staff at (202) 586-3500.

Sincerely,

Ernest J. Moniz

Attachments: as stated

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Additional Information

In February 1993, the United States and the Russian Federation signed the United States/Russian Government-to-Government highly enriched uranium (HEU) agreement for the disposition and purchase of 500 metric tons of HEU extracted from Russian nuclear weapons. Pursuant to this HEU agreement, the U.S. Executive Agent, the U.S. Enrichment Corporation (USEC), and the Russian Executive Agent, Techsnabexport (TENEX) executed an implementing contract that provided for prompt payment for the enrichment component of the low enriched uranium (LEU) derived from the HEU and delivered to the United States. With regard to the natural uranium component of the LEU, this initial contract provided for payment either when sold or utilized for overfeeding the gaseous diffusion plants by USEC. However, sale of this component in the U.S. was complicated by a large oversupply of uranium in the market, limited demand, unattractive market prices and restrictions on the amount of Russian-origin uranium allowed into the U.S. market.

In September 1996, USEC and TENEX contracted to implement provisions of the USEC Privatization Act that freed USEC of responsibility for the natural uranium component related to the shipments of LEU.

On March 24, 1999, the United States Department of Energy (DOE) and MINATOM entered into an agreement (attached) that provides for the shipment of any natural uranium not purchased under commercial agreements to the Russian Federation, subject to meeting requirements under United States law, including the National Environmental Policy Act. To support this agreement, DOE is submitting this license application to the U. S. Nuclear Regulatory Commission (NRC) for shipment of up to an average of 9,000 metric tons per year of natural uranium (0.711% U-235) that is Russian titled and stored at the United States Enrichment Corporation gaseous diffusion plants (GDPs) at Portsmouth, OH and Paducah, KY to the Russian Federation each year through the year 2013. It is anticipated that for most of this period, significantly less than that amount would be shipped back to the Russian Federation because of purchases by western uranium companies under anticipated contracts between the Russian Federation and these companies. An Environmental Assessment and the Finding of No Significant Impact have been prepared for this proposed action and are also attached.

Item 22. (Country of origin - source material)

The natural uranium that is the subject of this export license is Russian origin. Russia delivers low enriched uranium to USEC, and the corresponding natural uranium component of this low enriched uranium is flag-swapped with other natural uranium delivered from other USEC customers.

**Agreement Between the United States Department of Energy and the Ministry of
the Russian Federation for Atomic Energy Concerning the Transfer of Source
Material to the Russian Federation**

The United States Department of Energy ("the U.S. Party") and the Ministry of the Russian Federation for Atomic Energy ("the Russian Party"), hereinafter referred to as the Parties,

Desiring to facilitate implementation of the Agreement between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons, signed at Washington on February 18, 1993 (the "HEU-LEU Agreement"),

Have agreed as follows:

ARTICLE 1

The U.S. Party shall, in accordance with and subject to applicable treaties, laws, regulations and licensing requirements of the United States of America, arrange for the distribution to the Russian Party of uranium hexafluoride delivered to the Russian Executive Agent under section 3112(b)(3) of the USEC Privatization Act, 42 U.S.C. 2297h-10(b)(3). The amount of such uranium hexafluoride to be so distributed ("source material transferred pursuant to this Agreement") shall be the amount of such uranium hexafluoride not initially sold or transferred by the Russian Executive Agent pursuant to the conclusion of the commercial contract between AO Tekhnabexport and the Compagnie General des Matieres Nucleaires (COGEMA), Cameco Uranium, Inc., Nukem, Inc. and Nukem Nuklear GmbH, contract no. 08843672/90100-02D ("the Commercial Agreement"), entered into in accordance with Article II.1 of the HEU-LEU Agreement.

ARTICLE 2

1. The Russian Party agrees to use source material transferred pursuant to this Agreement only for the following purposes:

a) storage and use in accordance with Article 7 of this Agreement.

b) sale in accordance with the Commercial Agreement.

2. Source material transferred pursuant to this Agreement, or any other nuclear material that is substituted for such material pursuant to the Administrative Arrangement entered into pursuant to paragraph 3 of the Agreement effected by the exchange of diplomatic notes between the Government of the United States of America and the Government of the Russian Federation

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dated March 24, 1999 (the "Assurances Agreement"), shall be subject to the conditions set forth in the Assurances Agreement.

ARTICLE 3

The activities of the Parties under this Agreement shall be subject to the availability of appropriated funds.

ARTICLE 4

The Parties may, as appropriate, enter into implementing arrangements to carry out the provisions of this Agreement. In the case of any inconsistency between this Agreement and any such implementing arrangements, the provisions of this Agreement shall prevail.

ARTICLE 5

The Russian Party takes responsibility for preparing for transportation and for transporting to the Russian Federation the source material transferred pursuant to this Agreement. Any cost incurred by the U.S. Party, with the concurrence of the Russian Party, in arranging for such transportation shall be reimbursed by the Russian Party.

ARTICLE 6

1. Pursuant to the Implementing Agreement contained in the Annex, which is an integral part of this Agreement, the U.S. Party shall purchase from the Russian Party feed component associated with the 1997 and 1998 LEU deliveries under the HEU-LEU Agreement.
2. The Russian Party shall make available for purchase feed component associated with the 1997 and 1998 LEU deliveries under the HEU-LEU Agreement.

ARTICLE 7

In order to facilitate the implementation of the HEU-LEU Agreement,

1. The U.S. Party shall, subject to applicable U.S. law, maintain for ten years a stock of no less than 22,000 metric tons of natural uranium equivalent, including the uranium associated with the 1997 and 1998 LEU deliveries pursuant to Article 6 of this Agreement. By written agreement of the Parties, the stock may be reduced, through the withdrawal of uranium, in order to ensure the reliability of deliveries under the Commercial Agreement, in accordance with Article 4 of this Agreement.

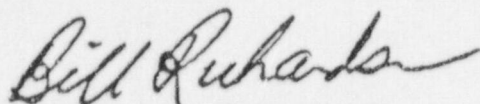
2. The Russian Party shall maintain for the duration of the HEU-LEU Agreement a separate stock of source material transferred to Russia pursuant to this Agreement. Such material may be withdrawn from this stock only for the following purposes:
- (a) up to 2580 metric tons per year for diluting HEU for delivery as LEU to the United States under the HEU-LEU Agreement;
 - (b) sale directly or through its duly appointed agent, in accordance with the Commercial Agreement and the Assurances Agreement; or
 - (c) provided that a stock of at least 22,000 metric tons is maintained, any material in excess of that 22,000 metric tons may be sold in the form of LEU under existing contracts to countries eligible in accordance with the Assurances Agreement.

ARTICLE 8

1. This Agreement, having been signed, shall enter into force upon the entry into force of the Assurances Agreement referenced in Article 2, provided that the Government of the United States of America and the Government of the Russian Federation have also notified each other that they have endorsed the conclusion of the Commercial Agreement referred to in Article 1.
2. This Agreement may be amended by written agreement of the Parties.
3. Each Party shall have the right to terminate this Agreement upon no less than 12 months' written notification to the other Party of its intention so to do.

Done at Washington this twenty-fourth day of March, 1999, in duplicate in the English and Russian languages, both texts being equally authentic.

FOR THE UNITED STATES
DEPARTMENT OF ENERGY:



FOR THE MINISTRY OF
THE RUSSIAN FEDERATION
FOR ATOMIC ENERGY:



**ANNEX TO THE AGREEMENT BETWEEN
THE UNITED STATES DEPARTMENT OF ENERGY AND
THE MINISTRY OF THE RUSSIAN FEDERATION FOR ATOMIC ENERGY
CONCERNING THE TRANSFER OF SOURCE MATERIAL
TO THE RUSSIAN FEDERATION ("TRANSFER AGREEMENT")**

Implementing Agreement

WHEREAS, the Government of the Russian Federation is delivering low-enriched uranium derived from highly-enriched uranium under the Agreement Between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons concluded on February 18, 1993 (HEU-LEU Agreement);

WHEREAS, the Russian Federation owns natural uranium used for manufacturing low-enriched uranium associated with such deliveries and an equivalent quantity of which is returned into the ownership of the Russian Federation in the United States territory (hereafter "feed component");

WHEREAS, in 1998, the United States Congress passed legislation providing \$325 million for the Department of Energy to purchase the feed component associated with the 1997 and 1998 deliveries under the HEU-LEU Agreement, provided that certain requirements are met, including the conclusion of a long-term agreement by the Government of the Russian Federation and commercial partners for the sale of the feed component to be derived from deliveries scheduled for 1999 and thereafter under the HEU-LEU Agreement;

WHEREAS, the the Department of Energy (DOE) and the Ministry of the Russian Federation for Atomic Energy (MINATOM) have agreed that MINATOM will be responsible for transportation of the source material transferred to the Russian Federation under the Transfer Agreement;

NOW THEREFORE, MINATOM and DOE agree as follows:

1. MINATOM shall make available for purchase by DOE 6,917,225.13 kilograms of feed component associated with 1997 and 1998 deliveries of low-enriched uranium under the HEU-LEU Agreement. The feed component is located at Portsmouth Gaseous Diffusion Plant or the Paducah Gaseous Diffusion Plant in the United States. Title, possession and risk of loss to one-half of this feed component shall transfer to DOE 30 days after the date of entry into force of the Transfer Agreement, or 20 days after receipt by MINATOM of notification from DOE that requirements under U.S. law have been met, whichever is later. Title, possession and risk of loss to the second half of this feed component shall transfer to DOE 60 days after the date of entry into force of the Transfer Agreement, or 20 days after receipt by MINATOM of notification from DOE that requirements under U.S. law have been met, whichever is later.

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2. MINATOM shall make available for purchase by DOE an additional 3,082,774.87 kilograms of feed component associated with orders for low-enriched uranium under the HEU-LEU Agreement for 1998 but not yet delivered. MINATOM shall seek to deliver this uranium to the United States as expeditiously as possible in 1999. MINATOM shall notify DOE when it is prepared to deliver 3,082,774.87 kilograms of this feed component. Title to this feed component shall transfer to DOE 30 days after the notification to DOE, unless MINATOM has not received notification by DOE that requirements under U.S. law have been met; in such case, title shall transfer to DOE 20 days after receipt by MINATOM of notification from DOE that requirements under U.S. law have been met.
3. MINATOM shall notify the DOE when it is prepared to provide the final 1,000,000 kilograms of feed component associated with 1998 deliveries. Title to this feed component shall transfer to the Department 30 days after the notification to DOE, unless MINATOM has not received notification by DOE that requirements under U.S. law have been met; in such case, title shall transfer to DOE 20 days after receipt by MINATOM of notification from DOE that requirements under U.S. law have been met.
4. MINATOM has the responsibility for the above-mentioned feed component until the dates of transfer.
5. MINATOM has the responsibility for acquisition of the cylinders that contain the feed component. The purchase price paid by the United States includes rental of the cylinders that contain this uranium for as long as the uranium is owned by the United States. DOE has no further obligation to pay for use of these cylinders.
6. DOE shall pay MINATOM or its designee \$ 204,372,560.66 upon transfer of the feed component pursuant to paragraph 1. DOE shall pay MINATOM or its designee \$ 91,081,984.80 upon transfer of the feed component pursuant to paragraph 2. DOE shall pay MINATOM or its designee \$ 29,545,454.54 upon transfer of the feed component pursuant to paragraph 3. Such payments shall be made electronically to AO Techsnabexport, Account No. 40702840400000000010, Conversbank, Moscow, Russian Federation, through the account of Conversbank, Account No. 04-094-462 in Bankers Trust Company, New York, New York, ABA No. 021001033, within three business days of each transfer of feed component.

7. All notices and contacts concerning this agreement are to be made in writing, in English, and shall be submitted to the following address by mail or fax:

DOE:

U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585
phone: 202-586-5569
fax: 202-586-7210

MINATOM:

Ministry of the Russian Federation for Atomic Energy
Staromonetnyy per. 26
109180 Moscow
telephone: 953-17-18
fax: 230-24-20

ADMINISTRATIVE ARRANGEMENT

In order to provide for the effective implementation of the Agreement between the Government of the United States of America and the Government of the Russian Federation with respect to the transfer of source material, effected by an exchange of diplomatic notes on this date (hereinafter "the Assurances Agreement"), the United States Department of Energy ("the U.S. Party") and the Ministry of Atomic Energy of the Russian Federation ("the Russian Party") (hereinafter "the Parties") hereby establish the following Administrative Arrangement.

Channels of Communication

Pursuant to this Administrative Arrangement the Parties will communicate directly using appropriately secure channels.

Accounting for and Control of Subject Nuclear Material

The Russian Party shall provide nuclear material accounting and control covering all source material transferred pursuant to the Agreement between the United States Department of Energy and the Ministry of the Russian Federation for Atomic Energy Concerning the Transfer of Source Material to the Russian Federation ("the Transfer Agreement"), signed today, or any nuclear material that is substituted for such material pursuant to this Administrative Arrangement.

The Russian Party shall provide to the U.S. Party annually by May 1, through diplomatic channels, an official report on source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to this Administrative Arrangement, which is within the jurisdiction of the Russian Federation as of December 31 of the preceding year, including a list of permitted withdrawals or sales.

The report shall include beginning and ending inventories, to include quantities, categories (natural uranium or LEU), cylinder number, gross weight, tare weight, shipper, receiver, date received, date removed from storage for shipment from Russia (if applicable), chemical and physical form, and location.

The U.S. Party shall provide prior notification to the Russian Party of each shipment of source material to include cylinder number, gross weight, tare weight, shipper, intended receiver, date shipped (if known), chemical and physical form, and location.

The Russian Party shall provide the U.S. Party notification of receipt of each shipment of source material indicating cylinder number, gross weight, tare weight, shipper, intended receiver, date shipped (if known), chemical and physical form, and location.

Nuclear material included on the inventory shall remain listed until (a) it has, consistent with the Assurances Agreement, been transferred beyond the jurisdiction of the Russian Federation or (b) the Parties agree that it is no longer usable for any nuclear activity relevant from the point of view of international safeguards or has become practically irrecoverable.

The inventory of nuclear material, and the annual report thereon, need not identify physically the particular nuclear material initially subject to the Assurances Agreement, but shall at all times identify an equivalent quantity, provided, that the principle of equivalence shall not be used to reduce the quality of the nuclear material subject to the Assurances Agreement. In particular, the Russian Party may substitute low enriched uranium of equivalent U-235 content for source material subject to the Assurances Agreement. It is understood that such substituted low enriched uranium may be delivered to the United States of America in accordance with the HEU-LEU Agreement or may be delivered to eligible countries or groups of countries in accordance with the provisions of paragraph 5 of the Assurances Agreement. Such substituted low enriched uranium, upon delivery to the United States of America or a third country, will be removed from the inventory of nuclear material subject to the Assurances Agreement.

Monitoring

In order to provide confidence that the terms of the Assurances Agreement are being implemented, the United States of America shall have the right to conduct one annual inventory of cylinders containing uranium subject to the Assurances Agreement in storage in Russia. During this inventory, U.S. monitors shall have the right to visually check serial numbers on cylinders in storage and compare them with numbers declared by the Russian Party in the annual report. Additional procedures, as necessary, may be agreed upon by the Parties and will be the subject of an annex to this Administrative Arrangement.

Reporting

Each party may, at its discretion, provide access to reports prepared under this Administrative Arrangement.

Amendment

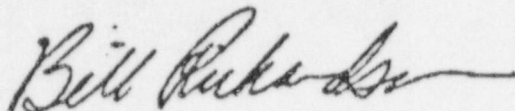
This Administrative Arrangement may be amended by written agreement of the Parties.

Effective Date

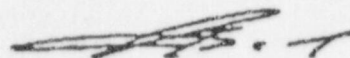
This Administrative Arrangement shall enter into force upon signature.

Done at Washington this twenty-fourth day of March, 1999, in duplicate, each in the English and Russian languages, both texts being equally authentic.

FOR THE UNITED STATES
DEPARTMENT OF ENERGY:

A handwritten signature in dark ink, appearing to read "Bill Richardson", with a long horizontal flourish extending to the right.

FOR THE MINISTRY OF
THE RUSSIAN FEDERATION
FOR ATOMIC ENERGY:

A handwritten signature in dark ink, appearing to read "A.B. I.", with a long horizontal flourish extending to the right.

The Department of State of the United States of America presents its compliments to the Embassy of the Russian Federation in the United States of America and has the honor to propose the following Agreement concerning the transfer of source material from the United States of America to the Russian Federation pursuant to the Agreement between the United States Department of Energy and the Ministry of the Russian Federation for Atomic Energy Concerning the Transfer of Source Material to the Russian Federation ("the Transfer Agreement"), signed March 24, 1999.

1. The agreement proposed hereinafter shall constitute the Agreement Between the Government of the United States of America and the Government of the Russian Federation ("the Parties") regarding assurances concerning the source material transferred from the United States to the Russian Federation ("the Assurances Agreement"), in implementation of the Agreement Between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons, signed on February 18, 1993 ("the HEU-LEU Agreement").

2. The Government of the Russian Federation agrees that no special nuclear material shall be produced by the Russian Federation or under the jurisdiction or control of the Russian Federation through the use of source material transferred pursuant to the Transfer Agreement.

3. The Department of Energy of the United States of America ("DOE") and the Ministry of the Russian Federation for Atomic Energy ("MINATOM") are establishing an Administrative Arrangement in order to provide for the effective implementation of the

provisions of the Assurances Agreement. This Administrative Arrangement may be amended by written agreement between DOE and MINATOM. The principles of fungibility, equivalence and proportionality shall apply to nuclear material subject to the Assurances Agreement and the Transfer Agreement and the detailed provisions thereof shall be set out in the Administrative Arrangement.

4. The Government of the Russian Federation agrees that:

(a) Source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, shall be subject to agreed bilateral tracking and monitoring arrangements.

(b) Source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, shall not be used for any nuclear explosive device or for research on, or development of, any nuclear explosive device, or for any other military purpose.

(c) Adequate physical protection measures shall be maintained with respect to source material transferred pursuant to the Transfer Agreement or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement. To fulfill this requirement, such measures shall be applied in accordance with levels of physical protection at least equivalent to the recommendations published in the IAEA document INFCIRC/225/Rev.4 entitled "The Physical Protection of Nuclear Material," or a subsequent revision accepted by the Parties.

(d) Source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, shall not be transferred to

unauthorized persons or beyond the jurisdiction or control of the Russian Federation without the prior consent of the Government of the United States of America.

(e) Source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, shall not be reprocessed or altered in form or content without the prior consent of the Government of the United States of America.

(f) Source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, shall not be enriched without the prior consent of the Government of the United States of America.

5. The Government of the United States of America agrees that source material transferred pursuant to the Transfer Agreement and low enriched uranium substituted for source material transferred pursuant to the Transfer Agreement may, pursuant to contracts existing on the date of entry into force of the Transfer Agreement, be retransferred by the Russian Federation to countries or groups of countries with which the United States of America has in force an agreement for peaceful nuclear cooperation and that are otherwise acceptable to the United States. The list of acceptable countries or groups of countries is set forth in the Annex to the Assurances Agreement. The Government of the United States of America may add eligible countries or groups of countries to the list at any time, and may delete countries or groups of countries from the list following consultations with the Government of the Russian Federation. MINATOM shall keep records of such retransfers and shall promptly notify an agency designated by the Government of the United States of America of each retransfer. Prior to each retransfer, MINATOM shall confirm in writing to the aforesaid agency of the Government of

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the United States of America that the nuclear material to be retransferred will be subject to an agreement for peaceful nuclear co-operation between the United States of America and the countries or groups of countries receiving the nuclear material.

6. The Parties agree that if the Transfer Agreement is terminated, any source material transferred pursuant to the Transfer Agreement, or any nuclear material that is substituted for such material pursuant to the Administrative Arrangement, will continue to be subject to the conditions set forth in the Assurances Agreement.

7. Subject to the above, source material transferred pursuant to the Transfer Agreement may be used, as specified in Article 7 of the Transfer Agreement, for diluting HEU for delivery as LEU to the United States of America under the HEU-LEU Agreement or for sale in accordance with the Commercial Agreement and paragraph 5 of the Assurances Agreement.

If these proposals are acceptable to the Government of the Russian Federation, it is further proposed that this note, together with the Embassy's affirmative note of reply, on behalf of the Government of the Russian Federation, shall constitute an agreement between the Government of the United States of America and the Government of the Russian Federation (the "Assurances Agreement"), which shall enter into force on the date of the Embassy's note in reply.

Enclosure: One page as indicated.

SRS

Department of State,
Washington, March 24, 1999.

List of Countries and Groups of Countries Specified in Accordance with
Paragraph 5 of the Assurances Agreement

The Argentine Republic
Australia
The Republic of Bulgaria
Canada
The People's Republic of China
The Czech Republic
European Atomic Energy Community
The Republic of Hungary
Japan
The Republic of Korea
Norway
The Republic of Poland
The Slovak Republic
The Republic of South Africa
Switzerland

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**FINDING OF NO SIGNIFICANT IMPACT
FOR THE
DISPOSITION OF RUSSIAN FEDERATION TITLED
NATURAL URANIUM**

ISSUED BY: United States Department of Energy

ACTION: Finding Of No Significant Impact

SUMMARY: The United States Department of Energy (DOE) proposes to submit a license application to the U. S. Nuclear Regulatory Commission (NRC) that would allow up to 9,000 metric tons of natural uranium (0.711% U-235) that is Russian Federation titled and stored at DOE's gaseous diffusion plants (GDPs) at Portsmouth, OH and Paducah, KY, which are leased to the United States Enrichment Corporation, to be shipped to the Russian Federation each year until the year 2013. The natural uranium would be shipped to the Russian Federation in exchange for low enriched uranium (LEU) blended down from highly enriched uranium (HEU) from disassembled Russian nuclear weapons under the United States/Russian Federation Government-to-Government Agreement. DOE has prepared an Environmental Assessment (EA) of the overland truck shipment of Russian titled natural uranium in the form of uranium hexafluoride (UF₆) from the GDPs to the ports of Hampton Roads, VA and Baltimore, MD and thence via seagoing cargo ship to the Russian Federation port of St. Petersburg, Russia. Based upon the analyses in the EA, the DOE has determined that the Proposed Action is not a major action significantly affecting the quality of the environment, and preparation of an Environmental Impact Statement is not required.

A draft of the EA was sent for comment to the State governments of Ohio, Kentucky, Virginia, and Maryland, and to the United States Department of State and the United States Nuclear Regulatory Commission. Comments were received and taken into consideration from the States of Maryland and Kentucky.

FOR FURTHER INFORMATION AND/OR COPIES OF DOE/EA-1290, CONTACT:

Mr. Robert M. George
U. S. Department of Energy, NE-30
19901 Germantown Road
Germantown, MD 20875

Mr. George may also be reached by calling (301) 903-5727.

SUPPLEMENTAL INFORMATION

Background

In February 1993, the United States and the Russian Federation signed the United States/Russian Government-to-Government highly enriched uranium (HEU) agreement for the disposition and purchase of 500 metric tons of HEU extracted from Russian nuclear weapons. Pursuant to this HEU agreement, the U.S. Executive Agent, the U.S. Enrichment Corporation (USEC), and the Russian Executive Agent, Techsnabexport (TENEX) executed an implementing contract that provided for prompt payment for the enrichment component of the low enriched uranium (LEU) derived from the HEU and delivered to the United States. With regard to the natural uranium component of the LEU, this initial contract provided for payment either when sold or utilized for overfeeding the gaseous diffusion plants by USEC. However, sale of this component in the U.S. was complicated by a large oversupply of uranium in the market, limited demand, unattractive market prices and restrictions on the amount of Russian-origin uranium allowed into the U.S. market.

In September 1996, USEC and TENEX contracted to implement provisions of the USEC Privatization Act that freed USEC of responsibility for the natural uranium component related to the shipments of LEU.

On March 24, 1999, the United States Department of Energy (DOE) and MINATOM entered into an agreement that provides for the shipment of any natural uranium not purchased under commercial agreements to the Russian Federation, subject to meeting requirements under United States law, including the National Environmental Policy Act.

Proposed Action

DOE could submit a license application to the NRC that would allow up to an average 9,000 metric tons of natural uranium (0.711% U-235) that is stored at the GDPs to be shipped to the Russian Federation each year. It is anticipated that for most of this period, significantly less than that amount would be shipped back to the Russian Federation because of purchases of western uranium companies under a contract between the Russian Federation and the companies. Implementation would require that the NRC grant a license for the export of the material, consistent with other U.S. nonproliferation requirements.

Environmental Impacts

Annual shipment of 9,000 metric tons of natural UF_6 – the maximum amount that would be shipped in a year – from the GDPs overland to Hampton Roads, VA or Baltimore, MD, and thence by ocean-going freighter to St. Petersburg, Russia entails little or no risk to the quality of the environment or to human health from exposure to

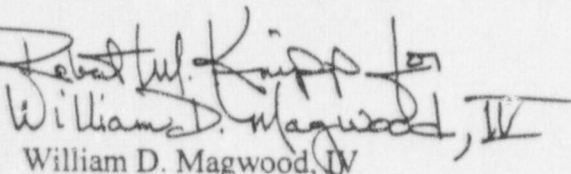
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radiation or chemical hazards associated with the shipment. Uranium hexafluoride has been shipped safely around the world by sea for more than 30 years. There has never been an accident involving its release during transport.

The implementation of the Agreement is expected to result in stability in the world-wide uranium market and is expected to have little or no adverse socioeconomic impact on the domestic uranium industry.

DETERMINATION

The Proposed Action to submit an export license to the NRC and then ship up to 9,000 metric tons per year of natural uranium as UF_6 (Russian Federation-titled) by truck from the Portsmouth and Paducah gaseous diffusion plants to either Hampton Roads, VA or the port of Baltimore, MD and thence by ocean-going freighter to St. Petersburg, Russia, and to continue these shipments for up to 15 years, entails insignificant impacts and low risks. The action does not constitute a major federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act. Therefore, based upon the analyses in the EA, an Environmental Impact Statement is not required.

Issued this 4 day of June, 1999, in Washington, DC.


William D. Magwood, IV

Director
Office of Nuclear Energy,
Science and Technology
United States Department of Energy