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PRACTICALLY IMPLEMENTING 123 AGREEMENT BETWEEN RUSSIA AND THE US IN 2012: WHAT ARE POLITICAL AND ECONOMIC DIVIDENDS (IF ANY)?

A Policy Memo

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Observer

The Agreement between the Government of the United States of America and the Government of the Russian Federation on Cooperation in the field of Peaceful Uses of Nuclear Energy, the so-called 123 Agreement, entered into force in January 2011 following the exchange of relevant documents between the Deputy Minister of Foreign Affairs of the Russian Federation Mr.Sergei Ryabkov and the US Ambassador to Russia Mr.John Beyrle.

Having acknowledged this event as "good job" the Russian President Mr.Dmitri Medvedev urged "to do business instead of politicizing". The essence of this urge needs to be the basics when considering the status and the prospects of the 123 Agreement implementation. The answer to the question posed in the headline "...dividends, if any" (the implication being the gain of political and economic benefits from the implementation of the Agreement) is obvious in this context since business is apriori based on mutually beneficial collaboration: be it trade, joint developments/designing or specific projects. At the same time, like in any other business, relations in the field of peaceful uses presuppose both certain competition, for new markets in the first place, and partnership in areas where interests coincide.

Looking into coincidence of interests it would be fair to say that Russia and US being the leading nuclear states are interested in safe and economically beneficial peaceful uses of nuclear energy both domestically and globally. At the same time civil nuclear industries of 2 countries can be mutually complementary.

Both countries are also interested in strengthening the international non-proliferation regime and assuring nuclear safety and physical protection, especially in the context of lessons learned from the Fukushima-1 NPP accident in Japan in March 2011.

A good example of such interest and cooperation in the area of non-proliferation is the mutual support of the Russian and US initiatives on the establishment of the LEU fuel banks for assured supply under the IAEA control to provide fuel to NPPs in any country to which regular fuel shipments are interrupted for political reasons unrelated to any violations of the non-proliferation regime by a given country.

The very important step in the development of cooperation was the signing of the "Joint Statement of the State Corporation for Atomic Energy "Rosatom" and the US Department of Energy on Strategic Areas of Cooperation in the Nuclear Field " in September 2011, in Vienna. It is mentioned in it that with the entering into force of the 123 Agreement a new era has begun which opens many opportunities for cooperation between the two countries on a wide range of issues related to nuclear power, nuclear safety and physical protection, management of spent fuel and radioactive waste, science and research, and commerce.

The intent to cooperate on the development of different types of reactors, including the Russian multi-purpose fast research reactor, and on improving various types of nuclear fuel and construction materials, is also mentioned in the Joint Statement. There are plans to conduct joint work on modeling and simulations, as well as development of nuclear fuels, materials and technology for the back end of nuclear fuel cycle.

In the area of spent fuel and radioactive waste management the objective of cooperation is to work out joint approaches to decommissioning of contaminated sites and development of technical solutions such as specialized engineering and technical barriers or decontamination of radioactive and toxic soil. Research in the area of new technology for NPP spent fuel management is also envisaged with possible conducting of joint tests and experiments, including irradiation of construction materials and nuclear fuel at US and Russian facilities.

The Working Group on Nuclear Energy and Nuclear Security established under bi-lateral Presidential Commission set in July 2009 by the Presidents of Russia and US remains an

efficient coordinating mechanism for cooperation in nuclear field. The first Action Plan of the Working Group was endorsed by its Co-Chairs in October 2009 and submitted to the Presidents of Russia and US. Currently the Third Action Plan is under implementation. The results of the Third Action Plan implementation will be reviewed during the working Group meeting in early 2012, as well as the Fourth Action Plan that provides for the specific collaborative activities for 2012.

It is expected that action in the sphere of civil nuclear power to be put into this plan in 2012 to implement the Joint Statement among with activities traditionally associated with nuclear safety, security and physical protection and non-proliferation that are considered as important elements of cooperation. Expert meetings on technical issues and issues related to the assessment of the global nuclear energy architecture are in the plan. The latter concerns the establishment of a common vision of sustainable development of global nuclear power, including the concept of assuring full range of fuel cycle services and the role of the state and government - private partnership in the process.

Looking into the commercial cooperation it is worth mentioning that US that runs the park of 104 power reactors is the largest market for nuclear fuel cycle services. The Russian supplier of uranium products TENEX has already signed long-term contracts with US utilities for the shipment of uranium products following the termination of HEU-LEU contract in 2013. It's an important segment of nuclear market, but not the only one. The commercial companies of both countries need to explore opportunities to supply nuclear technology and services to US and Russian markets to cover other segments as well. For example, one of the potential commercial areas is innovative power reactors, including fast reactors. Russia has accumulated significant expertise in this area which could be of interest in US.

Analyzing commercial collaboration it is fair to mention that the entering into force of the 123 Agreement has positive impact on the expansion of peaceful uses cooperation between Russia and other countries that use US nuclear technology and material. It may be assumed that this provides also new opportunities to US companies that operate on the markets of such countries as well to be involved in cooperation.

Looking into the practical implementation of the 123 Agreement, especially into the plans for 2012, it is important to understand that the Agreement is a framework document and not a project agreement on, for instance, the construction of an NPP or a contract for the supply of a certain material. It simply defines the intention of the Parties to cooperate in the field of peaceful uses in general and provides a legal basis for such cooperation for at least 30 years (see Article 20, paragraph 1).

The implementation of specific areas of cooperation referred to in the 123 Agreement may require the development of supplementary so-called implementing arrangements related to specific contracts, which is, by the way, the provisions of the Agreement provide for. For instance, currently an administrative arrangement concerning the transfer of nuclear materials and specialized equipment is under development, which means that the provisions of the Agreement are being implemented.

Summing up it is fair to conclude that the door has been open for the implementation of joint work.