

## Three Important Future Uncertainties and the Way Forward<sup>1</sup>

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Thank you, Mr. Chairman. Ladies and Gentlemen, I am very pleased to have been exposed to such a variety of viewpoints on nuclear fuel supply assurance framework during this Special Event. The remarks that I would like to make at this occasion with great pleasure are what I think of three most important future uncertainties concerning the establishment of an international nuclear fuel supply assurance framework, mainly focusing on the Type 1 MNA approach. The reason why I will talk about uncertainties is because the IAEA secretariat asked me to do so beforehand.

The most important uncertainty I would like to point out firstly is the customer's trustworthiness or acceptability of backup systems to be realized based on the discussions in these two days as a part of global nuclear fuel supply assurance mechanisms. As these backup systems are proposed from the acknowledgement of the existence of distrust to the market, care should be taken prepare the soil for the distrust to grow in their design, as their function is necessarily interwoven in the nuclear fuel supply systems under national regulation. In this respect, we should bear in our mind a thesis that once distrust has set in, it soon becomes impossible to know if it was ever in fact justified, for distrust has the capacity to be self-fulfilling and to generate a reality consistent with itself.

In my judgment many thoughtful questions were posed to check the trustworthiness of the proposed systems during last two days ranging from technical aspects as to the accessibility to fabrication services in the case of fuel bank systems to institutional aspects such as the ability of the IAEA to make a timely decision under the political pressure from disputing countries and legal aspects such as the way to accommodate rules for a new system to the framework of existing laws. I hope that such constructive discussions will be continued, desirably involving potential customers as well.

At the same time, the designer should bear in mind that fundamental importance to the enhancement of the reputation for trustworthiness of a system are 1) pre-commitment of major countries to the system, by allowing their industries "immunity" to escape from the political decision, for example, 2) to make promise with those who are most skeptical to the system, 3) the absence of potentially aggressive devices such as non-universal conditionality for recipient States, and 4) the lack of ambiguity in what to cooperate about, in the current case, to formulate a "last resort" to enable eligible countries to make full use of nuclear energy. I would like to point out at this juncture that it is from the recognition of the importance of these factors to the establishment of the trust to the system that Japan has proposed to establish a system in which as many countries as practicable register their nuclear fuel supply capability in the various elements of the front-end of fuel cycle, starting from uranium ore supply to fuel fabrication to the IAEA, and the IAEA disseminates information

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on the market situation based on this report so as to increase the transparency of the market, as a complementary system to the six-nation proposal in which the IAEA plays the intermediary function should market fail in various juncture of fuel cycle activities. We believe it an important contribution as a) market failure is possible at various juncture of fuel cycle activities, b) to establish these functions in such a way is to express a collective political will of Member States to prevent an eligible State from being isolated from the fuel supply market, and c) the increase in the transparency of the market owing to it and the existence of the IAEA's intermediary function based on the information may suppress the exercise of political intervention into the market.

The second uncertainty is the best modality of the system to be pursued to realize. We have discussed various possibilities here, ranging from a virtual system to a real one which equipped with relevant stocks and functions. From my viewpoint, the best modality should be determined through comprehensive evaluation of their effectiveness that depends on cost, benefit, trust, workability and so on. I hope that the IAEA secretariat will carefully perform relevant systems analyses for various options taking into consideration various aspects discussed in this conference.

The third uncertainty I would like to mention is whether to make the market accessible by any potential buyer through a series of overlapping fuel supply assurances will weaken a willingness of a country to pursue national activities to enter a growing market as a supplier. Although our endeavor to pursue the type 1 MNA approach will surely contribute to the suppression of uncompetitive, small-scale enrichment activities within national borders and to the encouragement of multi-nationalization of such activities, we are to wait the result of "test of liberal markets" which takes a long time for a country to learn, even if it is true that such activities are not an economically rational choice in an open free market economy even if its external benefits related with supply security and reputation are taken into consideration, although it might be accelerated as nuclear energy technology will surely face with severe competition with other innovative energy supply technologies and the dependence of the cost of energy in the country will be increased as its share in the energy supply system will become larger.

Therefore I believe it important for us to continue, in parallel with the deliberation of the backup mechanism, the deliberation of international nonproliferation norms to be agreed upon in near future as a mid-term project. The candidates for the deliberation are a) to apply the IAEA Safeguards including the Additional Protocol which should reflect the potential easiness of proliferation, b) to make "multi-nationalization" a new norm for nuclear businesses based on sensitive technologies, and c) to set a minimum requirement of proliferation resistance on technologies for a business based on sensitive technologies.

The deliberation should pay due attention to universality as well as effectiveness of the new norms. Obviously, when a new norm of multi-nationalization is proposed, the proposal should include due respect to the idea that any eligible nations should have an opportunity to be a part of suppliers, through the IAEA as a last resort.

Thank you