

04 - 395

**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 Techsnabexport 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

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.

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:

Handwritten signature of Bill Richardson in cursive script.

FOR THE MINISTRY OF  
THE RUSSIAN FEDERATION  
FOR ATOMIC ENERGY:

Handwritten signature in cursive script, likely representing a Russian official.