

Nr. 113588/2007-MPO

The Ministry of Foreign Affairs of the Czech Republic presents its compliments to the Embassy of the United States of America in Prague and has the honour to refer to the discussions between representatives of the two countries' Governments related to the transfer of spent nuclear fuel from the research reactor in the Nuclear Research Institute at Řež to the Russian Federation for management and storage.

The Ministry of Foreign Affairs proposes, on behalf of the Government of the Czech Republic, the following conditions concerning the transfer of such spent research reactor fuel from the Czech Republic to the Russian Federation, for management and storage in the Russian Federation:

1. The technical assistance that may be provided by the Government of the United States of America, through the United States Department of Energy, shall be utilized to support the transfer of spent research reactor nuclear fuel from the Czech Republic to the Russian Federation, safety upgrade of the Nuclear Research Institute reactor system as part of its conversion from the use of high-enriched uranium fuel to low-enriched uranium fuel, and security enhancement of the reactor site and nuclear materials stored at the site.

2. The payment for goods and services provided by the Nuclear Research Institute at Řež (ÚJV – Nuclear Research Institute at Řež) as the recipient of financial funds provided by the Government of the United States of America for the purpose mentioned in paragraph 1 above will be governed by the operative Czech Act on Value Added Tax (VAT) (Act No. 235/2004 Coll. as amended). In accordance with this Act, the ÚJV as a registered payer of the VAT in the Czech Republic will be entitled to reimbursement of the VAT declared in its tax return, which will be paid for goods and services mentioned in paragraph 1 above. This tax reimbursement shall be requested by the ÚJV for goods and services provided in the Czech Republic as well as for goods and services provided abroad i.e. in third countries outside the European Union. Within the application of the above-mentioned Czech Act, the VAT shall not be paid on funds provided by the Government of the United States of America for the purpose mentioned in paragraph 1 above. The mentioned funds that might be provided by the Government of the United States of America shall not be subject to taxation in the Czech Republic.
3. The Government of the Czech Republic shall be responsible for liability arising out of the technical assistance provided by the United States Government as set forth in paragraph 1 above, in accordance with the Vienna Convention on Civil Liability for Nuclear Damage of 21 May 1963.
4. The Government of the Czech Republic is aware that any technical assistance provided by the United States of America pursuant to paragraph 1 above is subject to available funds.

5. Ministries and agencies of both Governments may enter into agreements, inter alia, the future *"Agreement between the Ministry of Industry and Trade of the Czech Republic and the Department of Energy of the United States of America concerning co-operation in the area of countering the proliferation of nuclear materials and technologies"*, and other arrangements relating to technical assistance provided by the United States Government.

If these above-mentioned conditions are acceptable to the United States Government, the Ministry of Foreign Affairs of the Czech Republic awaits the Embassy's affirmative reply note. Receipt of the Embassy's note shall constitute both governments' acceptance of the framework set forth in this note for commencement of the technical assistance.

The Ministry of Foreign Affairs of the Czech Republic avails itself of this opportunity to renew to the Embassy of the United States of America in Prague the assurances of its highest consideration.

Prague, April *16*, 2007



Embassy of the United States of America
Prague

07-7-2007

No. 74

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Czech Republic and has the honor to inform the Ministry that the Embassy of the United States acknowledges receipt of note No. 113588/2007-MPO, dated April 26, 2007, from the Ministry of Foreign Affairs of the Czech Republic, which reads as follows:

"The Ministry of Foreign Affairs of the Czech Republic presents its compliments to the Embassy of the United States of America in Prague and has the honour to refer to the discussions between representatives of the two countries' Governments related to the transfer of spent nuclear fuel from the research reactor in the Nuclear Research Institute at Rež to the Russian Federation for management and storage.

The Ministry of Foreign Affairs proposes, on behalf of the Government of the Czech Republic, the following conditions concerning the transfer of such spent research reactor fuel from the Czech Republic to the Russian Federation, for management and storage in the Russian Federation:

1. The technical assistance that may be provided by the Government of the United States of America, through the United States Department of Energy, shall be utilized to support the transfer of spent research reactor nuclear fuel from the Czech Republic to the Russian Federation, safety upgrade of the Nuclear Research Institute reactor system as part of its conversion from the use of high-enriched uranium fuel to low-enriched uranium fuel, and security enhancement of the reactor site and nuclear materials stored at the site.
2. The payment for goods and services provided by the Nuclear Research Institute at Rež (ÚJV - Nuclear Research Institute at Rež) as the recipient of financial funds provided by the Government of the United States of America for the purpose mentioned in paragraph 1 above will be governed by the operative Czech Act on Value Added Tax (VAT) (Act No. 235/2004 Coll. as amended). In accordance with this Act, the ÚJV as a

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registered payer of the VAT in the Czech Republic will be entitled to reimbursement of the VAT declared in its tax return, which will be paid for goods and services mentioned in paragraph 1 above. This tax reimbursement shall be requested by the LJV for goods and services provided in the Czech Republic as well as for goods and services provided abroad i.e. in third countries outside the European Union. Within the application of the above-mentioned Czech Act, the VAT shall not be paid on funds provided by the Government of the United States of America for the purpose mentioned in paragraph 1 above. The mentioned funds that might be provided by the Government of the United States of America shall not be subject to taxation in the Czech Republic.

3. The Government of the Czech Republic shall be responsible for liability arising out of the technical assistance provided by the United States Government as set forth in paragraph 1 above, in accordance with the Vienna Convention on Civil Liability for Nuclear Damage of 21 May 1963.
4. The Government of the Czech Republic is aware that any technical assistance provided by the United States of America pursuant to paragraph 1 above is subject to available funds.
5. Ministries and agencies of both Governments may enter into agreements, inter alia, the future "Agreement between the Ministry of Industry and Trade of the Czech Republic and the Department of Energy of the United States of America concerning co-operation in the area of countering the proliferation of nuclear materials and technologies", and other arrangements relating to technical assistance provided by the United States Government.

If these above-mentioned conditions are acceptable to the United States Government, the Ministry of Foreign Affairs of the Czech Republic awaits the Embassy's affirmative reply note. Receipt of the Embassy's note shall constitute both governments' acceptance of the framework set forth in this note for commencement of the technical assistance.

The Ministry of Foreign Affairs of the Czech Republic avails itself of this opportunity to renew to the Embassy of the United States of America in Prague the assurances of its highest consideration."

On behalf of the Government of the United States of America, the Embassy accepts the proposal set forth in the Ministry's note. The Ministry's receipt of this

affirmative reply shall constitute both governments' acceptance of the framework set forth in the Ministry's note No. 113583/2007-MPO for commencement of the technical assistance.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs of the Czech Republic the assurances of its highest consideration.



Embassy of the United States of America,
Prague, May 3, 2007.