



PRIME MINISTER

FOR PRESS

24 MAY 1977

GOVERNMENT POLICY ON NUCLEAR SAFEGUARDS

The future course of world nuclear development and the regime of international controls which should apply to such development are currently subjects of great international interest. In the past few weeks for example, there has been an important statement by President Carter on nuclear energy in which he emphasised the need to restrain the spread of nuclear weapons or explosive capabilities without foregoing the tangible benefits of nuclear power. Again, at their recent Summit meeting, the Heads of Government of the United States, the United Kingdom, Canada, West Germany, France, Japan and Italy committed themselves to increasing nuclear energy to help meet the world's energy requirements while reducing the risks of nuclear proliferation. They launched an urgent study to determine how best to fulfil these objectives. At the conclusion of the recent Salzburg Conference, the most important international conference held in recent years on all aspects of nuclear power, the Director General of the International Atomic Energy Agency referred to the agreement of the meeting that nuclear power was a necessary and irreplaceable source of the future energy supply to mankind for both the short and the longer term.

It is clear that there is widespread international concern to establish a framework of control within which the benefits which many countries see in the peaceful use of nuclear energy can be safely realised. These are issues of major international importance in their own right, but they

have an added significance for Australia because of our potential as a supplier of uranium. They are issues on which I have already written to President Carter and Prime Minister Trudeau and on which the Deputy Prime Minister and Australian officials have held detailed consultations with the United States, Canada and other countries. They are issues which have been under the closest and most careful consideration from the moment the Government took office. In the present period of international reappraisal of these issues the Government is determined that Australia should play an active role with other countries in the search for, and achievement of, joint solutions.

A proliferation of nuclear facilities without adequate protection against diversion of material to nuclear weapons production or nuclear explosives would pose serious threats to international stability and peace, obviously inimical to Australia's interests and to global and regional security. It was for this reason that in his address to the United Nations General Assembly last September, the Foreign Minister described the strengthening of measures to prevent proliferation of nuclear weapons as a central and fundamental area in which Australia looks and hopes for early progress. This will remain the case whether or not Australia is ultimately to become a major exporter of uranium. The safeguards policy which we will follow is, in our view, appropriate for any country to follow whether it be a uranium supplier or consumer. I make clear from the outset that the term safeguards is used here to denote the whole range of measures used to provide assurance that nuclear material supplied for peaceful purposes is not mis-used for non-peaceful or

explosive purposes.

The Government fully accepts that if it were in future to permit new uranium export from Australia, this would carry with it added responsibilities. Against the background of these international responsibilities the Government accepts that uranium is a special commodity, the export of which would involve important considerations of a kind not involved in the export of other commodities. This implies a requirement for selectivity in the choice of customer countries and the closest attention to ensuring adequate safeguards. It is not the Government's view that safeguards should be regarded as something to be balanced against commercial considerations. We view adequate safeguards as a fundamental pre-requisite of any uranium export which we would also expect responsible customer countries for Australian uranium readily to accept.

It will be recalled that, following the release of the First Report of the Ranger Uranium Environmental Inquiry, the Government announced in the House on 11 November 1976 that it supported the Inquiry's view on the need for the fullest and most effective safeguards on uranium exports. The Government also stated that it was carrying forward more detailed consideration of safeguards in order to further develop a national policy on this subject.

The announcement of a policy at this stage, of course, in no way preempts a decision on the question whether any such new contracts for the export of uranium will be permitted. As the Government has repeatedly emphasised, this remains a matter for consideration following receipt of the final report of the Ranger Uranium Environmental Inquiry. However, as the Foreign Minister said in the Government's foreign policy statement in the Parliament on 15 March 1977 the Government would be remiss if it did not address itself to safeguards questions in the meantime. That the Government has taken certain decisions on safeguards policy at this stage reflects its determination to ensure that an established framework of policy exists so that any new uranium exports take place under the most carefully considered and responsible conditions possible. The Government wishes to avoid a situation in which decisions may be required on new uranium marketing at some point in the future without the benefit of a clear policy on the ground rules to apply so far as safeguards are concerned.

The Government has long recognised the desirability of defining a comprehensive policy on safeguards. It would not be desirable for safeguards requirements to be left to ad hoc decision as this would not afford the strong and clear support for international efforts to strengthen controls against nuclear weapons proliferation to which the Government attaches major importance. Australia is a potentially significant supplier of uranium, but if we are to play the part which this potential gives us the opportunity to play of contributing effectively to international efforts to strengthen the non-proliferation regime, it is desirable that uranium importing countries and other nuclear supplier countries alike know where Australia stands on the matter of safeguards.

In the narrow sense, safeguards are systems of containment, surveillance, accounting and inspection of nuclear materials and facilities designed to verify that diversion does not take place from peaceful to non-peaceful or explosive purposes. The major systems of international safeguards are administered by the International Atomic Energy Agency. In a broader sense, safeguards for future Australian uranium exports would comprise, as well as the application of international safeguards in this strict sense, the securing from importing countries of adequate assurances regarding the use and control of supplied nuclear material and the conclusion of binding arrangements to give effect to such assurances. In both senses - as mechanisms for verification and as controls and conditions for nuclear exports - safeguards arrangements are an evolving structure, continually being strengthened, refined and improved.

Against this background, I would like to announce the following specific components of the comprehensive safeguards policy which the Government has adopted. These cover:

- the need to keep policy under review;
- careful selection of eligible customers for uranium;
- the application of effective International Atomic Energy Agency safeguards;
- bilateral agreements with customer countries;
- fallback safeguards;
- prior Australian Government consent in relation to re-export, enrichment and reprocessing;
- physical security;
- safeguards provisions in contracts; and
- international and multilateral efforts to strengthen safeguards.

First, it will be a basic feature of our approach to recognise that the process of strengthening and improving international safeguards arrangements is an ongoing one. Our policy and safeguards arrangements must be kept closely under review to take account of the future evolution of international thinking on safeguards. In this regard the Government is pleased that, as recently announced, Mr. Justice Fox has agreed to become an adviser to me on policy matters relating to nuclear non-proliferation and safeguards.

Second, should the Government approve further development of the Australian uranium industry it will retain the right to be selective in the countries to whom uranium export will be permitted. The following minimum criteria for eligibility to receive Australian uranium will apply. The Government emphasises that these represent minimum conditions for countries to be eligible to receive Australian uranium. The Government makes clear that wider foreign policy considerations may also be taken into account, and that it reserves the right to refrain from permitting export should this be appropriate in the light of such considerations. It does not, therefore, follow that the Government would necessarily permit export to a country meeting these minimum safeguards criteria.

In the case of non-nuclear weapon states - that is to say all countries other than the five existing nuclear weapons powers recognised by the Non-Proliferation Treaty - sales will be made only to countries which are parties to the Non-Proliferation Treaty.

Because of these countries' safeguards obligations under the Non-Proliferation Treaty this policy will ensure that

the entire civil nuclear industry in such customer countries is subject to effective safeguards to verify that nuclear material, whether of Australian or any other origin, is not diverted from peaceful uses. The Government is aware that work has recently been underway within the International Atomic Energy Agency on a new system of equally stringent safeguards to cover the entire nuclear industry in non-nuclear weapon states which are not parties to the Non-Proliferation Treaty. It will be following progress on this matter and the implications which it may have for our policy.

Regarding existing nuclear weapon states, they are not obliged under the Non-Proliferation Treaty to renounce nuclear weapons or accept international safeguards. They retain the right to use nuclear material for weapons as well as peaceful purposes. Even so, Australia would want to have assurance that nuclear material we may supply for peaceful purposes is not diverted to military or explosive purposes. We will therefore export only to nuclear weapon states which give Australia this assurance and accept that the uranium we supply be covered by International Atomic Energy Agency safeguards. In this respect the Government's policy introduces a requirement additional to those recommended by the Ranger Uranium Environmental Inquiry in its First Report.

Third, the Government wishes to ensure that if a decision is taken to permit new uranium export, the uranium will be covered by International Atomic Energy Agency safeguards from the time it leaves Australian ownership. As matters stand, while safeguards applied under the Non-Proliferation Treaty require notification of transfers of yellowcake, the full intensity of such safeguards only commences to apply later in the fuel cycle. Accordingly, it will be the Government's policy that any future sales arrangements for exports of Australian uranium should be such that the uranium will be in a form which attracts full International Atomic Energy Agency safeguards by the time it leaves Australian ownership.

Fourth, Australia will require the prior conclusion of bilateral agreements between the Australian Government and countries wishing to import Australian uranium under any future contracts. These bilateral agreements will provide a framework for direct and binding assurances by importing countries to the Australian Government in relation to the use and control of uranium supplied by Australia or nuclear material derived from its use. The fundamental undertakings the Government will wish to obtain from uranium importing countries in such bilateral agreements are that nuclear material supplied by Australia for peaceful purposes or nuclear material derived from its use will not be diverted to military or explosive purposes and that International Atomic Energy Agency safeguards will apply to verify compliance with this undertaking. Australia would seek to arrange with uranium importing countries regular expert-level consultations to satisfy ourselves of the

implementation of the provisions of bilateral agreements. In line with the positions taken by the United States and Canada Australia would retain the right to cease supply of uranium to any country which breached safeguards undertakings.

Fifth, the Government takes the view that nuclear material supplied by Australia or nuclear material derived from its use should remain under safeguards for the full life of the material in question or until it is legitimately removed from safeguards.

In line with this basic principle the Government has decided that bilateral agreements with non-nuclear weapon states should make provision for so-called fallback safeguards. I have already made clear that Australia would not be prepared to export uranium to such countries in the absence of International Atomic Energy Agency safeguards applied under the Non-Proliferation Treaty. However, the question arises of ensuring the continued safeguarding of material already present in an importing country should safeguards under the Non-Proliferation Treaty at some stage cease to apply in that country. There should be provision under the bilateral agreements for the continued application of international safeguards in such circumstances. Further, the bilateral agreements should provide for Australia to make alternative arrangements for the safeguarding of nuclear material supplied by us in the event of international safeguards as such ceasing to operate.

Moreover, the Government feels it is reasonable to ask importing countries who will already accept International Atomic Energy Agency safeguards of comprehensive scope under the Non-Proliferation Treaty, to accept that, at the first fallback level also, international safeguards should apply to all nuclear material, not just that portion supplied by Australia.

Sixth, the Government considers that it would be an unsatisfactory situation for uranium supplied by Australia to one country, or nuclear material derived from its use, to be able to be re-exported to a third country without the opportunity for Australia to satisfy itself that adequate controls would apply to the transferred material and that the ultimate destination is acceptable to us. For this reason the Government has decided that bilateral agreements with uranium importing countries should make any transfer of supplied material to a third party contingent on the prior consent of the Australian Government. This provision will give Australia the means of ensuring that our safeguards requirements are met despite any onward transfers of the uranium we supply or nuclear material derived from it.

Seventh, we would require that Australian uranium supplied to other countries for peaceful uses not be enriched beyond 20% uranium-235 without prior Australian consent. This provision is in line with the practice adopted by other nuclear supplier countries. The figure of 20% has been chosen as representing a level of enrichment below the practical requirements for a nuclear explosive, while being above the enrichment level required for most peaceful uses, excepting, for example, some research and radioisotope production reactors, for which approval to enrich to the necessary level would need to be obtained. In respect of this requirement also, the Government's policy extends beyond the recommendations made by the Ranger Uranium Environmental Inquiry in its First Report.

Eighth, the Government is aware of the interest of some countries in the reprocessing of spent nuclear fuel to meet their anticipated future fuel requirements, and to facilitate the management of nuclear material following its use in nuclear reactors. At the present time the need for reprocessing and the details of an effective control regime for this area of the nuclear fuel cycle are the subject of close study internationally. This is an area in which there are a number of new ideas and initiatives. The United States has proposed an International Nuclear Fuel Cycle Evaluation Program to consider various nuclear fuel cycles in terms of their implications for proliferation control. There are also such ideas as various schemes for multinational control of reprocessing facilities and for the management of spent fuel and plutonium. The Government welcomes these studies and consultations and will seek to contribute actively and constructively to relevant aspects of them such as fuel supply assurances and waste management.

The Government's view is that, prior to a clearer outcome emerging from this current international activity, it would be premature for Australia to adopt a unilateral position on the detailed conditions under which we might be prepared to agree to reprocessing, if any, of nuclear material supplied by Australia. In order to effectively reserve Australia's position on this matter for the time being we would wish to make provision in bilateral agreements with countries importing Australian uranium that any reprocessing of nuclear material supplied by Australia may only take place with the prior consent of the Australian Government. This requirement is additional to those recommended by the Ranger Uranium

Environmental Inquiry in its First Report and reflects similar concerns to those expressed by the Inquiry in relation to reprocessing.

Ninth, the Government would require in future bilateral agreements the assurance from uranium importing countries that adequate physical security will be maintained on their nuclear industries. In addition, we believe the agreements should specify compliance with standards of physical security based, at a minimum, on International Atomic Energy Agency recommendations as presently defined and as updated from time to time. They should also make provision for expert level consultations as necessary on physical security arrangements. These requirements also translate into concrete policy measures concerns expressed by the Ranger Uranium Environmental Inquiry.

The incorporation of these provisions in the Government's safeguards policy reflects our concern that total nuclear control should encompass not just safeguards to verify that nuclear material is not illicitly diverted from peaceful uses by national Governments or national authorities, but also to protect nuclear material from illegal use by groups or individuals.

Tenth, the establishment of effective arrangements for safeguards is essentially a matter for Governments and for inter-Governmental agreements, either bilateral or multilateral. Nevertheless, it is important to ensure that the actual parties to commercial contracts, which may be private organisations, are also aware of the safeguards obligations to which their transaction is subject. For this reason, although the Ranger Uranium Environmental Inquiry in its First Report did not make

a recommendation on this matter, the Government has decided that it is desirable that, as a standard practice, a clause should be included in any future contracts for the export of uranium from Australia noting that the transaction is subject to safeguards as agreed between the importing country and the Australian Government.

Finally, as an important complement to the measures I have outlined so far, the Government recognises the importance of Australia contributing to constructive multilateral efforts to strengthen safeguards. There is a need for what President Carter has described as systematic and thorough consultations in this area. We too consider that it is highly desirable that there should be the widest possible consensus amongst both nuclear supplier countries and nuclear importing countries on the controls to apply to the world nuclear industry. The wider the consensus, the more effective these controls will be as a barrier to nuclear proliferation. The more uniform the views of the countries concerned, the easier it will be to implement a properly effective regime of controls. It will be an integral part of Australia's approach to safeguards to seek to promote such a consensus.

In particular, we will seek to co-ordinate policy on safeguards with other like-minded countries. As I noted at the outset, I have already initiated an exchange of correspondence with the President of the United States and the Prime Minister of Canada expressing this wish, and extremely valuable consultations have already taken place. The policy I am now announcing incorporates the Government's consideration of these consultations and represents a very similar approach to safeguards to that adopted by the United States and Canada. More generally, nuclear supplier countries have a special role and responsibility in the ongoing development of safeguards

and Australia will be prepared to participate with them in any constructive efforts to develop a co-ordinated approach.

We will also continue to attach major importance to the effective application of safeguards by the International Atomic Energy Agency. We will investigate if there are specific areas in which Australia could usefully assist the Agency's capacity to apply increasingly effective safeguards.

At the present time the Government sees a multilateral approach towards safeguards questions as being especially desirable in one specific area as well as the International Nuclear Fuel Cycle Evaluation Program already mentioned; we would wish to lend support to the development of an international convention on the physical protection of nuclear material in international transit. Also, we would wish to explore with other countries a common approach to sanctions in the event of a breach of supply conditions.

The essential ingredients of the policy I have outlined are careful selection of customer countries, the application of international safeguards to verify that material supplied for peaceful purposes is not misused, the establishment of additional safeguards through bilateral agreements, and an active involvement by Australia in international efforts to upgrade safeguards. The policy is the result of full, careful and detailed consideration of safeguards by the Government. It builds on the preliminary thinking of the Government described in testimony to the Ranger Uranium Environmental Inquiry last year, as well as the recommendations of the First Report of the Inquiry itself. The policy has been the subject of detailed exchanges of views with other countries - both uranium

importers and major nuclear exporters - and relevant international organisations including the International Atomic Energy Agency.

As a result the Government is satisfied that the policy it has decided upon represents a practical, reasonable and effective package of safeguards measures to seek from countries wishing to import uranium from Australia under any future contracts. It is fully in step with current international efforts to strengthen safeguards. The policy goes beyond a mere acceptance by Australia of our international obligations as a party to the Non-Proliferation Treaty and constitutes a policy as stringent as that adopted to date by any nuclear supplier country.