

NTI LEU Bank Teleconference Transcript
August 22, 2017
10:00 a.m. ET

Operator: Good morning. My name is Stephanie and I will be your conference operator today. At this time, I would like to welcome everyone to the Nuclear Threat Initiative LEU Bank teleconference. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad. If you would like to withdraw, press the pound key. Thank you.

I would now like to turn the call over to the Nuclear Threat Initiative. Please go ahead.

Good morning, everyone. My name is Andrew Bieniawski, and I am the Vice President for Material Security and Minimization at the Nuclear Threat Initiative. We are very pleased to have NTI's Co-Chairman, former Senator Sam Nunn, join us on the call, as well as NTI's CEO and Co-Chairman, former Secretary of Energy, Ernest Moniz.

We are delighted to have this opportunity to give you some background on the International Atomic Energy Agency's low enriched uranium bank which NTI helped jump start approximately 11 years ago. We're eager to answer your questions, but I just wanted to highlight some brief background for you.

The LEU Bank will be officially launched next Tuesday in Astana, Kazakhstan. And the LEU Bank is really an unprecedented international effort that will both reduce nuclear dangers and make the world a safer place.

The LEU Bank will establish a physical reserve of low enriched uranium which will be available to IAEA member states if the international supply is disrupted. The IAEA LEU Bank will actually be owned and managed by

the IAEA and, therefore, this Bank is the first international LEU Bank not under the control of an individual country.

I just wanted to share a few facts with you regarding the LEU Bank. It is a physical reserve that holds up to 90 metric tons of low enriched uranium suitable to make fuel for a typical light water reactor; and such a reactor can power a large city for three years. The IAEA LEU Bank is located at the Ulba Metallurgical Plant, UMP, in Oskemen, which is located in northeastern Kazakhstan.

So with that background, I'd like to turn the call over to Senator Nunn, who announced NTI's vision and Mr. Buffett's commitments in Vienna in 2006, and who has been working to realize this vision for the past 11 years. Followed by Senator Nunn, we'll turn it over to Secretary Moniz. Thank you.

Sam Nunn: Thank you very much, Andrew, for all of your hard work in making this announcement next week possible.

Let me just tackle three fundamental questions that I think are the most relevant questions. The first question is: why does the IAEA control the low enriched uranium fuel bank? Why is it needed? And I would answer that by saying as more nations seek nuclear energy, it is imperative for the world to improve the security of the nuclear fuel cycle.

If a country develops the technical capability to enrich low enriched uranium for a nuclear power plant, it can also make highly enriched uranium for a nuclear weapon. The technology is basically the same.

A world where more and more countries make their own nuclear fuel and have the capability to produce not only low enriched uranium but also highly enriched uranium, will have the capability to produce weapons because that's usable nuclear material when it gets to a high enriched level, and that is a far more dangerous world than we have today.

So my second question is: how does this IAEA LEU Bank address what I perceive to be a growing risk? First, countries investing in nuclear energy need a predictable, stable, cost effective supply over the long term. That's

essential for the kind of large investment countries make when they go into nuclear energy.

Some countries will be tempted to build their own enrichment facilities - and we've seen that. Other states will prefer, for economic and security reasons, to import nuclear fuel from other suppliers - suppliers - in other words, the marketplace. And it's absolutely critical for countries that are looking for that alternative - that is, the marketplace - it's absolutely critical to international security that these states have confidence in the marketplace and its backup. And, of course, this fuel bank is a backup to the marketplace.

A country's decision not to develop its own enrichment may hinge on or pivot on whether there is an assured international supply of nuclear fuel on a non-discriminatory, non-political basis if they are meeting their nonproliferation obligations, and particularly the comprehensive safeguard agreement that must be in place with the IAEA, and that country must be in compliance.

The LEU Bank will allow nations to have confidence that relying on imported fuel supply will be secure, reliable and economically sound, and in the best interest of its own citizens. And I believe that this bank is going to help countries make that decision in that direction and convince its citizens that that is their best route. That's the aspiration.

Third question - how did it happen? The international community has been talking about this for many years; and back in March of 2005, Charlie Curtis - who I believe is on the line - Charlie was the President of NTI at that time - he and I talked about how NTI could play a role and a meaningful role in turning this theoretical discussion that had been going on for a long time in the international community into a reality.

So he and I were in Vienna along with Taylor Glover representing Ted Turner; and we made a few phone calls. I had already discussed this with Warren Buffett before this particular set of phone calls, but we had not talked about the amount of money - we had talked about the concept.

So I made a phone call to Warren from Vienna in March of 2005 and asked him if he would be willing to pledge \$50 million if the world would,

in some fashion, match that \$50 million. Warren suggested a two-to-one match. He empowered me to go to Director ElBaradei at his office at the IAEA; and from that point on the rest is, sort of, history here.

I made the informal commitment on NTI's behalf and Warren's behalf in March of 2005, and one year later I made that proposal, again with Warren's blessing, before the international body, IAEA. Then from that point on Director ElBaradei and Director Amano and the IAEA team worked tirelessly over a number of years to win approval of the IAEA Board of Governors to get the funds raised and to get the Bank cited to get transit rights and to make the plans for the construction. And that's where we are today.

President Nazarbayev volunteered to host the Bank, and Kazakhstan, of course, has been a global model for non-proliferation having gotten rid of their nuclear weapons and gotten rid of their highly enriched uranium. So the money has been raised; the transit agreements have been signed, and next Tuesday will be a big day.

There are a lot of people at NTI I'd like to thank. I'll do so very briefly. I already mentioned Charlie Curtis; Joan Rohlfing who heads our organization and has been a very, very effective supporter from day one; Laura Holgate - no longer with us - but she's always had a very great career in this whole arena; Corey Hinderstein who did a tremendous job while she was with NTI.

She's not with us now formally; she's with the Department of Energy. And, of course, you've already heard from Andrew Bieniawski. Andrew has done a terrific job. And, of course, Warren Buffett I've already mentioned; the IAEA Director ElBaradei and Amano; and, of course, the donor countries - and they will be mentioned later - but these countries played a huge role.

So let me stop at this point and turn it over to Ernie Moniz. We are proud to have Ernie as our CEO and our Co-Chairman of NTI. Ernie brings tremendous expertise from the Department of Energy.

Ernie has, sort of, written the book in terms of the future of the fuel cycle, and I know he will have remarks that will give us the context about how this fuel Bank is an important step in the overall toolbox to make the world a safer place.

So over to you, Ernie.

Ernest Moniz: Great. Well, thanks, Sam; and thanks to all of you for phoning in. As Sam said, let me make it very explicit, I was not at NTI or in the government when the LEU Bank was proposed. I'll return to that, but I want to say that gives me, therefore, license to say what a remarkable job was done by Sam and Charlie and all those that he mentioned, and of course Warren Buffett.

One should not underestimate the complexity and the accomplishment in getting this international cooperation for moving beyond purely national supply chains to endorse this kind of collective action should there be a break in supply to some country.

So, again, I do want to say this was quite a bit of, shall we say, diplomacy to get all of this to come together.

I will point out, even though I was not at NTI at that time that, as Senator Nunn indicated, actually, in 2004 with some colleagues I published a paper called Assured Nuclear Fuel Services Initiative.

So those words already suggest how the LEU Bank fits into the concept of moving towards assuring fuel services to countries - especially those countries coming into the nuclear arena - that they can have their needs supply, their fuel, perhaps even the management of their spent fuel in ways that do not, first of all, tax their budgets.

But secondly and more important from the NTI perspective, do not leave them to develop the special fuel cycle capabilities that can lead to proliferation risk. And certainly, enrichment is among those; and Senator Nunn already explained all of that.

It's interesting that the commitments to do the, roughly, actually slightly larger than two-to-one match of Mr. Buffett's funding, it's interesting that

they come first from Europe, but also from the Middle East, the Emirates in particular, and Kuwait. And I think that's a very interesting statement. Of course, the Middle East is, in fact, one of the areas where we see, in addition to Asia, a lot of interest in moving forward with nuclear power.

The then Director General ElBaradei, his successor current DG Amano, of course, also were very, very important in that whole diplomacy I referred to earlier, moving the IAEA Board of Governors to accept this concept and to endorse the sighting of the Bank in Kazakhstan.

Senator Nunn already mentioned the role of Kazakhstan. Let me just amplify that. Certainly, in my tenure at the Department of Energy, we also found President Nazarbayev and Kazakhstan in general to be extraordinarily committed to non-proliferation.

And I would just say that that started right from their independence just over 25 years ago. And perhaps we should mention that the ribbon cutting is occurring in late August because of the proximity to Constitution Day which is a major, a major day of celebration in Kazakhstan.

Going back and wrapping up with regard to the fuel cycle, again, the LEU Bank is one of the important elements of this overall assured fuel services. I would just say that there are two pathways to be addressed in these assured services.

One is the Iranian path; that's where the LEU Bank comes in to certainly minimize the motivations for indigenous enrichment. The second pathway is in plutonium; and that's where the things like how spent fuel is managed are critical.

I mention that now in the context that NTI - and I think the LEU Bank ribbon cutting gives us additional impetus to really, going forward, now build upon this with a much more comprehensive and energetic approach to the broad set of fuel cycle questions that we hopefully can have a similar success in leading - I want to emphasize - not just to words but to action to have the international community take the steps needed to minimize proliferation risks.

That's a characteristic of NTI, that is trying to take practical steps that lead to action; and we intend - Senator Nunn, and myself, and Charlie Curtis, and Joan Rohlfing, and Andrew and our whole team to really address these fuel cycle questions now building on the LEU Bank success.

So with that, Andrew, I'll turn it back to you.

Andrew Bieniawski: All right. Thank you, Secretary Moniz. So we'd now like to open up the floor and happy to take Qs-and-As from those of you on the line.

Go ahead. Could you please identify yourself and then please go ahead and ask the question to the group?

David Welna: It's David Welna with NPR. I'm wondering which countries would be depositing low enriched uranium in this bank? Where would it be coming from?

Andrew Bieniawski: This is Andrew here. I'm happy to talk about that at first and then see if Secretary Moniz or Senator Nunn wanted to jump in.

So what we will be doing next Tuesday is officially launching the LEU Bank. In parallel to that activity, the International Atomic Energy Agency is going through the LEU procurement process, as we call it, and they are going through a request for proposals; and so that will be coming out fairly soon.

And then various companies that are part of the commercial market then certainly can participate in that open RFP process. So at this time, we don't know who the final companies will be, where the material will come from; but the goal of the IAEA procurement process is to have that completed by the end of this year.

And then the material, the low enriched uranium, will actually be physically loaded into the LEU Bank facility in 2018. So that is the current process we are under.

I don't know if others want to jump in with any other comments on that.

Sam Nunn: I would just add that it's important here that the IAEA not only be perceived as the owner and controller of this fuel bank, but that in reality that also be the case. And so that is an important part of the overall RFP process - no strings attached in terms of ownership because the IAEA credibility is one of the huge factors in establishing this bank.

We've got other fuel banks that are owned by individual countries, and they are all valuable. They back up the marketplace; but we want - this one has to be perceived as internationally controlled in terms of not discriminating against any country as long as they are compliant with their non-proliferation obligations.

Ernest Moniz: I would just add a brief footnote going back to the initiative I mentioned earlier that we recommended in 2004. We really emphasized that for the system to work it really should be based on commercial contracts, but with government backup for assurance. And that's essentially what this LEU Bank is.

Andrew Bieniawski: Great. Thank you. We're happy to take additional questions - if you could identify yourself please.

Operator: Your next question comes from the line of Dan Vergano.

Dan Vergano: Hi. This is Dan Vergano with BuzzFeed News. I'm curious - could you talk a little bit - what will prevent countries from, sort of, free riding on this bank, you know, only turning to it when times get tough in the marketplace or when they need a supply.

They might be making their own LEU for a long time under suspicious circumstances and then when times get bad suddenly saying, "OK. Now, we want to be part of this bank"?

Andrew Bieniawski: Secretary Moniz or Senator Nunn, did you want to address that?

Ernest Moniz: Sam, you want to address it or should ... ?

Sam Nunn: Well, countries have to be in compliance, and also they have - this is a market based system. They will have to pay the price; they're not going to be getting below-market prices. And the idea is that the fuel that is purchased would be replaced because everything's based on market

prices. We do not want this fuel bank nor does the IAEA to undermine in any way the marketplace.

And, frankly, if the marketplace is working, this bank won't be called on. And the fact it's not called on does not in any way diminish the importance of it because it's psychologically important.

I was with Director Amano about a year ago and someone asked him, "Well, what would happen if it was never utilized?" He said, "It's already being utilized because countries are taking it into account in making their decisions whether to have indigenous enrichment." So it's an insurance policy and the fact it may not be called on may be more of a success than would normally be perceived.

Ernest Moniz: And I would just add a couple of things. One is that, again, the Bank is only used when there is a commercial supply chain breakdown which could be because of the supply chain itself. It could be because of political reasons. Whatever the case, if the country is in IAEA's view compliant with its non-proliferation obligations, it is eligible then to draw on the Bank again, as Senator Nunn said, at the commercial rates. So I think that's critical.

The second thing I would just note as, kind of, an analogy to what Senator Nunn just said about a success in not being used, I would point domestically, for example, to our strategic petroleum reserve. Again, it's there because of the potential of supply chain breakdowns, and it isn't that we want to be using it all the time.

Dan Vergano: Thanks very much. Can I just follow up and ask is it going to be the full 90 metric tons that is loaded in 2018, and is the source for that identified?

Andrew Bieniawski: So this is Andrew. Yes. The plan is for the full 90 metric tons to be procured and loaded in 2018. And, as we noted earlier, the IAEA is going through their LEU procurement process to conduct this RFP request for proposals and expect to have that done by the end of this year. So once that is done, then the material will be physically loaded into the LEU facility next year.

Dan Vergano: Very good. Thanks.

Operator: Again, if you would like to ask a question, please press star then the number 1 on your telephone keypad. Again, that's star then the number 1 to ask a question.

Andrew Bieniawski: This is Andrew here. While we're waiting for questions, one of the things I just wanted to go back to is the comment that was made about the very unique, unprecedented level of cooperation that is taking place; and especially given what we see today internationally with increasing tensions, what you see with the LEU Bank, as Senator Nunn and Secretary Moniz have said, is a incredible international cooperative effort -- where you not only have the donor states that were mentioned - which are NTI, the United States government provided \$49.5 million; the European Commission provided \$24.4 million; Kuwait provided \$10 million; UAE, as was mentioned, provided \$10 million; Norway provided \$5 million; and then, of course, Kazakhstan is hosting this and also making a financial contribution. But there are two other key players in addition to the IAEA and that is Russia and China.

And, for example, what's very important to highlight is that in order to make the Bank operational there had to be what's called Transit Agreements negotiated with Russia and with China so that the material could then be physically transported by rail and then sent to the country that would be requesting it.

So the Transit Agreement was signed with the Russian Federation in June of 2015, and then earlier this year, a Transit Agreement was signed with China in April. And so I think, again, all those countries will be coming together next week to highlight what they have done. And I think it's very important to note that you have Russia, China, the IAEA and all those donors all working together to not only reduce nuclear dangers but work on this assured fuel supply to make the world a safer place.

Sam Nunn: If I could add just a footnote on that, you all have heard - those of you following these issues have heard me say before we are in a race between cooperation and catastrophe.

And I would say that cooperation hasn't been running very fast; but this is a big step on the cooperation side. And it does, as Andrew made the

point, it does show what can happen when communities of nations cooperate.

Andrew Bieniawski: Thank you. We have another question, please, if you could go ahead and ask it to the people on the call?

Operator: Your next question is a follow-up from Dan Vergano.

Dan Vergano: Sorry to keep asking. I was just wondering, could you tell me what is a better analogy in, sort of, banking terms for what this bank is? Is this, sort of, like, FDIC insurance for these nations, or is this like the Fed? Is this a lender of last resort? Like, if I have to put it in those terms for readers, how would you put it?

Sam Nunn: Well, the important thing here is, Dan, that the IAEA has credibility that no single nation may have with a lot of nations around the world. Certainly, some of the countries that have fuel supplies have credibility in certain areas and in other areas they don't have.

So the big thing here would be not simply the supplier but who holds it; and the international community is the closest thing we can get to hopefully being nondiscriminatory. That's the premise, and I hope that's the perception by countries around the globe.

So that underlying feature of it I believe is rather unique and probably distinguished somewhat from banking circles and normal, conventional thinking on guarantees.

Ernie Moniz: And that credibility that Senator Nunn refers to again is based on the fact that the IAEA will be, if you like, objective in the context of the country meeting its non-proliferation obligations; whereas, in nation-to-nation discussions sometimes other factors might be taken into account in the supply. So again it's very important that they have that role and that reputation.

Sam Nunn: The thing that's very sensitive here that is very hard to really completely grasp until you talk to countries around the globe - which we've done over a period of years - and that is many countries - not all, but many countries, interpret the Non-Proliferation Treaty as giving every country

a sovereign right to pursue civil nuclear technology, and that includes enrichment.

So any time you start setting anything up on an international basis that looks like it's taking away or in any way diminishing from that - quote - sovereign right - end quote - runs into immediate obstacles. And that's something that had to be taken into account throughout.

So this does not force countries to move in a direction of not enriching indigenously. It does not demand that, but it gives every incentive for countries not to move in that direction. So that's the purpose here -- some rather sensitive areas that have to be crossed.

Ernest Moniz: Let me just say that, very clearly, that - especially when countries have relatively small nuclear power programs, it is considerably more expensive to develop the indigenous capacity if you can be assured that you're not going to be left high and dry in any kind of supply chain disruption. So that's really what this bank is doing. And in that sense, it is very much connected to financial incentives.

Dan Vergano: So this enables them to create nuclear industries where they might not have been able to because they don't have to develop their own enrichment capabilities.

Ernest Moniz: Well, the point is nuclear power to make electricity - that's the objective in a peaceful nuclear program. And you don't want to jeopardize that, if you're a country, if you think there may be some risk of your not having access to the fuel.

But to develop all the capacity to do that would substantially drive up the cost of producing nuclear power. So this is saying, look, you know, you're going to have an assured supply chain - by far the most economic approach to reaching nuclear electricity supply, and this gives you assurance.

Andrew Bieniawski: And for the folks on the line let me just explain a little bit detail just actually how that process that will work that you had asked the question about. So as was mentioned, if an IAEA member state, for example, is

unable to obtain low enriched uranium from the commercial market, it can then ask the IAEA for a supply from the LEU Bank to get that material.

And then there are established criteria that have been approved by the IAEA Board of Governors which are the following: One, first of all, the first criteria is that the supply of low enriched uranium to a nuclear power plant is disrupted. The second criteria is that the member state is unable to secure low enriched uranium from other commercial market avenues or from other means.

And then, third, as was highlighted by Secretary Moniz, the receiving member state must have in place a comprehensive safeguards agreement with the IAEA and must be in compliance with that agreement. And then what would happen is, when this goes forward, the member state would agree and sign a supply agreement with the IAEA.

And then, back to the analogy, then they would have to pay the full cost to basically restock the bank and the full cost of funds to basically repurchase the material so the Bank can then be replenished and available for others that may need it.

Let's see, are there any other questions from the folks on the line?

Operator: We have a question from David Welna.

David Welna: Hi. It's David Welna with NPR again. I'm wondering also if this bank, in a way, removes a pretext for some countries that may claim to be developing nuclear enrichment facilities for generating electrical power when, in fact, they want to be developing weapons at the same time, that this would strip away an argument that they have to have that kind of security?

Sam Nunn: David, I think that's a very powerful observation and very much on the mark. I think countries would have to justify to their own citizens why they were spending huge amounts of money to go into their own enrichment with a small nuclear power program, as Ernie Moniz mentioned.

And also they will have to justify to their neighbors who may be very nervous about them starting an enrichment program as we have seen around the globe. So I think your point is right on.

Ernie Moniz: Yes. And I'll just amplify that. Their own citizens, their neighbors and, frankly, the international community. Again, just to keep beating a dead horse, going back to this 2004 proposal that we made, it is exactly what we said, that this would - a decision of the type that you said would lead the international community, we expect, to put a very strong spotlight on their program when it makes no economic sense to not rely on the international supply chain.

Andrew Bieniawski: Great. Thank you. Any additional questions?

Operator: At this time, if you would like to ask a question, please press star then the number 1 on your telephone keypad.

Sam Nunn: Just one thing - this is Sam - I'll add is, Warren Buffett, of course, enabled this. We would not be where we are today without his vision and generosity. And what he has said to me and publicly a number of times is that, from his perspective, there's no better investment than non-proliferation of nuclear weapons and materials. And so I think that's his philosophy here and very unique and very unusual, but very much welcomed by the international community.

Operator: There are no additional questions at this time.

Andrew Bieniawski: Great. Well, thank you very much for everyone being on the call; and thank you very much Senator Nunn and Secretary Moniz. And we will conclude the call at this time, so thank you very much again.

Operator: Thank you.

Ernest Moniz: Thank you all.

Operator: Thank you. This concludes today's conference.

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