

REPORT TO PARLIAMENT ON THE GOVERNMENT'S PROGRESS ON THE UK'S EXIT FROM THE EURATOM TREATY

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DATE: 14 February 2019

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Executive Summary

This is the second statutory report on the UK's progress on Euratom Exit laid before Parliament in accordance with section 3(4) of the Nuclear Safeguards Act 2018. Covering the three-month reporting period from 26th September until 26th December, the report sets out overall progress on the Government's implementation of its Euratom Exit strategy, including EU negotiations, domestic operational readiness, legislation and international agreements.

The next report is planned for May 2019

Latest developments up to the end of December 2018:

- Withdrawal Agreement and Political Declaration agreed between Government and European Commission and adopted by the EU27, subject to UK parliamentary approval.
- Nuclear Cooperation Agreements with Australia, Canada and the US, and two safeguards agreements with the International Atomic Energy Agency laid before the UK Parliament and ratified as of 19 December
- Domestic Safeguards Regulations and Impact Assessment laid in Parliament
- Government Response to consultation on the safeguard's regulations published
- Government committed to providing the funding to set up the new safeguards regime, including the costs of achieving international standards by March 2019 and of reaching – by 2020 – equivalence in effectiveness and coverage as that currently provided by Euratom
- No-Deal contingency planning has been put in place.

EU Negotiations

On 25 November 2018, the European Commission and the UK agreed the Withdrawal Agreement and a Political Declaration for a Future Economic Relationship that includes specific text on Euratom. These were passed unanimously by a Special Council of EU27 Ministers. There are six Articles and one Annex in the Withdrawal Agreement which deal specifically with the UK leaving Euratom. They fall under the general heading of “Other Separation Issues” and are called “Title IX”. The Government is content that all the Articles meet its negotiating objectives and are a practical and fair outcome for the UK.

The Withdrawal Agreement will give the United Kingdom sole responsibility for ensuring its compliance with international civil nuclear obligations after the end of the Implementation Period. This is a simple legal consequence of leaving Euratom and refers to the UK's membership of the International Atomic Energy Agency (IAEA), the Treaty on the Non-Proliferation of Nuclear Weapons, and other relevant international treaties or conventions to which the United Kingdom is a party.

The Political Declaration deals with the future relationship to be negotiated between the UK and the EU and commits both parties to seeking a wide-ranging Nuclear Cooperation Agreement (NCA). The framework recognises the importance of nuclear safety and non-proliferation and confirms that the agreement should include the exchange of information in areas of mutual interest such as safeguards, safety and cooperation with the IAEA. The framework aims to facilitate trade for nuclear materials and equipment, and provides for the participation of the United Kingdom, as a third country, in the European Union's sharing arrangements on radiological events and monitoring. Specifically, this refers to the European Community Urgent Radiological Information Exchange (ECURIE) and the European Radiological Data Exchange Platform (EURDEP).

The declaration also makes a specific commitment on the EU side “that the Euratom Supply Agency intends to reassess in a timely manner the authorisations and approvals of contracts for the supply of nuclear material between Union and United Kingdom undertakings which it has co-signed.” This is a priority concern of UK and other nuclear industry stakeholders, who have welcomed the inclusion of this commitment.

Overall, the Political Declaration is in line with the UK Government's objectives, as set out in the July White Paper, of seeking a broad and comprehensive NCA with Euratom that builds on, and goes further than, any other agreement the Euratom Community has entered into previously.

International Agreements

The UK has now concluded all replacement international agreements required to ensure continuity for civil nuclear trade following the UK's departure from Euratom and the European Union.

On 2 November 2018 the UK signed its new bilateral Nuclear Cooperation Agreement (NCA) with Canada. This follows the Government's earlier success in signing new bilateral NCAs with the US and Australia. The US-UK NCA was approved by the US Congress in August 2018. The Joint Standing Committee on Treaties of the Australian Parliament completed scrutiny of the Australia-UK NCA in November 2018 and recommended that binding treaty action be taken, meaning that it has been ratified and allowing the agreement to enter into force when required. The Canada-UK NCA was presented to the Canadian Parliament for ratification on 6 December and will complete the Canadian ratification process – which is similar to the UK one - in advance of March 2019.

The Nuclear Cooperation Agreements with [Australia](#), [Canada](#) and the [USA](#), and the two safeguards agreements ([Voluntary Offer Agreement](#) & [Additional Protocol](#)) with the IAEA that were signed in June, were laid before the UK Parliament on 12 November 2018. These have been considered under the terms of the Constitutional Reform and Governance Act 2010, with a period of 21 Sitting Days passing on 19 December, allowing these treaties to be ratified. These agreements ensure there can be continuity in civil nuclear trade in any EU exit scenario.

In addition to the new bilateral NCAs described above, the UK has an existing bilateral NCA with Japan which has been in place since 1998. This agreement will remain in force following the UK's withdrawal from the EU. The UK and Japan are holding formal negotiations to put in place arrangements to reflect the UK's future safeguards arrangements, with both sides confident that appropriate arrangements will be in place for March 2019 if required.

If the Withdrawal Agreement is adopted, then the UK will continue to be covered by the existing Euratom NCAs and IAEA safeguards agreements, meaning that the new international agreements and arrangements will not need to enter force until the end of December 2020. They have been drafted to cover either eventuality.

Ongoing nuclear cooperation discussion with a number of other countries continues to take place, including countries where nuclear agreements are not a requirement but are nonetheless currently in place. The Government is ensuring that future cooperation reflects the UK's position outside of Euratom.

Domestic Safeguards Regime

Legislative framework

The [Government response](#) to the Nuclear Safeguards Consultation, which ran in the summer and received 28 responses from industry, local government and NGOs (professional bodies), was published on 29 November 2018. The updated draft of

the Nuclear Safeguards (EU Exit) Regulations, together with the draft Nuclear Safeguards (Fissionable Material and Relevant International Agreements) (EU Exit) Regulations, were laid in Parliament on 29 November 2018.

The updated draft regulations include the following key changes from the version presented alongside the consultation:

- The introduction of a later commencement date for the requirements of Accountancy and Control Plans;
- An additional exemption for certain schools;
- Focussing the offences on those parts of the regulations which directly relate to the UK's international obligations;
- Further development of the requirements on operators to report to the Secretary of State on qualifying nuclear material and other items in respect of certain specified international agreements;
- Further development of the transitional arrangements; and
- Repealed historic Particular Safeguard Provisions.

The draft Regulations were debated in and approved by Parliament in January 2019. As part of the Parliamentary approval process the difference between the estimated ONR transitional costs in the Explanatory Notes to the Nuclear Safeguards Bill (£10m) and those in the Nuclear Safeguards Regulations final impact assessment (£28m) were queried. To clarify further, while the cost estimate in the final impact assessment is higher, the difference does not reflect an actual increase in ONR's expected costs. The final impact assessment included the cost of running the regime from April 2019 to December 2020 to meet international obligations within the calculation of the transitional costs. Earlier assessments termed this 'ongoing costs' and therefore only included the development activities needed to build from meeting international obligations to a regime equivalent in effectiveness and coverage to that currently provided by Euratom.

The regulations are on track to commence on exit day. They will provide the detailed legal framework for a new, domestic nuclear safeguards regime, which will meet the UK's international safeguards obligations and will offer coverage and effectiveness equivalent to the Euratom regime.

Implementation

The Office for Nuclear Regulation (ONR) has made significant progress since the last update to Parliament with setting up a domestic nuclear safeguards regime – a State System of Accounting for and Control of Nuclear Material (SSAC), which ensures the UK will continue to meet its international commitments once Euratom arrangements no longer apply. From January 2019, the SSAC has commenced parallel running alongside Euratom, processing and checking reports received from industry through the Safeguards Information Management and Reporting System (SIMRS) IT system and producing the declarations required to enable the UK to meet its international obligations. This will provide the opportunity to identify and make any necessary adjustments before 29 March 2019.

SIMRS has completed testing and is now being readied to support ONR parallel running. SIMRS will enable the ONR to manage and process the Nuclear Materials Accountancy reports from its duty holders and submit these, along with other relevant safeguards reports to the IAEA. As a contingency measure, the ONR has in place a tested manual process for submission of IAEA reporting to the IAEA post 29th March 2019. ONR has trained sufficient staff on this manual contingency to enable the UK to meet its international obligations after the UK exits Euratom.

ONR also met its recruitment target for delivering a UK SSAC that enables the UK to meet its international obligations. It currently has 16 safeguards officers in post who are progressing well through training to become safeguards inspectors. As such, ONR will have sufficient safeguards inspectors in post to enable the UK to meet international safeguards obligations from 29 March 2019. In addition, ONR has recruited four nuclear material accountants, who are undertaking a full training process, bringing them one step closer to building the necessary capacity and capability to deliver a UK SSAC equivalent in scope and effectiveness to that currently provided by Euratom.

In October, representatives from ONR and BEIS met the Canadian Nuclear Safety Commission (CNSC) to discuss their experience of running a state system of accountancy and control. This provided an opportunity to share knowledge and experience in safeguards implementation and benchmark the future UK domestic safeguards regime.

In the Government Response to the public consultation on draft Nuclear Safeguards Regulations the Government committed to providing the funding to set up the new safeguards regime, including the costs of achieving international standards by March 2019 and of reaching – by 2020 – equivalence in effectiveness and coverage as that currently provided by Euratom. The future funding arrangements of the domestic safeguards regime are under review, with responses to the consultation informing further policy analysis.

No-Deal Contingency Planning

Euratom Exit Programme

The Government is working closely with industry to address the issues that may affect the civil nuclear sector in any exit scenario. This work includes putting in place the measures referred to in the earlier sections of this report: a domestic nuclear safeguards regime, concluding bilateral Nuclear Cooperation Agreements with priority third countries and signing international nuclear safeguards agreements with the IAEA.

In addition, Government, in relation to civil nuclear, has laid all the necessary Statutory Instruments (SIs) required for any exit scenario. These will minimise civil nuclear business disruption and ensure health and safety standards remain robust. The SIs will also ensure that no inoperabilities are retained in domestic law following the UK's departure from the Euratom Treaty.

Details of these SIs are as follows:

- Special Fissile Materials (Right of Use and Consumption) (EU Exit) Regulations 2018 – laid in August 2018 in line with the negative procedure, now made.
- The Communication of investments (Revocation) (EU Exit) Regulations 2018 – laid in September 2018 in line with the negative procedure, now made.
- Ionising Radiation (Basic Safety Standards) (Miscellaneous Provisions) (Amendment) (EU Exit) Regulations 2018 – laid in October in line with the negative procedure, now made.
- Nuclear Safeguards Regulations 2018 – laid in November in line with the affirmative procedure, now made.
- Nuclear Safeguards (Fissionable Material and Relevant International Agreements) Regulations – laid in November in line with the affirmative procedure, now made.
- Transfrontier Shipment of Radioactive Waste and Spent Fuel (EU Exit) Regulations 2018 – laid in November in line with the affirmative procedure, now made.
- Shipments of Radioactive Substances (EU Exit) Regulations 2018 – laid in November in line with the affirmative procedure.
- Justification Decision Powers (EU Exit) Regulations 2018 – laid in November in line with the affirmative procedure, now made.
- Ionising Radiation (Environmental and Public Protection) (Miscellaneous Amendments) (EU Exit) Regulations 2018 – laid in December in line with the negative procedure, now made.

Nuclear materials with medical uses

The Department of Health and Social Care (DHSC) does not expect market access to medicines for the UK to change under the terms of that agreement during the implementation period, which will run from March 2019 until December 2020. The

supply of medicines and medical supplies would remain unchanged during the implementation period.

As a responsible government, however, we continue to prepare for all scenarios, including in the event we leave the European Union without any deal in March 2019.

The Government first announced details of its approach to no deal EU exit medicines contingency planning in August last year. This approach involved DHSC asking suppliers of prescription-only and pharmacy medicines with an EU/EEA touch point to confirm their contingency arrangements for continued supply to UK patients beyond 29 March 2019 in the event of a no-deal Brexit and possible delays at the border in the following period.

DHSC recognised that medical radioisotopes which have short shelf lives cannot be reasonably stockpiled. Where these medicines are imported from the EU or EEA, the Government has asked that suppliers ensure in advance plans to air freight these medicines from the EU in the event of a “No Deal” exit.

DHSC also announced contingency measures at a national level for medical devices and clinical consumables, including some medical radioisotope devices. To this end, DHSC are working with suppliers that routinely import products from EU countries to determine what measures they need to take so that they can continue to provide products in the event of a no deal exit.

Since these plans were announced, DHSC has received very good engagement from industry who share the Government’s aims of ensuring continuity of medical supplies for patients and ensuring that they are able to cope with any potential delays at the border that may arise in the short term in the event of a no-deal exit. The Government continues to engage with stakeholders on a range of issues relating to the provision of treatment and interventions using medical radioisotopes (including specifically their time-sensitive import). The latest roundtable event for clinical stakeholders was hosted by Government on 22 November 2018 at Skipton House in London. A further roundtable is planned in early 2019.

Updated border planning assumptions

On 7 December, an update to the cross-Government border planning assumptions was announced which showed that, in a reasonable worst-case scenario, there will be significantly reduced access across the short straits, for up to six months. This means that whilst the six-week stockpiling activities remain a critical part of DHSC contingency plans, this now needs to be supplemented with additional actions.

The Government recognises the vital importance of medicines and medical products and is working to ensure that there is sufficient roll-on, roll-off freight capacity to enable these vital products to continue to move freely in to the UK. The Government has also agreed that medicines and medical products will be prioritised on these alternative routes to ensure that the flow of all these products will continue unimpeded after 29 March 2019 under any scenario.

The Government recognises that relevant companies will need guidance to put arrangements in place to reroute medical supplies. Officials running the Medical Supplies Contingency Planning Programmes will continue to work closely with companies to maintain the continuity of medical supplies in the event of a no deal EU exit.

The Government has made clear that the UK's ability to import medical radioisotopes will not be affected by our withdrawal from Euratom. However, the Government recognises there is concern that the UK's withdrawal from the EU has the potential to affect the timely supply of these medical radioisotopes. Maintaining continuity of supply of medical products including medical radioisotopes remains a key part of the Government's objective of ensuring patients continue to receive safe, high quality care from 'Day One' after the UK leaves the EU.

There has been significant progress between the UK and Euratom to ensure continuity of supply. The wide-ranging Nuclear Cooperation Agreement between Euratom and the UK that is part of the Political Declaration of 25 November specifically references agreeing arrangements between the parties to allow cooperation through the exchange of information on the supply of medical radioisotopes.

Movement of Goods

The Political Declaration on the Future Relationship sets out the EU and UK's intention to seek a free trade area on goods, combining deep regulatory and customs co-operation with zero tariffs, no fees, charges or quantitative restrictions across all goods sectors.

Movement of People

The Government has been consistently clear that safeguarding the rights of EU citizens living in the UK, and UK nationals living in the EU, is its top priority. That is why the Withdrawal Agreement protects their rights, and the Government has developed the EU Settlement Scheme to enable them to obtain their status in a simple and straightforward way. The Scheme is already in its second pilot and will be open fully from March 2019. EU citizens and their family members have until June 2021 to apply. The Home Office has published an EU Settlement Scheme Employer Toolkit to enable employers to support their EU citizen employees with clear information and practical advice on what they need to do to apply.

The Government is committed to ensuring that decisions about the future border and immigration system – which will begin after the implementation period - are made in the light of evidence and stakeholder engagement. On 18 September 2018 the Migration Advisory Committee published a report on their assessment of the impact of EEA migration. The future border and immigration system will ensure the UK continues to attract and retain people who come to work and bring significant benefits to the UK and it will cater for a range of skills. On the 19 December, the Home Office published a white paper on the [Future Borders and Immigration system](#).

In a no deal scenario, EU citizens resident in the UK by 29 March 2019 will be able to stay. They will be able to continue to access in country benefits and services on broadly the same terms as now. Government will set out further details shortly.

Engagement with Industry and other Stakeholders

The Government remains dedicated to regular engagement with industry, civil society, academia, trade unions, and other interested stakeholders to ensure civil nuclear continuity under any scenario.

In addition to regular engagement with the Nuclear Industry Association (NIA) by BEIS and DExEU officials, the Government has run several civil nuclear industry events at which speakers from the BEIS Euratom Exit team provided the latest information on the progress of the UK's exit from Euratom; topics covered included specific areas of interest such as the new safeguards regime and export licensing. The most recent of these events took place on 25 October 2018.

Government officials have also met the broader community of nuclear stakeholders by attending external events organised by trade associations, delivery partners and other public bodies, at which it provided updates on progress and addressed any concerns. These have included the NIA Nuclear 2018 (5 December 2018), NDA Supply Chain event (1 November) and NIA working groups. The Second UK SSAC Industry Day took place on the 31 January 2019.

In parallel, Government has engaged with the Devolved Administrations through regular meetings which include the Radioactive Substance Policy Group (RSPG).

Research and Training

The European Council adopted the 2019-2020 Euratom R&T Programme extension on 15th October 2018 and work programme planning is underway to ensure a smooth continuation of the programme for 2019-2020.

Council Working Group discussions on the 2021-2025 Euratom R&T Programme regulation began on 10 December 2018. The initial shape of the regulation is encouraging, representing broad continuity for the programme and providing for third-country participation in the programme. The Government will continue to engage constructively with our EU partners to help ensure the programme remains attractive for a potential future UK association.

On 9 November Minister Sam Gyimah held positive talks with the Director General of the International Thermonuclear Experimental Reactor (ITER) – underlining the mutual determination to ensure the UK's continued participation in this key project.

The Government has repeatedly stated its commitment to a far-reaching continuing relationship with the EU on science and innovation, but to account for the event of a no-deal we are exploring all options to keep JET operational until the end of its useful life. Domestically, the Government continues to invest significantly in nuclear R&D with a further £20m committed in the 2018 Budget to support ground-breaking research into fusion energy. This is in addition to last year's £86m investment for a National Fusion Technology Platform.

In the event of a no-deal, the Government's underwrite guarantee will ensure competitive funding secured as part of the Euratom R&T Programme before 29 March 2019 will continue to be delivered to UK participants. July's extension to the [guarantee](#) means any R&T funding successfully applied for as a third-country after exit before the end of 2020 will also be covered.

BEIS officials are currently working with UK Research and Innovation (UKRI) to ensure that the underwrite is ready to be delivered from March 2019. The organisations affected have been informed and engaged, and an online portal has been launched so that UKRI have the details of ongoing projects, should the need for the underwrite arise.