

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

Department for Business, Energy & Industrial Strategy

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Executive Summary

This report is the second quarterly update to Parliament setting out overall progress on Government's implementation of its Euratom strategy, including EU negotiations, domestic operational readiness, legislation and international agreements. The commitment to quarterly reporting was set out in the Written Ministerial Statement of 11th January 2018 by the Secretary of State for Business, Energy & Industrial Strategy.

As of June 2018:

- The UK and EU have now reached agreement on all Euratom related articles of the draft Withdrawal Agreement. The relevant text has therefore been finalised.
- Government has announced that it will set out its future proposed approach and ambition for a future relationship with the EU after the EU's June summit.
- On 7th June the UK and the International Atomic Energy Agency (IAEA) signed the two bilateral safeguards agreements (the Voluntary Offer Agreement and Additional Protocol) that replace the existing trilateral safeguards agreements between the UK, IAEA and Euratom. This marks an important milestone in ensuring the UK can have an internationally-recognised safeguards regime in place when Euratom arrangements cease to apply in the UK.
- The Government signed a bilateral Nuclear Cooperation Agreement (NCA) with the United States of America on 4th May, helping to ensure uninterrupted cooperation and trade in the civil nuclear sector following the UK's departure from Euratom.
- The Government is on track to have bilateral NCAs in place with all priority countries when Euratom arrangements cease to apply in the UK.
- The Nuclear Safeguards Bill received Royal Assent on 26th June. The Government plans to consult on the underlying draft Nuclear Safeguards Regulations in July.
- On 25th May the Office for Nuclear Regulation (ONR) awarded an IT contract for the Safeguards Information Management and Reporting System (SIMRS). The ONR are confident that this system will be in place and operable by the end of 2018, including providing the opportunity for extensive testing.
- The Government continues to demonstrate its commitment to international collaboration on fusion and fission research. This includes seeking to ensure the post-2020 Euratom Research & Training Programme remains open to UK association, and recognising that such an association would necessarily involve an appropriate financial contribution in line with other associated countries.
- Government remains in close contact with a wide range of stakeholders, including those from industry, trade unions, academia, the NGO community and devolved administrations.

Further details on these points and wider issues are set out in subsequent sections of this report. The next update on progress will be deposited at around the end of September 2018. As Royal Assent of the Nuclear Safeguards Bill was received on 26th June, the content and timing of these reporting updates to Parliament will be determined by the relevant provisions of that legislation.

EU Negotiations

The UK Government and the Taskforce 50 team in the European Commission, negotiating on behalf of the EU, have now reached agreement on all Euratom related articles of the draft Withdrawal Agreement. The relevant text has therefore been finalised. The final Article to be resolved related to the rights of the Euratom Community over EU27 material held in the UK at the point of exit. These rights are now clearly defined and, along with the other Euratom specific provisions of the Withdrawal Agreement, align with the UK position as set out in the July 2017 position paper^[1].

Under the terms of the proposed implementation period, on which political agreement between the EU and UK was reached in March 2018, current Euratom arrangements will continue in respect of the UK until 31 December 2020.

While the negotiations on the future economic relationship between the UK and the EU are yet to begin, the Government has been clear that it will be seeking a close association with Euratom. Government will set out details of its future proposed approach and ambition for a future relationship with the EU after the EU's June summit.

International Agreements

The UK and the IAEA have signed two bilateral safeguards agreements (a Voluntary Offer Agreement and Additional Protocol) on 7th June. This marks an important milestone in ensuring the UK can have an internationally-recognised safeguards regime in place by March 2019.

These agreements follow the same principles as the current trilateral agreements between the UK, Euratom, and the IAEA. They will enable the IAEA to retain its right to inspect civil nuclear facilities, and continue to receive full safeguards reporting, ensuring that international verification of UK safeguards activity continues to be robust and to retain the confidence of the international community. The agreements will come into force once the current trilateral agreements no longer apply.

The Government also signed a bilateral NCA with the United States of America (US) on 4th May, helping to ensure uninterrupted cooperation and trade in the civil nuclear sector following the UK's departure from Euratom. This agreement will allow the UK and US to continue mutually beneficial cooperation in the field of the peaceful uses of nuclear energy when the current Euratom arrangements cease to apply in the UK.

The new bilateral NCA has been drafted on the same principles as the US-Euratom NCA, putting in place robust assurances on all civil US-origin nuclear items present on UK territory, and civil UK-origin nuclear items present on US territory, including in

^[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627909/FINAL_OFF_SEN_Position_Paper_HMG_Nuclear_materials_and_safeguards_issues_Position_Paper_FINAL_120717_3_.pdf

relation to nuclear safeguards, security, retransfers, storage, enrichment and reprocessing.

The UK-US NCA has begun its approval process through the US Congress, which is due to be completed by the end of 2018, in order to allow the agreement to come into force when the current Euratom arrangements cease to apply to the UK.

The US ratification process is the lengthiest of the ratifications that are required for new nuclear agreement, which is why this was the first such agreement to be finalised and signed.

In parallel, UK officials have also been discussing new bilateral arrangements with the other priority countries and these are also on track to come into force when Euratom arrangements no longer apply in the UK. Signature of the UK's new safeguards agreements with the IAEA marks an important milestone for concluding these new arrangements.

These agreements will ensure that the UK can continue its mutually beneficial cooperation with these countries in the civil nuclear sector. Neither the UK, nor the remainder of its trading partners require further NCAs to be in place for trade in nuclear-related items to continue. The Government is however discussing ongoing cooperation and NCAs with other countries to ensure future cooperation reflects the UK's position outside Euratom.

Domestic Safeguards Regime

The Nuclear Safeguards Bill received Royal Assent on 26th June.

The Bill provides the legal basis for setting up a domestic nuclear safeguards regime that meets the international safeguards and non-proliferation obligations that are set out in new bilateral safeguards agreements between the UK and IAEA.

Following the publication of pre-consultation draft regulations earlier this year and pre-consultation stakeholder engagement, the Government is updating the draft Nuclear Safeguards Regulations. The draft Nuclear Safeguards Regulations set out the detail of a new domestic civil nuclear safeguards regime that, in line with the commitments the Government has made, will ultimately be robust and as comprehensive as that currently provided by Euratom.

The draft Regulations will go out to consultation in July alongside the accompanying Impact Assessment. Over the course of the consultation period, the public and industry stakeholders will be invited to submit comments and participate in at least two planned consultation workshops. The first will take place on 2 August at the Department for Business Energy and Industrial Strategy in London, and the second on 15th August at the Manchester Conference Centre.

Implementation

As set out in the Written Ministerial Statement of 16th April 2018, the Government made a further £4.63m available as an advance from its Contingencies Fund to support the Office for Nuclear Regulation (ONR)'s preparations for a domestic civil nuclear

safeguards regime, until the Nuclear Safeguards Bill receives Royal Assent. The Department for Business, Energy & Industrial Strategy will continue to allocate to ONR the funding necessary to enable it to establish a domestic civil nuclear safeguards regime that meets international obligations for nuclear safeguards upon withdrawal from Euratom.

The Government recognises the importance of providing certainty on future charging arrangements. The issue of charging will therefore be set out in the public consultation on the draft Nuclear Safeguards Regulations. No decision has yet been made on whether it will be appropriate, at some point, to put in place charging arrangements on the nuclear industry to fund the on-going operation of the new safeguards regime similar to those that exist for regulatory work carried out by the ONR on safety and security. Any final decision would be informed by a further detailed consultation later this year.

On 25th May the ONR awarded an IT contract for the Safeguards Information Management and Reporting System (SIMRS). The ONR are confident that this system will be in place and operable by the end of 2018, providing the opportunity for extensive testing. The system will enable ONR to receive, process and ensure timely submission to the IAEA of all the Nuclear Materials Accountancy Information and other safeguards reports required by the new safeguards agreements with the IAEA, and submission to supplier states of the reports required by NCAs.

The ONR estimates that they will require a minimum of 9 safeguards inspectors to deliver a domestic safeguards regime that enables the UK to meet international obligations, with the precise number depending on the exact requirements of the domestic regime to be set out in regulations. 13 ONR safeguards officers are currently in post undergoing training with a 14th individual due to join ONR shortly. The ONR are confident it will have the necessary number of warranted inspectors in place to enable the UK to meet international obligations by the time of the UK's exit from Euratom.

As set out in the draft Withdrawal Agreement text published in March, the UK and European Commission have agreed in principle that the UK will take ownership of Euratom equipment in the UK once Euratom provisions no longer apply in the UK. The Government continues discussions with the European Commission on appropriate handover arrangements.

The IAEA is working with the UK in respect of the future handover process from joint Euratom inspections to IAEA-only inspections.

Research & Training

The Government is taking steps to assure the EU of its commitment to ongoing collaboration in Science and Innovation, and to working together on a mutually beneficial outcome. On 22nd May, the UK presented to the EU its vision for the future

UK-EU partnership on science and innovation^[1], including continued access to the Euratom Research and Training Programme.

In her speech on 21st May the Prime Minister also stated that the UK would like the option to fully associate ourselves with the Euratom Research and Training Programme, including the Joint European Torus (JET) and the International Thermonuclear Experimental Reactor (ITER), and would be willing to make an appropriate financial contribution in return for a suitable level of influence in line with that contribution and the benefits we bring.

Our priority is that the programme remains focussed on excellence, EU-added value, and the best possible research outcomes for JET, for ITER, and for the programme as a whole. The Government looks forward to engaging fully and constructively in the design of the future Euratom Research & Training Programme.

The Government fully supports the proposal for a regulation to allow for the extension of the Euratom Research and Training Programme for 2019-20 and remains committed to participation in, and its financial commitments towards, the programme. The Government has underlined the importance of maintaining the scope of the 2019-2020 Euratom Research & Training Programme to reflect that of the 2014-2018 Programme in order to maintain continuity for ongoing projects and investments, including those vital for the Fusion Roadmap, such as the JET.

In May, the Council of Ministers agreed a general approach on this regulation. We expect the European Parliament to provide its opinion in September. Shortly after this, the regulation will be adopted by the Council. This will allow the decision on the extension of the JET contract to the end of 2020 to be made. The Government fully expects the JET contract to be extended and is working with its EU partners to that end.

Engagement with Industry and other Stakeholders

There has continued to be constructive and collaborative stakeholder engagement, with a number of events and meetings having taken place since the beginning of April, both domestically and internationally.

BEIS officials have met with domestic stakeholders, including Devolved Administrations, industry representatives, professional bodies, trade unions and associations, academia, civil society and others at a range of events, including the Nuclear Industry Association Brexit Working Group meeting, the ONR Industry Conference 2018, and the NNL SciTec Conference 2018.

Official and political-level discussions have also continued with a number of European governments, with industry, and with civil society through bilateral meetings and overseas visits including to Paris and Berlin.

^[1]<https://www.gov.uk/government/publications/framework-for-the-uk-eu-partnership-science-research-and-innovation>.

Pre-consultation engagement on the draft Nuclear Safeguards Regulations began in January in advance of the public consultation. At least two further workshops with members of the public and industry stakeholders are planned for August as part of the consultation process. The third Euratom Industry Forum will also be held on the 19th July.

Wider Issues

Whilst the Government has been clear that the UK's withdrawal from Euratom will not affect its ability to import medical radioisotopes, the Government is continuing work to ensure that cross border trade with the EU is as frictionless as possible in all scenarios. This includes work being led by the Department of Health and Social Care, in consultation with key stakeholders from industry and the clinical community, to maintain supply chain fluidity for medical radioisotopes for all EU Exit outcomes.

The Department of Health and Social Care organised a stakeholder roundtable on 27th April to present progress on the work undertaken so far and to listen to questions from key stakeholders. Furthermore, a Minister from the Department of Health and Social Care met with key clinical stakeholders on 23rd May as part of the Government's ongoing engagement on this issue.

BEIS officials have been working closely with Devolved Administrations, environment agencies and the ONR and have now agreed terms of reference for the Radioactive Substance Policy Group (RSPG) and will be signing these officially later this year. Officials from these administrations and authorities have formed a collaborative working group in order to amend the Transfrontier Shipment of Radioactive Waste and Spent Fuel Regulations 2008 and Euratom Regulation 1493/93 on shipments of radioactive substances between Member States after the UK leaves the EU.