



Agreement between the Government of Australia and the Government of the United Arab Emirates on Cooperation in the Peaceful Uses of Nuclear Energy

Policy context

The normalisation of Australia's uranium policy is well-advanced.

The evolution of uranium policy has been fully in that direction since 2007.

Since 2007, there has been broadly-based Commonwealth and State political support for the industry's expansion. Uranium development is possible in some form in every State except Victoria, with Western Australia, Queensland and New South Wales having reformed policy and regulation since 2008.

During the last half-decade, new treaties for exports have been made with China and Russia, both following examination by JSCOT.

Australia is currently in negotiation with India for a treaty to enable uranium exports.

It is now possible to describe Australia's national uranium policy as follows: in the national interest, Australia encourages expansion of domestic uranium production; with exports to selected countries as a platform for building Australia's relationships within our region and beyond.

Australia's policy of exports to selected countries is longstanding and provides the main policy context for the Committee http://www.dfat.gov.au/security/aus_uran_exp_policy.html

Economic context

The uranium industry makes a modest contribution to Australian prosperity by the standards of the iron ore and coal industries; but still a valuable one:

- Australia's uranium industry is a middle-sized export industry earning export income (over recent years in the range \$600 to \$700 million) at about the same level as civil and engineering equipment; dairy exports, like cheese; telecommunications equipment; and specialised machinery and parts.

- Australia has a significant expansion opportunity, as we have nearly 31% of the world's uranium recoverable at reasonable cost, yet we supply only 11% of the world market.
- In the short to medium term, the Australian uranium industry will be affected by constraints affecting the resources industry as a whole: relatively faster increases in Australian capital costs, strong commodity rivals with competitive cost structures and delays in environmental approval contributing to cost escalation.
- In addition, the uranium industry faces uncertainty following Fukushima and low spot prices.
- Between 2011–12 and 2017–18, however, Australia's uranium production is projected by the Bureau of Resource and Energy Economics to increase at an average annual rate of 6 per cent to total 10,100 tonnes.
- As supply tightens, the uranium spot price is projected to increase at an average annual rate of around 6 per cent to US\$70 a pound (in 2013 dollars) in 2018.
- The long term outlook for the Australian uranium industry is tied to the growth of the global nuclear industry. While forecasts for nuclear growth have been lower following Fukushima, growth of at least 25% and up to 100% to 2035 is still expected.
- Measured by energy value, Australia's uranium industry is second in importance only to coal: Australia's uranium exports account for 20% of the energy value of the country's energy production.

The Association is able to provide a more detailed assessment if the Committee wishes.

The Australian uranium industry welcomes the expansion opportunities available in the making of export treaties in accordance with Australian uranium policy.

The UAE is planning on a nuclear industry with 5.6 gigawatts of capacity by 2020. This is the equivalent of about one and a half percent of global nuclear capacity and will require around 1000 to 1100 tonnes of uranium oxide annually (which is about one and a half percent of annually mined uranium production).

Several companies have made contracts with the Emirates Nuclear Energy Corporation (ENEC) for the supply of fuel and fuel services. Uranium One, Inc. (Canada) and Rio Tinto will provide natural uranium; TENEX and AREVA will supply uranium concentrates. The countries from which natural uranium will be supplied are not yet confirmed.

ENEC conducted a 'nuclear fuel procurement competition' for these contracts, illustrating that the supply of fuel is a competitive process.

ENEC's Chief Executive Officer has said that: 'These contracts will provide ENEC with long-term security of supply, high quality fuel and favorable pricing and commercial terms. We are also pleased that this marks the start of long-term commercial relationships with companies that have earned excellent reputations in the industry.'

ENEC says its fuel procurement strategy is guided by support for international non-proliferation efforts.

ENEC expects to return to the market at various times to take advantage of favourable market conditions and to strengthen its security of supply position.

Australia's uranium businesses have to and expect to compete with other potential suppliers to export to any country. One of Australia's competitive advantages as a supplier to the UAE and other countries is that it is a secure and reliable source of supply, made more so by the continuing normalisation of uranium policy. This proposed treaty, and other treaties for the export of uranium, create opportunities for Australian companies to become suppliers to newly emerging or growing nuclear power industries around the world.

Is the proposed treaty aligned with Australia's longstanding uranium export policy?

This is a key question in assessing whether the proposed treaty is in Australia's national interest.

Australia's longstanding uranium export policy - export to selected countries on conditions - has meant Australia's uranium has only used for peaceful purposes. In the Association's view, it is in Australia's national interest to set conditions for export that maintain that record.

The Association has examined the national interest analysis of the agreement submitted by the Department of Foreign Affairs and Trade. We submit that the analysis confirms that the agreement meets the conditions of Australia's uranium export policy.

The Association has also examined the treaty and its summary of the alignment of the treaty with the policy is set out below.

Summary of Australia/UAE Nuclear Cooperation Agreement

Policy requirement	Treaty provision	Remarks
Australian uranium may only be exported for peaceful purposes under Australia's network of bilateral safeguards Agreements, which provide for	Preamble Articles I(f), I(i), II(1) and IX	
<ul style="list-style-type: none"> coverage by IAEA safeguards 	Preamble Article X	
<ul style="list-style-type: none"> fallback safeguards in the event that IAEA safeguards no longer apply for any reason 	Article X(3)	
<ul style="list-style-type: none"> prior Australian consent for any transfer of AONM to a third party, for any enrichment beyond 20 per cent of uranium-235 and for reprocessing of AONM 	Article VII	
<ul style="list-style-type: none"> physical security requirements 	Article VI	
The Additional Protocol with the IAEA is a pre-condition	Preamble	Signed by UAE April 2009
Restrictions on enrichment and re-processing of nuclear material	Article VIII	
Provision for cessation of supply etc in event of material non-compliance	Article XV	
Administrative arrangements	Article XIII	

for effective implementation		
Provision for consultation	Article XIV	
Commercial contracts for the export of Australian uranium should include a clause noting that the contract is subject to the relevant bilateral		Australian producers support this provision

The Association submits that the proposed treaty is aligned with Australian uranium policy.

Conclusion

The Association submits that the proposed treaty meets the conditions of Australia’s uranium export policy. The Association would welcome the making of the treaty as a potential opportunity for Australian-based companies to compete for the UAE’s business.