
Uranium Primer - Russian Highly Enriched Uranium (HEU) Agreement

The US-Russian HEU Agreement (officially termed the “Megatons to Megawatts Program”) is a unique government-industry partnership, under which Russia is dismantling a portion of its old Soviet-era nuclear warheads, removing the highly enriched uranium (HEU) and blending this material with uranium of lower U-235 enrichment levels to produce commercial-grade, low-enriched uranium (LEU) for use in nuclear power plants.

This LEU is shipped to the USA, where it is delivered by USEC Inc. to its uranium enrichment customers and then used by customers as nuclear power plant fuel to generate electricity.

The program was initiated in 1991 with discussions between the US and Russian governments. Two years later, the two governments signed an agreement for Russia to convert 500 tonnes (metric tons) of HEU from dismantled nuclear warheads into LEU to be purchased by the USA to fuel nuclear power plants. A commercial contract between USEC and Russia’s Technobexport (TENEX) followed soon after. USEC and TENEX, acting as agents for the USA and Russia, respectively, signed a 20-year, US\$8 billion contract to implement the Megatons to Megawatts program. Russia downblends the HEU and ships the resulting LEU to USEC facilities in Paducah, Kentucky; the first shipment arrived in the USA in June 1995.

In 1999, TENEX signed contracts with Cameco, COGEMA (today known as AREVA), NUKEM, and Globe Nuclear Services and Supply (GNSS) to sell a portion of the natural uranium content of this LEU, after USEC decided it could use only the enrichment services contained in the LEU. In 2002, the US and Russian governments amended the contract by introducing market-based pricing terms that became effective in January 2003. On October 31, 2007, TENEX notified Cameco that it wanted to discuss a new pricing structure for the remainder of this agreement. (The current contract pricing terms were agreed to in 2001 when uranium prices were much lower.) Cameco began discussing the request with its partners, AREVA and NUKEM. All three companies expressed their intent to continue with the commercial agreement.

In November 2003, TENEX announced that it was terminating its contract with GNSS, effective at the start of 2004, citing that “further sales [to GNSS] ... are inexpedient ... and contrary to the interests of the Russian Federation” as GNSS operations related to the agreement were nontransparent in terms of distribution, end-users, and quantities of uranium allocated. In retaliation, GNSS filed a suit with a US Circuit Court to overrule TENEX’s decision to cease uranium deliveries and initiated legal proceedings in the Swedish arbitration court. However, in June 2007, the Stockholm Arbitration Court rejected all claims filed by GNSS to recover nearly \$1 billion in lost profit from TENEX.

The current program runs through 2013, at which time 500 tonnes of Russian nuclear warhead uranium (the equivalent of 20,000 warheads) will have been converted into nuclear fuel. Presently, this weapons-derived LEU provides over 10 percent of the USA’s electricity.

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