

ACTION ITEM

DATE RECEIVED: 04/03/00

CORRESPONDENCE DATE: 03/31/00

TICKET NUMBER: OIP-00-021

AUTHOR/REQUESTER & AFFILIATION:

DOS

ADDRESSEE:

R. Meserve

SUBJECT: Concerns North Korea policy and the status of the KEDO Program

ACTION: Provide response for Commission Review - Chairman to Sign

DUE DATE:
April 14, 2000

ASSIGNED TO:
DCC

COPIES:
JDL/RDH

COMMENTS: TEMPLATE = SECY-017, TEMPLATE = OIP-001

**OFFICE OF THE SECRETARY
CORRESPONDENCE CONTROL TICKET**

Date Printed: Mar 31, 2000 15:10

PAPER NUMBER: LTR-00-0223 **LOGGING DATE:** 03/31/2000
ACTION OFFICE: OIP

AUTHOR: Charles Kartman
AFFILIATION: DOS
ADDRESSEE: CHRM RICHARD MESERVE
SUBJECT: Concerns North Korea policy and the status of the KEDO program

ACTION: Signature of Chairman
DISTRIBUTION: CHAIRMAN, COMRS, RF

LETTER DATE: 03/31/2000
ACKNOWLEDGED: No
SPECIAL HANDLING: SECY TO ACK --- COMMISSION CORRESPONDENCE

NOTES:

FILE LOCATION: IA 2 KOREA

DATE DUE: 04/14/2000 **DATE SIGNED:**



United States Department of State

Washington, D.C. 20520

March 31, 2000

Mr. Richard A. Meserve
Chairman
Nuclear Regulatory Commission
Washington, DC 20555

Dear Chairman Meserve:

REC'D BY
31 MAR 0

I would like to thank you for your interest in our North Korean policy and the status of the KEDO program that was part of the briefing of the Commission given by Senior Adviser Holum on February 22. I understand that the treatment of North Korea was brief due to the number of nonproliferation issues on the agenda of the meeting. Therefore I would like to elaborate on those discussions and provide a further response to the Commission's questions on possible cooperation with North Korea on nuclear safety matters.

As you are fully aware, preventing North Korea from obtaining nuclear weapons is fundamental to our national security. Accordingly, KEDO's efforts to substitute proliferation-resistant light water reactors for North Korea's graphite program play a critical role in U.S. foreign policy.

Of course, nuclear safety must be a top priority in this endeavor. The reactors will be built, tested and commissioned in full compliance with nuclear safety and regulatory standards equivalent to those of the IAEA and the U.S. To assure independence of safety issues, KEDO has completely separated its nuclear safety division from the project construction division and included both a panel of independent senior advisors (Nuclear Safety Advisory Group) and IAEA peer reviews as elements of its Nuclear Safety Confirmation System. I attach a statement of KEDO's safety policy.

Although KEDO is responsible for the construction of the reactors in North Korea, only North Korea can exercise

05/31/00 FRI 11:00 FAX 202 647 7300 EAP/A 003

regulatory responsibility. However, KEDO will cooperate with North Korea to strengthen the North Korean regulatory authority (the State Nuclear Safety Regulatory Commission, SNSRC), in addition to training the North Korean operator of the plants. Although details need to be developed, at the moment KEDO envisions that as many as 500-700 North Korean operators and an as-yet-unknown number of regulators will be involved in the various training activities.

We expect South Korea to play a major role in this training, commensurate with its responsibilities in constructing the reactors. However both North Korea and KEDO anticipate that regulatory authorities of other countries, and specifically the NRC, will also be important players.

The Department of State supports appropriate NRC participation in this process. The United States and North Korea are taking mutual steps that have the potential to improve our relationship. As these steps continue, we believe that NRC participation in KEDO's efforts might include training North Korean regulators in the U.S., providing lecturers for training sessions in North Korea and/or South Korea, and information and document exchanges. We believe this complex task can best be accomplished in conjunction with efforts of the IAEA and other participants, under the general coordination of KEDO. This would make possible direct exchanges and participation in multi-party efforts.

Both program details and funding arrangements would need to be developed in connection with NRC's direct costs and support for North Korean trainees in the U.S., which the Department would look forward to exploring in detail with NRC.

We understand that some of the KEDO Secretariat's safety officials would like an opportunity in the near future to talk with the NRC about possible cooperation on this matter. In addition, KEDO expects senior North Korean regulators to attend the June meeting of KEDO's Nuclear Safety Advisory Group. At that time KEDO would propose that these North Korean officials come to Washington to meet with representatives of the NRC in order to become familiar with NRC structure and responsibilities.

The Department of State strongly endorses these meetings. The Nuclear Regulatory Commission can play a unique and essential role in KEDO's safety efforts. We would welcome your support of expanded NRC cooperation in this program that is so critical to U.S. interests.

Sincerely,

Charles Kartman
BK For

Charles Kartman, Ambassador

U.S. Special Envoy for the
Korea Peace Talks and
U.S. Representative to the
KEDO Executive Board

Enc: KEDO's Nuclear Safety Policy

**KOREAN PENINSULA
ENERGY DEVELOPMENT ORGANIZATION
NUCLEAR SAFETY POLICY**

The Supply Agreement (SA) between the Korean Peninsula Energy Development Organization (KEDO) and the Democratic People's Republic of Korea (DPRK) stipulates that KEDO shall provide an LWR project to the DPRK consisting of two pressurized light-water reactor (LWR) units with two coolant loops and a generating capacity of approximately 1,000 MWe each, on a turnkey basis. The SA stipulates the following:

- (a) As specified in Paragraph 3 of Article I, the LWR project shall conform to a set of codes and standards equivalent to those of the IAEA and U.S. and applied to the reactor model referred to in Paragraph 1 of Article I. The set of codes and standards shall apply to the design, manufacture, construction, testing, commissioning, and operation and maintenance of the LWR plants, including safety, physical protection, environmental protection, and storage and disposal of radioactive waste.
- (b) As specified in Paragraph 1 of Article X, KEDO shall be responsible for assuring that design, manufacture, construction, testing, and commissioning of the LWR plants are in compliance with nuclear safety and regulatory codes and standards specified in Paragraph 3 of Article I.

KEDO will implement the above by formulating policies that incorporate fundamental principles and objectives to achieve an internationally recognized standard of nuclear safety.

The purpose of this policy is to establish KEDO's principles and objectives and to inform all LWR project participants, as well as the international community, of KEDO's basic approach regarding nuclear safety. These principles and objectives form an essential and integral part of KEDO's basic approach to nuclear safety. In addition to the adoption of normal nuclear safety and licensing practices in general use by the international nuclear community, KEDO initiated a unique process to provide oversight of nuclear safety related activities (hereinafter referred to as "Nuclear Safety Confirmation System" or "NSCS"). Furthermore, KEDO recognizes the importance of openness and transparency in the conduct of nuclear safety endeavors and equally that nuclear safety is enhanced by international awareness of these endeavors. As a consequence, the use of multinational advisors will comprise an essential element of KEDO's NSCS.

It is the policy of KEDO that all LWR Project activities be conducted in such a manner that nuclear safety is accorded the highest priority. Achieving acceptable levels of nuclear safety may not be compromised for any reason. This must be appropriately reflected in all LWR Project activities. All organizations and individuals performing

work for KEDO must also comply with this policy. Sufficient personnel and financial resources will be devoted to adequately implement all nuclear safety aspects of the LWR project.

The following five principles/objectives establish the basis for KEDO's Nuclear Safety Policy:

1. Safety Culture

KEDO is committed to the creation of a safety culture which recognizes the paramount importance of nuclear safety. The establishment and maintenance of a safety culture at KEDO will include the following:

- a prevailing state of mind focusing on safety,
- a disciplined approach to all activities important to safety,
- an appropriate and realistic approach to safety while recognizing the inevitable residual risk,
- an insistence on sound technical bases for actions,
- rigorous self-assessment,
- strict accountability,
- clear assignments of responsibilities,
- strong engineering support, and
- an insistence on safety and quality by senior management.

In meeting its commitment to establish, implement and maintain a strong and sound safety culture, KEDO will take steps and establish procedures to ensure that all organizational elements engaged in LWR project activities will follow and comply with the above and will give due priority to nuclear safety.

2. Safety Principles

KEDO is committed to adopt fundamental safety principles and utilize internationally formulated safety guidelines for the LWR project. These principles and guidelines, as outlined in the "Basic Safety Principles for Nuclear Power Plants - A Report by the International Nuclear Safety Advisory Group" (Safety Series No. 75-INSAG-3), and the "Convention on Nuclear Safety" (Vienna, September 20, 1994), will focus on, but not be limited to, quality assurance, radiation protection, siting, design, construction, commissioning, operations and emergency preparedness.

3. Safety Assessment and Verification

KEDO will take the appropriate steps to ensure the implementation of a safety assessment and verification process for the LWR project. Comprehensive and systematic safety assessments and verifications will be performed in a timely manner during all phases of the project.

4. Safety Regulation

As stated in the "Convention on Nuclear Safety," the prime responsibility for the safety of a nuclear installation rests with the holder of the operating license. Also, the State having jurisdiction over a nuclear installation must establish and maintain a legislative and regulatory framework to govern the safety of nuclear installations. Accordingly, and as stated in the Supply Agreement, the DPRK must have a regulatory infrastructure with a competent independent regulatory body consistent with international standards. KEDO recognizes that the DPRK must establish a nuclear safety regulatory organization and perform independent nuclear safety regulatory activities as part of the DPRK's responsibility for nuclear safety.

5. Safety Confirmation

KEDO will establish the NSCS to confirm that the LWR project achieves an internationally recognized standard of nuclear safety. The NSCS will include a nuclear safety advisory group and an outside safety review consultant. In addition, the NSCS may include IAEA involvement in the process. These groups or entities will function separately and independently from those that are directly responsible for the design, construction and/or project management of the LWR project. The nuclear safety advisory group, which consists of senior nuclear experts from member countries, will provide oversight of the nuclear safety-related activities of KEDO and will advise the Executive Director on matters concerning the nuclear safety of the LWR project.

KEDO recognizes the utmost importance of nuclear safety and the need for all participants in the LWR Project, including relevant DPRK organizations, to be competent and comply with internationally accepted safety requirements.