



**Australian Government**  
**Department of Foreign Affairs and Trade**



## **COST RECOVERY IMPLEMENTATION STATEMENT**

*Cost Recovery for Safeguards and Security Activities related to  
Uranium Ore Concentrates Production and Export 2020-21*

April 2022

# INTRODUCTION

## 1.1 PURPOSE OF THE CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how the Australian Safeguards and Non-Proliferation Office (ASNO) implements cost recovery for ASNO's nuclear safeguards and security<sup>1</sup> activities from Australian producers of uranium ore concentrates<sup>2</sup> (UOC). The Uranium Producers Charge is imposed on holders of a permit to possess an unlimited quantity of UOC granted under section 13(1)(a) of the *Nuclear Non-Proliferation (Safeguards) Act 1987* if, on 1 November in a financial year:

- more than 1,000 kilograms of UOC were produced at a processing facility during the previous financial year, and
- at any time (whether during the previous financial year or earlier) UOC produced at that processing facility has been exported.

The CRIS also reports financial and non-financial performance information for nuclear safeguards and security activities associated with the production and export of UOC and contains financial forecasts for 2020-21 and three forward years. ASNO will maintain the CRIS until the activity, or cost recovery for the activity, has been discontinued.

<sup>1</sup> The term 'nuclear security' is used in this document. This includes activities referred to as 'physical security of nuclear material' and 'physical protection of nuclear material' in other documents.

<sup>2</sup> Uranium ore is mined and processed into uranium ore concentrate (UOC), typically in the form of  $U_3O_8$  (1 kg of  $U_3O_8$  contains 0.848 kg of uranium). UOC is chemically and physically stable, requiring additional processing before it can be used as fuel in a nuclear power plant. The term UOC is preferentially used in this document to avoid confusion with other forms of uranium that ASNO regulates but is not subject to the Uranium Producer's Charge.

# DESCRIPTION OF THE ACTIVITY TO BE COST RECOVERED

## 1.2 DESCRIPTION OF ACTIVITY

In 1993, the *Nuclear Safeguards (Producers of Uranium Ore Concentrates) Charge Act 1993* was initiated to recoup the costs incurred by ASNO<sup>3</sup> for undertaking nuclear safeguards and nuclear security activities in relation to the production and export of UOC. In order to incur the charge, the producer must have exported UOC. As there is no domestic market for UOC, there is a close relationship between UOC production and export, as can be seen in Figure 1. Differences between production and export in a given year are due to export in some instances, occurring in the year following production.

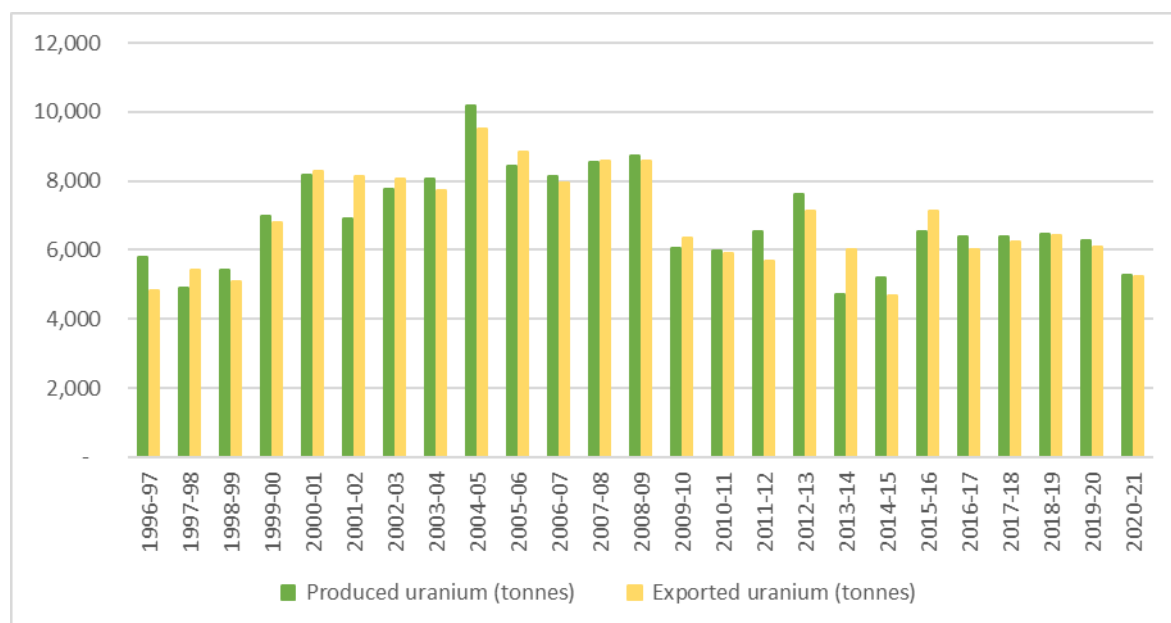


Figure 1 – Annual uranium production and export from Australia are closely linked.

Like most countries with active nuclear industries, Australia has domestic safeguards and security standards for nuclear material<sup>4</sup> and associated technology that are framed in legislative requirements.

<sup>3</sup> ASNO is an independent federal regulatory authority that covers all states and territories and its principal focus is international and domestic action to prevent the proliferation of nuclear and chemical weapons.

<sup>4</sup> ASNO is one of two nuclear regulators in Australia. The Australian Radiation Protection and Nuclear Safety Agency (ARPANSA, <https://www.arpansa.gov.au/>) has regulatory charge of the safety of all radioactive material, of which nuclear material is a small component.

The key terminology of ASNO's nuclear regulations that are relevant to the Uranium Producers Charge are:

- **Nuclear Material:** any source material or special fissionable material as defined in Article XX of the IAEA Statute<sup>5</sup>. In practice, it means uranium (including UOC), plutonium and thorium in certain forms, as these are the unique elements required for the nuclear component of a nuclear weapon.
- **Nuclear safeguards:** the system of policies, procedures and technical measures developed to ensure that nuclear material is used for its intended purposes. The objective is to deter the spread of nuclear weapons by the early detection of the misuse of nuclear material or technology through monitoring, verification and enforcement activities.
- **Nuclear security:** the integrated set of measures, including but not limited to physical security and protection, intended to prevent unauthorised access to, or malicious acts against, nuclear material and associated infrastructure, including during transport.

As Australia's national nuclear safeguard and nuclear security authority, ASNO regulates safeguards implementation through its nuclear safeguards and security permit system and can therefore act against a facility found to have inadequate safeguards or security measures in place.

Australia also has international safeguards and security obligations through its bilateral agreement with the International Atomic Energy Agency (IAEA). IAEA safeguards are a set of technical measures applied on nuclear material and activities, through which the IAEA seeks to independently verify that a nuclear facility is not misused, and nuclear material is not diverted from peaceful uses. The IAEA is a verification and reporting, not an enforcement, organisation.<sup>6</sup> One of its strengths lies in its near universal adoption of IAEA nuclear safeguards agreements.

Australia's uranium export policy builds upon the IAEA's safeguards regime with a network of bilateral nuclear cooperation agreements<sup>7</sup> (NCAs) that establish treaty-level conditions on the use of all nuclear material exported from Australia. The network of NCAs allows Australia to track exported nuclear material (predominantly, but not limited to UOC) and apply conditions on its use and transfer. The nuclear material tracked by ASNO is referred to as Australian Obligated Nuclear Material (AONM) as UOC transforms significantly<sup>8</sup> as it moves through the nuclear fuel cycle.

The method used to calculate the value of the Uranium Producers Charge each year recognises that the cost of some of ASNO's activities are only relevant in the year that activity occurs, such as administering domestic nuclear permits. However, other activities require a recurring cost on ASNO, such as tracking AONM to ensure the long-term application of safeguards and security measures. Consequently, a future liability cost is calculated based on the cost of ASNO's activities related to exported UOC.

<sup>5</sup> <https://www.iaea.org/sites/default/files/statute.pdf>

<sup>6</sup> If the IAEA finds that a State is in non-compliance with its safeguards commitments, and, after reasonable investigation into the apparent diversion, the State fails to provide a reasonable explanation and a nuclear weapons purpose is plausible in the circumstances, a report is made to the IAEA Board to consider action under the IAEA Statute. Article XII.C of the IAEA Statute sets out several actions, including reporting the non-compliance to the United Nations Security Council and the United Nations General Assembly.

<sup>7</sup> Currently Australia has 25 NCAs covering 43 countries (the Australia-European Union NCA covers all members of the European Union). <https://www.dfat.gov.au/international-relations/security/non-proliferation-disarmament-arms-control/policies-agreements-treaties/nuclear-cooperation-agreements/Pages/australias-network-of-nuclear-cooperation-agreements>

<sup>8</sup> For example, almost all exported Australian UOC will be used as fuel in a nuclear power reactor. In the reactor some of the uranium will be converted to plutonium which, as a nuclear material, ASNO will continue to track as AONM.

# POLICY AND STATUTORY AUTHORITY TO COST RECOVER

## 2.1 GOVERNMENT POLICY APPROVAL TO COST RECOVER THE ACTIVITY

Australia ratified the Treaty on the Non-Proliferation of Nuclear Weapons (NPT)<sup>9</sup> on 23 January 1973. The NPT defines Australia as a Non-Nuclear Weapons State, committing Australia to not build, acquire or control a nuclear explosive device. In addition, the NPT obligated Australia to conclude and implement a safeguards agreement with the IAEA, signed in July 1974. The Australian Safeguards Office (ASO, later to become ASNO) was established as Australia's national safeguards authority, responsible for the implementation of obligations established under Australia's bilateral agreement with the IAEA and facilitation of IAEA safeguards activities in Australia.

The discovery of extensive uranium deposits in Australia between 1969 and 1975<sup>10</sup> instigated public debate regarding future uranium exports. In response, the Whitlam Government appointed Russell Fox to undertake the Ranger Uranium Environmental Inquiry in July 1975. Following the release of the reports, the then Prime Minister Malcolm Fraser articulated Australia's first uranium export policy in 1977.<sup>11</sup> Australia's current uranium export policy<sup>12</sup> (outlined below) retains the fundamental tenets of this original policy, with a few adjustments to reflect international and domestic developments in the intervening period.

The Uranium Producers Charge was first introduced in the 1992-93 Budget Papers. On 26 May 1993, the Nuclear Non-Proliferation (Safeguards) Amendment Bill and the Nuclear Safeguards (Producers of Uranium Ore Concentrate) Charge Bill 1993, were introduced into Parliament by Mr Gear, then Assistant Treasurer.<sup>13</sup> The bills were passed through Parliament on 31 August 1993.<sup>14,15</sup>

The initial cost of the Uranium Producers Charge was set in the *Nuclear Non-Proliferation (Safeguards) Regulations 1987* (Safeguards Regulations) on the 9 June 1994 as a flat fee of \$234,000 per producer based on a costing of ASO safeguards activity for 1993-94.<sup>16</sup>

In June 1996, a review of the Uranium Producers Charge was undertaken as part of a comprehensive Government review of all Commonwealth legislation that could restrict competition, impose costs or confer benefits on business. The review made 14 recommendations, of which the Government adopted 13, including that uranium producers should be charged on a pro-rata basis using a Charge

<sup>9</sup> The NPT has become the cornerstone of the international nuclear non-proliferation regime and is among the United Nations' most successful multilateral treaties, with 191 Parties. India, Israel, Pakistan and South Sudan have never joined the NPT. The Democratic People's Republic of Korea (North Korea) purported to withdraw from the NPT in 2003 according to the United Nations Office for Disarmament Affairs (see <http://disarmament.un.org/treaties/t/npt>).

<sup>10</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BN/2011-2012/UraniumPolicy#\\_ftn21](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/UraniumPolicy#_ftn21), and references therein

<sup>11</sup> <https://pmtranscripts.pmc.gov.au/release/transcript-4479> and <https://pmtranscripts.pmc.gov.au/release/transcript-4484>

<sup>12</sup> <https://dfat.gov.au/international-relations/security/non-proliferation-disarmament-arms-control/policies-agreements-treaties/Pages/australias-uranium-export-policy.aspx>

<sup>13</sup> <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fvotes%2F1993-05-26%2F0035;query=id%3A%22chamber%2Fvotes%2F1993-05-26%2F0008%22>

<sup>14</sup> <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fhansard%2F1993-08-31%2F0037;query=id%3A%22chamber%2Fhansard%2F1993-08-31%2F0044%22>

<sup>15</sup> [http://www.austlii.edu.au/au/legis/cth/bill\\_em/nsouocb1993604/memo\\_0.pdf](http://www.austlii.edu.au/au/legis/cth/bill_em/nsouocb1993604/memo_0.pdf)

<sup>16</sup> <https://www.legislation.gov.au/Details/C2004H02490>

Rate (in cents per kilogram of uranium produced) that is calculated every year, and that a future liability cost for tracking exported Australian uranium should be incorporated into the calculation.


In 2020-21 a further review of the fees and charges associated with Uranium Producers Charge was undertaken and there was no changes to the current arrangements.

#### Summary of Australia's uranium export policy

- Australian uranium may only be exported for peaceful, non-explosive purposes under Australia's network of bilateral nuclear cooperation agreements (NCAs), which provide for:
  - coverage by International Atomic Energy Agency (IAEA) safeguards
  - fallback safeguards in the event that IAEA safeguards no longer apply for any reason
  - prior Australian consent for any transfer of Australian Obligated Nuclear Material (AONM) to a third party, for any enrichment beyond 20 per cent of <sup>235</sup>U and for reprocessing of AONM, and
  - physical security requirements.
- Australia retains the right to be selective as to the countries with which it is prepared to conclude safeguards arrangements.
- Customer countries must be a party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In the case of India, an exception has been granted on the basis of the 2008 decision of the Nuclear Suppliers Group, the application of IAEA safeguards to India's civil nuclear facilities and separation of the Indian civilian and military nuclear programs.
- NPT Non-Nuclear Weapon State customer countries must, at a minimum, be a party to the NPT and have concluded Comprehensive Safeguards Agreements with the IAEA.
- Nuclear weapon state customer countries must provide an assurance that AONM will not be diverted to non-peaceful or explosive uses and accept coverage of AONM by IAEA safeguards.
- Commercial contracts for the export of Australian uranium should include a clause noting that the contract is subject to the relevant bilateral NCA.
- The Australian Government's export policy requires the highest standard of nuclear safeguards by making an Additional Protocol with the IAEA a pre-condition for the supply of AONM.

## 2.2 STATUTORY AUTHORITY TO CHARGE

The *Nuclear Non-Proliferation (Safeguards) Act 1987* (the Safeguards Act) was introduced to update existing legislation that gives effect to Australia's international obligations under the NPT, the Australia-IAEA Safeguards Agreements, the Convention on the Physical Protection of Nuclear Material (CPPNM), and the International Convention for the Suppression of Acts of Nuclear Terrorism (ICSANT). The Safeguards Act also forms the legislative basis for Australia's domestic nuclear safeguards and security activities, including establishing a system for control over nuclear material and associated technology items, through the requirements for permits for possession and transport.



The Safeguards Act also gives effect to Australia's NCAs, which enable Australia to track AONM through a network of approved countries in the international nuclear fuel cycle.<sup>17</sup>

The statutory basis for imposing the Uranium Producers Charge levy is provided by Part IVA of the Safeguards Act and the associated Regulations. The related enabling legislation is the *Nuclear Safeguards (Producers of Uranium Ore Concentrates) Charge Act 1993*.

The current Safeguards Act and Regulations, and the *Nuclear Safeguards (Producers of Uranium Ore Concentrates) Charge Act 1993* can be found on the Federal Register of Legislation website (see [www.legislation.gov.au](http://www.legislation.gov.au)).

<sup>17</sup> A current list of ASNO's functions under the Safeguards Act can be found in the ASNO Annual Report: [https://www.dfat.gov.au/sites/default/files/asno\\_annual\\_report\\_2020-2021.pdf](https://www.dfat.gov.au/sites/default/files/asno_annual_report_2020-2021.pdf)

## COST RECOVERY MODEL

### 3.1 OUTPUT AND BUSINESS PROCESSES OF THE REGULATORY CHARGING ACTIVITY

ASNO has identified six Outputs, described in Table 1, that are used to calculate the Basic Charge (the total cost over a year of ASNO’s activities relevant to Uranium Producers Charge). Only the portion of ASNO’s activities that are relevant to the production and export of UOC are included in the calculation.

Table 1 – Outputs and business processes that contribute to the Uranium Producers Charge

Outputs	Business Processes
<b>Output 1: Administer NCAs – liaise with foreign counterparts</b>	<ul style="list-style-type: none"> <li>•Prior to departure, ensure the country receiving Australian UOC agrees to place Australian obligations on the material, in accordance with the NCA</li> <li>•Track transfers of AONM through the NCA network</li> <li>•Conduct annual reconciliation of AONM Inventories</li> <li>•Support of best practise regulatory activities</li> </ul>
<b>Output 2: Physical protection of AONM overseas</b>	<ul style="list-style-type: none"> <li>•Ensure effective implementation of physical protection measures applied to AONM overseas</li> <li>•Engage with the international community and IAEA for the continuous development and promotion of international best practise in physical protection of all nuclear material</li> </ul>
<b>Output 3: Physical protection of nuclear material in Australia</b>	<ul style="list-style-type: none"> <li>•Prescribe and ensure effective implementation of physical protection measures at Australian uranium mines and during transport domestically and to overseas destinations</li> </ul>
<b>Output 4: Operation of the permit system</b>	<ul style="list-style-type: none"> <li>•Operation of the ASNO permit system relevant to UOC production and transport, and corresponding compliance activities</li> <li>•Maintain accurate records of UOC production, export and use in Australia</li> <li>•Conduct bi-annual reconciliation of total UOC production and exports with each producer</li> </ul>
<b>Output 5: Reporting to the IAEA and complementary access inspections</b>	<ul style="list-style-type: none"> <li>•Provide Additional Protocol reporting relevant to uranium mining and production to the IAEA</li> <li>•Facilitate IAEA inspections at any UOC-related facility and undertake any follow-up activity if required</li> <li>•Contribute to the development and strengthening of an effective international safeguards system</li> </ul>
<b>Output 6: Government reviews and inquiries, administrative support, and industry outreach relevant to the Uranium Producers Charge</b>	<ul style="list-style-type: none"> <li>•Provide input into Government reviews and inquiries relevant to UOC production and export, as required</li> <li>•Administration related to the UOC Producers Charge</li> <li>•Conduct industry outreach and contribute to developments of safeguard and security requirements that affect UOC production and export in Australia</li> <li>•Negotiate new or updated NCAs and supporting administrative arrangements</li> </ul>

The business processes in Output 1 and 2 relate to the entry and tracking, including during export, of UOC in the international fuel cycle. Consequently, a portion of the cost for Output 1 and 2 (as shown in Table 2) are used to calculate ASNO’s future liabilities cost of tracking AONM.



Outputs 3-6 relate only to nuclear safeguards and security activities in Australia; ASNO's costs to perform these activities does not contribute to the future liability's component of tracking AONM, as shown in Table 2.

The future liabilities calculations are split into two time periods, the first 20 years after export and the next 21-200 years after export. This takes into account the higher cost for tracking AONM in the first 20 years after export when the UOC is most likely to be transferred between nuclear fuel cycle facilities and changing form.<sup>18</sup> More than 20 years after export the AONM is more likely to be in long-term storage (e.g., as depleted uranium or as spent nuclear fuel), requiring less effort to track.<sup>19</sup>

**Table 2 – The division of costs for each Output towards new material produced that year and as a basis to calculate the cost of tracking the AONM in the future.**

Output	New Material	Existing AONM <20 years	Existing AONM 21 – 200 years
	portion of costs only incurred in the year production	portion of costs contributing to the future liability of tracking the exported UOC as AONM	portion of costs contributing to the future liability of tracking the exported UOC as AONM
Output 1	30%	60%	10%
Output 2	70%	25%	5%
Output 3	100%	0%	0%
Output 4	100%	0%	0%
Output 5	100%	0%	0%
Output 6	100%	0%	0%

## 3.2 COST OF THE REGULATORY CHARGING ACTIVITY

Each year ASNO uses an Activity Based Costing (ABC) model to calculate the Basic Charge and the Charge Rate (the cost per kilogram of uranium produced). Costs such as salaries, travel, overheads (ICT and rent) are determined for the six Outputs described in Table 1. Three cost drivers have been identified.

1. Cost of Regulating new UOC produced in that year

The domestic safeguards and security cost applied to UOC produced in Australia during the financial year, including a portion of ASNO's costs related to the export of UOC.

This accounted for 82 per cent of the Basic Charge in 2020-21.

2. Future cost of tracking UOC exported that year, in the first 20 years after export

<sup>18</sup> See Australia's Uranium Transshipment Security Policy in ASNO's Annual Report <https://www.dfat.gov.au/sites/default/files/asno-annual-report-2020-21.pdf>

<sup>19</sup> While the future liability cost is calculated over 200 years, there is no intention that safeguards and security requirements would stop 200 years after export.

The cost to ASNO over the next 20 years for safeguards and security activities on material exported during the period (tracking AONM as it moves through the nuclear fuel cycle).

This accounted for 14 per cent of the Basic Charge in 2020-21.

3. Future cost of tracking UOC exported that year, for the period of 21-200 years in the future

The cost to ASNO over the next 21-200 years for safeguards and security activities on material exported during the period (tracking AONM, most likely in long-term storage).

This accounted for 4 per cent of the Basic Charge in 2020-21.

Salaries accounted for approximately 88 per cent of the Uranium Producers Charge in 2020-21, with the remaining 12 per cent comprised of official travel, ICT and rent. Salaries are always the largest component of the Uranium Producers Charge (usually around 80%). Travel is typically the second largest component; however, in 2020-21 travel costs were on par with ICT and rent costs due to COVID-19 travel restrictions, which limited relevant travel to domestic inspections.

The Uranium Producers Charge calculations incorporate a 5-year rolling average of the Basic Charge to smooth out fluctuations. Consequently, the impact of COVID-19 on ASNO's activities and costs, and on the Uranium industry more generally, will be spread out over several years.

ASNO's activities are funded by the DFAT budget. The Uranium Producers Charge is payable to the Consolidated Revenue Fund, rather than directly to ASNO. In a situation where UOC production ceased in Australia, ASNO funding would still be required to meet the legislated requirement of tracking AONM and to verify it remains in peaceful use.

The charge for each UOC producer is determined using the Charge Rate set in the Safeguards Regulation which is updated as needed. While ASNO's Basic Charge is not based on UOC production, the amount of UOC produced does have a significant effect on the Charge Rate (the higher the UOC production, the lower the Charge Rate).

Some variables impacting Australian UOC production will typically affect all producers in a similar way. These variables include variations in the UOC market price, exchange rate, and other fluctuations in the international market. Other variables will be specific to a producer, such as maintenance or upgrades at a producer's mine site.

### 3.3 DESIGN OF REGULATORY CHARGES

The fundamental design of the Uranium Producers Charge model was developed during the 1997 review, with minor changes since then to reflect developments in the nuclear safeguards and security environment.

#### **Step 1: Determine the Basic Charge - the cost to ASNO to undertake Outputs in table 1:**

A flow diagram for the Basic Charge calculation for a particular year is given in Figure 2. The calculation is performed after the end of the financial year (referred to as the 'previous year') and is based on actual costs. The method for calculating the base expenditure for each Output is as follows:

- An assessment of the time (per cent full time equivalent, or FTE) that each ASNO staff member has spent on each Output. Derived from this is:
  - the total cost of salaries per Output,

- the total cost of overheads per Output.
- An assessment on the cost and purpose of travel undertaken in the previous year. As work travel frequently has multiple goals, an estimation (as a percentage) is made of each trip's relevance to the production and export of UOC.

The proportion of Outputs 1 and 2 that are used to calculate the future liabilities, as shown in Table 2, are then calculated factoring in UOC exports for that year as a proportion of the total amount of UOC exported from Australia and tracked as AONM.

Combining present and future costs gives the Basic Charge for the previous year.

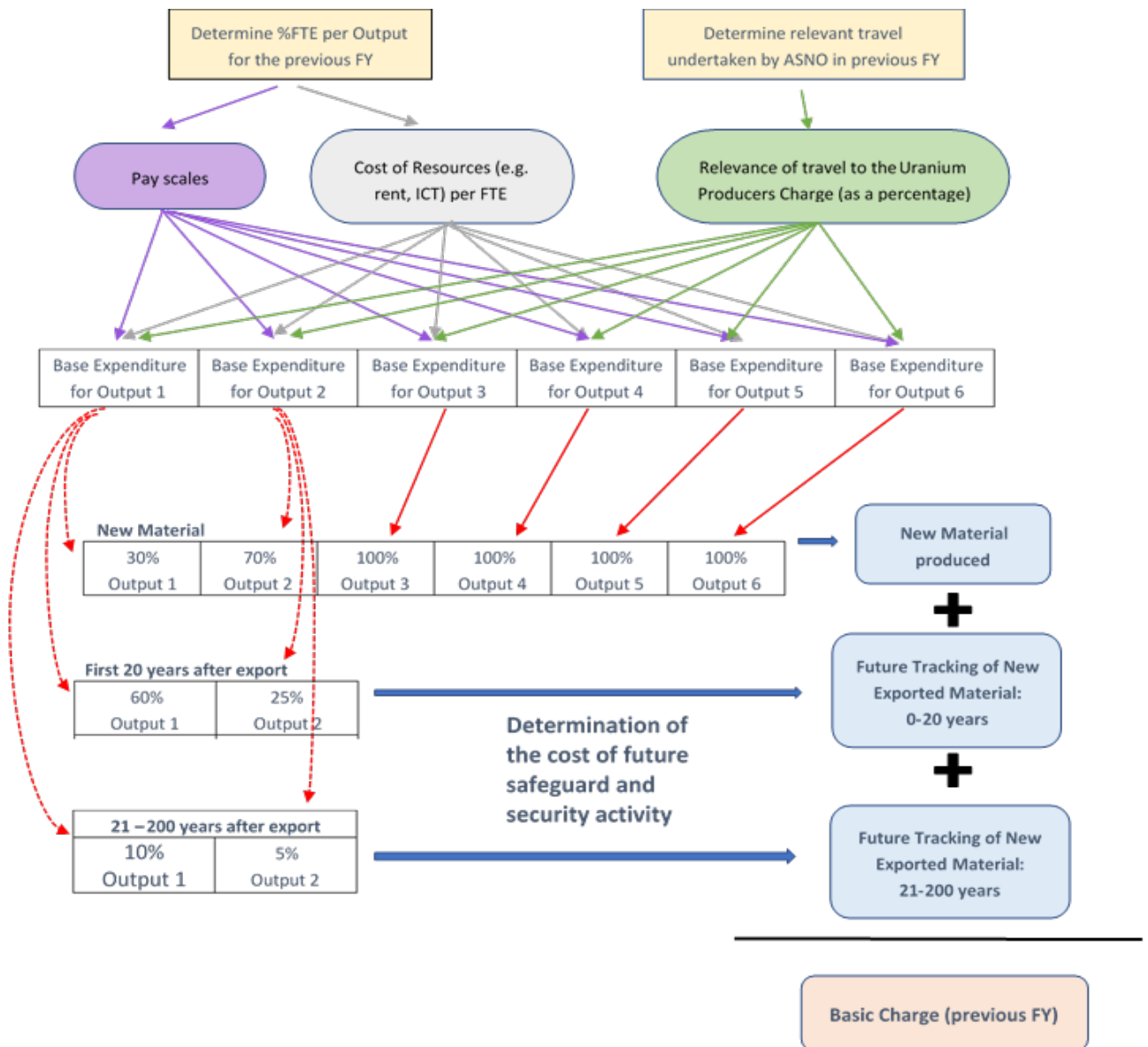


Figure 2 – Flow diagram outlining the calculation of the Basic Charge in a particular year.

## Step 2: Five-year rolling average of the Basic Charge.

In order to allow for some degree of stability and predictability in the Charge Rate and ultimately the charge for each producer, a five-year rolling average of the Basic Charge is calculated. This is defined as the Basic Charge (average).

## Step 3: Determine the Charge Rate (in cents per kilogram uranium produced)

At the end of the financial year the total amount of UOC produced and exported from each uranium producer is reconciled with ASNO.<sup>20</sup> The Charge Rate (calculated) is determined by dividing the Basic Charge (average) by the total amount of UOC produced.

Given the administrative cost to the government of amending the *Nuclear Non-Proliferation (Safeguards) Regulations 1987* (Safeguards Regulations), the value of the Charge Rate is only updated in the Safeguards Regulations if the calculated Charge Rate is at least 1% less than, or 4% more than, the Charge Rate currently in the Safeguards Regulations.

If the Safeguards Regulations are not amended, the value of the Charge Rate already in the Safeguards Regulations will be used to calculate the charge for each UOC producer for that year. This criterion seeks to minimise the cost of administering the charge while ensuring cost recovery proceeds as required.

## Step 4: Calculate the charge for each producer

The charge for each UOC producer is determined by multiplying the Charge Rate by the amount of UOC produced by each producer in the previous financial year. The Safeguards Regulations put a cap of \$500,000 a year per producer for the Uranium Producers Charge.

Before the charge for each producer is settled, ASNO provide the UOC producers with an opportunity to comment on the Charge Rate that ASNO intends to use, and the fee the producer will incur for UOC production in the previous financial year.

Based on the tolerances outlined in step 3, Charge Rate used to determine the Uranium Producers Charge in 2020-21 was 13.5502 cents/kg UOC produced. This Charge Rate was an amendment to Regulation 6 of the *Nuclear Non-Proliferation (Safeguards) Regulations 1987* promulgated on 23 November 2018.

<sup>20</sup> This reconciliation enables ASNO to fulfil Australia's reporting obligations to the IAEA under the Additional Protocol, as well as provide a reliable basis for the tracking of AONM in the future.

## RISK ASSESSMENT

The most likely risks and how they have been addressed are outlined below:

*The additional cost of the Uranium Producers Charge could be a potential barrier to new UOC mines entering the export market.*

This risk has been addressed in several ways:

- New UOC producers will not be subject to the Uranium Producers Charge until they have produced more than 1000 kg of UOC and have previously exported UOC.
- The amount of the Uranium Producers Charge for each producer is determined annually on a pro-rata basis so the financial impose is less on producers that have produced less UOC.

*There is an ongoing cost to Australia to maintain the safeguards and security of exported UOC.*

This risk has been addressed in several ways:

- A future liability component is factored into the Uranium Producers Charge to cover the ongoing costs of ASNO's future safeguard and security activities.
- As few UOC producers are likely to remain in business indefinitely, it is reasonable that the costs associated with these recurring activities are collected in the year the UOC is produced.

*Inherent risks in implementing complex cost recovery arrangements.*

The method for calculating the Uranium Producers Charge is well documented each year. Information tables and rationales for decisions used to provide a consistent interruption of the activities to that should be included in the Uranium Producers Charge calculation.

*The resources required to implement the Uranium Producers Charge detract from ASNO's ability to perform its regulatory activities.*

This risk has been addressed in several ways:

- ASNO is a small organisation and implementing the Uranium Producers Charge, particularly updating the Safeguards Regulations, is a non-trivial task. Criteria have been put in place so that minor changes to the Charge Rate do not require an amendment of the Safeguards Regulations.
- Simplifications to the Uranium Producers Charge calculations are considered if they will have a minimal effect on the cost recovery principle, while making the calculations easier and more consistent.

*With so few UOC producers in Australia, transparency of ASNO's regulatory activity needs to be balanced against industry confidentiality.*

This risk has been addressed in several ways:

- ASNO remains as transparent as possible, while remaining alert to any industry concerns and responding appropriately.
- Information related to contracts and sales is not required to be provided to ASNO, this information is required under the Export Permissions administered by the DISER.
- ASNO Annual Report figures on export and transfers are published at aggregate levels.

## STAKEHOLDER ENGAGEMENT

ASNO works closely with each of Australia's current and prospective UOC producers. This includes consulting with the UOC producers prior to revising the Charge Rate under the Safeguards Regulation and the proposed charge for the previous financial year. For the 2020-21 update, the producers did not express any concerns.

In addition, ASNO has regular engagement with Australia's UOC producers on a range of topics, including:

- UOC exports processing and approvals
- maintenance of their permits with ASNO
- security of the facility and transportation of UOC
- information exchanges on UOC export avenues and customers
- IAEA inspections and safeguards and
- updates on international nuclear regulatory developments, or other developments related to the industry.

ASNO organises regular information exchange discussions with its bilateral international counterparts, to facilitate efficient international regulatory processes. ASNO also participates in joint industry-government working groups, to contribute to the effectiveness of the sector.

Australia's UOC producers support ASNO's role in maintaining Australia's strong non-proliferation record and adherence to high security and safeguards standards. The producers are aware that this contributes to their 'social licence' which helps maintain community support for their continued operation. The application of high safeguards and security standards by Australia can also be attractive to customers aiming to promote non-proliferation credentials.

## FINANCIAL ESTIMATES

The table below outlines the financial estimates for the 2020-21 financial year and the three years forward.

Table – 4 Financial estimates for the Uranium Producers Charge for the next three years.

	2020-21 \$'000 (actual)	2021-22 \$'000	2022-23 \$'000	2023-24 \$'000
<b>Expenses = X</b>	<b>498</b>	<b>507</b>	<b>573</b>	<b>601</b>
Revenue = Y	714	705	628	575
Balance = Y – X	216	198	55	-26
<b>Cumulative balance</b>	<b>216</b>	<b>414</b>	<b>469</b>	<b>443</b>

Explanation of material variance:

1. Expenses are the costs incurred by ASNO for that year, i.e. the Basic Charge
2. Revenues are the amount to be received by The Consolidated Revenue Fund, i.e. the 5-year average Basic Charge.
3. Future estimates incorporate a 2 per cent annual increase in salaries, UOC production and export remain constant, and an increase in travel expenditure from 2022-23.

## FINANCIAL PERFORMANCE

The table below outlines the historical performance of ASNO's cost recovery activities. ASNO has benefited from increasing efficiencies, including better communication systems and an improved nuclear database.

Table 5 Financial performance of the Uranium Producers Charge for the last five years.

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
Expenses = X	939	959	865	695	498
Revenue = Y	841	864	875	849	714
Balance = Y – X	-98	-95	10	154	216
Cumulative balance	-98	-193	-183	-29	187

Explanation of material variance:

1. Expenses are the costs incurred by ASNO for that year, i.e. the Basic Charge
2. Revenues are the amount received by The Consolidated Revenue Fund, i.e. the 5-year average Basic Charge.
3. The higher Expenses between 2016 -2018 are attributed to the increased staff numbers and travel for negotiation of new NCAs.
4. In 2016-17 a UOC producer's charge reaching the cap of \$500,000, reducing the total revenue.
5. In 2018-19, 2019-20 and 2020-21 the Charge Rate was not updated in the Safeguards Regulations and the pre-existing Charge Rate was used. This was because there was no significant change in the calculated Charge Rate (as described in step 3). This slightly reduced the total charge collected in those years.



## NON-FINANCIAL PERFORMANCE

In order to meet legislative requirements, the Director General ASNO provides an Annual Report on ASNO's performance to the Foreign Minister. The Foreign Minister tables ASNO's Annual Report in Parliament. ASNO's Annual Report includes:

- the Charge Rate used to calculate the Uranium Producers Charge in the preceding financial year<sup>21</sup>
- the quantity and value of Australian UOC exports each year
- the total quantity of nuclear material in Australia at the end of the year
- the net accumulated AONM by category, quantity and location at the end of the year
- updates on nuclear safeguards and security developments, both domestically and internationally and
- IAEA Statements of conclusion and other inspection findings for Australia.

The DFAT Annual Report includes DFAT's transfer of the received Uranium Producers Charge to Consolidated Revenue under Notes on administered income.<sup>22</sup>

ASNO conducts annual nuclear material accounts reconciliation with the IAEA (for domestically held nuclear material), and with our bilateral NCA counterparts. Through this reconciliation process, ASNO can report that all AONM was satisfactorily accounted for, enabling DG ASNO to meet legislative requirements.

Other non-financial indicators of ASNO performance are measured using the Regulatory Performance Framework self-assessment report and available on DFAT's website.<sup>23,24</sup>

<sup>21</sup> <https://dfat.gov.au/international-relations/security/asno/Pages/annual-reports.aspx>

<sup>22</sup> <https://www.dfat.gov.au/sites/default/files/minisite/static/6923df7e-0194-4770-97d1-00faf01334d2/annual-report-2020-21/wp-content/uploads/2019/10/FS-2.2.pdf>

<sup>23</sup> <https://dfat.gov.au/about-us/corporate/Pages/deregulation.aspx>

<sup>24</sup> <https://dfat.gov.au/international-relations/security/asno/Pages/australian-safeguards-and-non-proliferation-office-asno.aspx>

## KEY FORWARD DATES AND EVENTS

ASNO will finalise and published the initial Cost Recovery Implementation Statement.

Then, in the first half of every financial year, ASNO will calculate the Charge Rate based on the UOC production figures of the previous financial year. Based on the value of the calculated Charge Rate, ASNO will determine if the *Nuclear Non-Proliferation (Safeguards) Regulations 1987* (Safeguards Regulations) will be amended.

ASNO will then seek feedback from the UOC producers regarding the Charge Rate value ASNO proposes to use, and the resulting fee the producer would incur.

If the Safeguards Regulations are not being amending, ASNO will proceed with notifying the UOC producers of their fee for the previous financial year.

If the Safeguards Regulations are being amended, ASNO will then undertake the required approval processes. In parallel, ASNO will review and published a revised Cost Recovery Implementation Statement.

After the Safeguards Regulations have been amended, UOC producers will be notified about their charge for uranium produced in the previous financial year.

## CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
1/4/2020	Certification of the CRIS	ASNO	CRIS update

## ACRONYMS

ASNO	Australian Safeguards and Non-Proliferation Office
ASO	Australian Safeguards Office
UOC	Uranium Ore Concentrates
AONM	Australian Obligated Nuclear Material
DFAT	Department of Foreign Affairs and Trade
NCA	Nuclear Cooperation Agreement
IAEA	International Atomic Energy Agency
NPT	Treaty on the Non-Proliferation of Nuclear Weapons
AP	Additional Protocol