

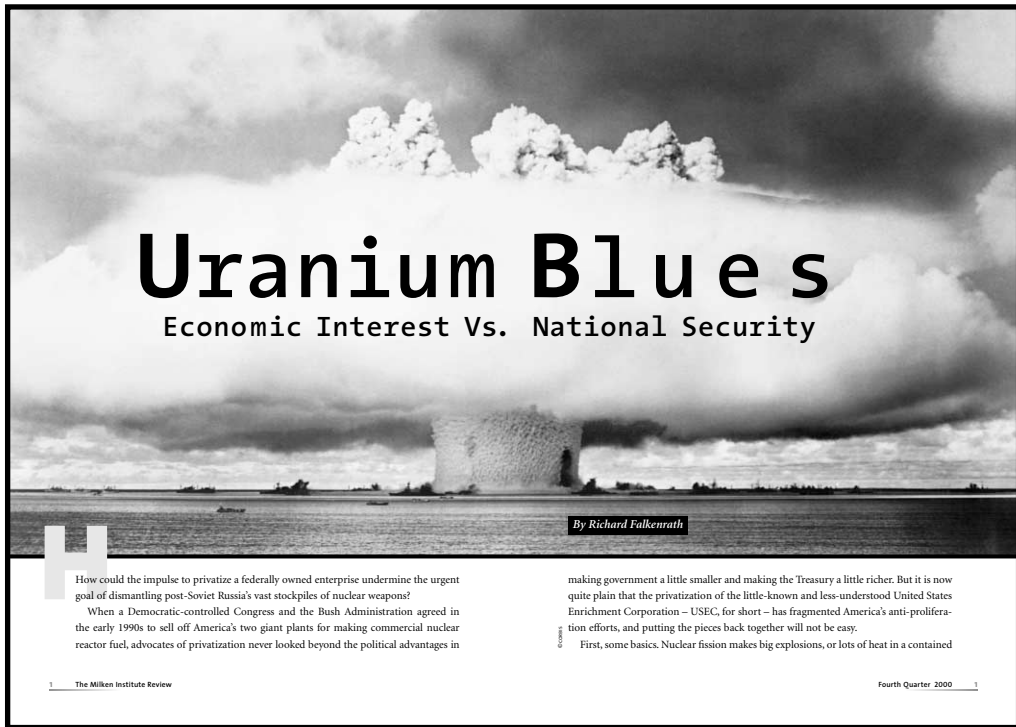
THE U.S. ENRICHMENT CORPORATION RESPONDS

For me, “Uranium Blues” (by Richard Falkenrath, Fourth Quarter 2000) is a classic case of “déjà vu all over again,” as Mr. Falkenrath has been publicizing the same views over and over in numerous venues for the past five years. While the facts run counter to his position, that never seems to deter him from ignoring the reality that the Russian highly enriched uranium (HEU) program is working well. In spite of all the historical intrigue he cites, and his constant dire predictions of impending doom, the program is successful.

Last April, the General Accounting Office (GAO) was directed by Congress to review the implementation of the 1993 Megatons to Megawatts agreement. Based on its investigations, the new GAO report states, “USEC has consistently paid Russia for deliveries of low enriched uranium and accepted shipments in a timely manner. By doing this, USEC has satisfactorily carried out its responsibilities as executive agent for the United States.”

For those of your readers who care more about results than colorful accusations, here are the actual facts pertaining to USEC’s commercial implementation of the Megatons to Megawatts program:

- The equivalent of over 4,000 nuclear warheads has been converted to power reactor fuel, and purchased from Russia by USEC for use by its customers.
- Implementation of the Megatons to Megawatts program is ahead of the schedule for quantities and dates that was set out in the original government-to-government agreement and implementing contract. All shipments interrupted by Russia have been resumed, completed and/or accommodated by mutual agreement. One-fifth of the 20-year program for conversion of 500 metric tons of HEU has been completed.
- Megatons to Megawatts enriched uranium purchased from Russia now accounts for nearly half of USEC’s product mix.
- USEC has paid Russia more than \$1.5 billion to date for purchases of enriched uranium derived from dismantled Russian nuclear warheads. These funds have been used to keep Russian nuclear workers employed and for other nuclear security and environmental restoration activities in Russia. New market-based contract terms for the implementing contract are expected to go into effect in January 2002. The terms have been agreed upon by the two executive agents and are awaiting approval by both governments.
- An Enrichment Oversight Committee (EOC), appointed by the President in 1998 prior to privatization, directs the Megatons to Megawatts program and oversees the activities of the government’s executive agent. Chaired by the National Security Council, other members include designees from the Departments of State, Treasury, Defense, Justice, Commerce and Energy, the Office of Management and Budget, the National Economic Council, the Council of Economic



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How could the impulse to privatize a federally owned enterprise undermine the urgent goal of dismantling post-Soviet Russia's vast stockpiles of nuclear weapons?

When a Democratic-controlled Congress and the Bush Administration agreed in the early 1990s to sell off America's two giant plants for making commercial nuclear reactor fuel, advocates of privatization never looked beyond the political advantages in

By Richard Falkenrath

making government a little smaller and making the Treasury a little richer. But it is now quite plain that the privatization of the little-known and less-understood United States Enrichment Corporation – USEC, for short – has fragmented America's anti-proliferation efforts, and putting the pieces back together will not be easy.

First, some basics. Nuclear fission makes big explosions, or lots of heat in a contained

Advisers, and the intelligence community.

- USEC reports to the EOC through the National Security Council. All negotiating positions and significant activities pertaining to implementing the agreement are coordinated with and reviewed by the EOC. The EOC can replace the executive agent at any time or appoint additional agents to implement the HEU deal.

Clearly, the Megatons to Megawatts program is working well in spite of the persistent predictions of doom and failure by Mr. Falkenrath and others. USEC and its Russian partners have a productive seven-year relationship and a history of overcoming problems by working together, outside the spotlight. A tremendous amount of Russian nuclear weapons material has been eliminated through conversion into fuel to generate electric power. The partners have agreed to new contract terms to govern the remaining 13

years of the agreement, which will result in the elimination of the equivalent of over 20,000 nuclear warheads. This is an impressive national security accomplishment, implemented by the private sector with ongoing review and input by the national security apparatus of the federal government.

Megatons to Megawatts is a national security success story. Many dedicated people in the U.S. and Russian governments have labored long and diligently to develop this program and to keep it working. We are proud of the role we play as executive agent and of the strong, cooperative and productive relationship we have with our Russian counterparts. We believe that the performance record is the best way to judge success.

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