

Gary: Hello everyone, and welcome to our conference on navigating nuclear diplomacy and charting Europe's future amid sanctions and security challenges. Sanctions against Russia are currently at the forefront of discussions within EU institutions, sparking considerable controversy and debate among political factions and institutional bodies.

This conference aims to delve into the evolving dynamics surrounding nuclear diplomacy in Europe, particularly in light of recent developments concerning the Russian nuclear sector. Our agenda is robust, covering topics such as enhancing nuclear safety, security, and safeguards, as well as exploring alternatives to reliance on Russian nuclear fuel and services. Additionally, we seek to focus on fostering political unity and trust within the EU while facilitating constructive dialogue and collaboration towards ensuring European energy security in the face of current geopolitical tensions.

We are fortunate to have two distinguished speakers joining us today. Andrii Chubyk, an associate expert at the Centre for Global Studies Strategy 21 and co-founder of the organisation, will be sharing his insights. We are also privileged to welcome Oxana Isuk, director of Strategy 21 and an analyst in international and energy relations.

To commence our discussion, I will pose a series of questions, beginning with Oksana. I would like to explore the significance of Rosatom in the Russian context. What role does Rosatom play in the Russian civil and military nuclear sectors, and what is its level of importance?

Oksana, if you could please shed some light on the matter.

Oksana: Good morning, everyone, and thank you, Gary, for organising such a significant event. To provide an overview, let's discuss the significance of Rosatom in Russia's energy sector. Firstly, Rosatom is a state-owned corporation focused on atomic energy. It holds a monopoly position in the nuclear sphere, akin to Gazprom's dominance in the gas sector. With over 400 enterprises and subsidiaries under its umbrella, Rosatom plays a pivotal role not only in civilian energy production but also in the military nuclear sector.

Beyond its civilian energy activities, Rosatom is responsible for the manufacturing and production of warheads in Russia, overseeing the entire cycle of nuclear weapon development. This includes not only production but also the disposal of ammunition and other associated military and nuclear weapon-related activities.

Andrii, perhaps you have additional insights to contribute on this topic?

Andrii: Thank you, and hello to everyone. I would like to emphasise that Rosatom's involvement extends beyond its domestic activities. Currently, the company is involved in various actions carried out by Russian occupation forces, notably at the Zaporizhzhia Nuclear Power Plant in Ukraine.

Despite international oversight, the operations managed by Rosatom specialists at the Zaporizhzhia NPP raise concerns due to their lack of transparency and openness, even to international atomic energy monitors.

In that regard, Rosatom presents a significant threat to Ukraine and the surrounding territory, often posing risks such as explosions, accidents, and other hazardous incidents at nuclear stations.

It operates as a weaponised tool meticulously wielded by Russia to achieve its geopolitical and strategic objectives.

By utilising paramilitary units and other illicit means, Rosatom pursues its goals with relentless determination, making it an unsuitable partner for Western nuclear entities.

Gary: Your remarks raise an important question regarding Russia's use of Rosatom to advance its geopolitical ambitions. Why do developing nations, particularly those entering the nuclear sector, opt for Rosatom's services over those offered by Western counterparts? Is it due to political pressure or other factors?

This issue is especially pertinent in the European Parliament, where discussions revolve around the methods employed by Russia, through Rosatom, to promote its geopolitical agenda. The recent proliferation of nuclear projects in nations such as Uzbekistan, Turkey, and Belarus—despite concerns over safety and Rosatom's track record—underscores the complexity of this issue.

What motivates these developing nations to choose Rosatom over Western alternatives, despite the risks involved? This question warrants further examination, particularly in light of Rosatom's questionable practices and the implications for global nuclear safety and security.

For many years, we have witnessed the development of cooperation between Russian Rosatom and several developing countries. The fundamental principles guiding this cooperation, from my perspective, are as follows:

Firstly, Russia demonstrates a disregard for the level of professional experience and the security situation in the target country. They readily embark on significant nuclear projects even in regions known for illegal activities, including those involving international terrorist organisations. This lack of concern is particularly evident in Asian countries and the recent news of potential projects in Africa.

Secondly, Russia benefits from the collaboration between Rosatom, a state-owned enterprise, and several state-owned banks. This collaboration enables Russia to offer comprehensive projects to target countries, encompassing technologies, financial resources, technical expertise, fuel supply, and disposal services. Moreover, Russia can provide loans at moderate interest rates, making their proposals enticing to recipient countries.

In recent projects, Russia has introduced a new approach whereby Rosatom will operate the new reactors throughout their entire lifespan, undertaking maintenance,

refuelling, and repairs. In return, the target country is required to accept electricity prices that ensure the project's profitability. However, this arrangement limits the target country's access to the nuclear power plant (NPP) and exposes them to significant risks, including political pressure and dependency on the NPP for local electricity production.

Overall, Russia's involvement in nuclear projects in developing countries serves not only to generate financial profits but also to exert political and security influence. By establishing a presence in these countries, Russia aims to enhance its control over their governments and economies, potentially jeopardising their sovereignty and well-being.

In addition to what I previously mentioned, it's important to highlight the significant cost associated with implementing new nuclear projects in foreign countries. Despite these expenses, Russian Rosatom has proven adept at ensuring long-term growth and security in these ventures. What's particularly noteworthy is their ability to collaborate with numerous international counterparts, allowing them access to modern equipment and technologies developed by Western companies. By integrating these resources, Rosatom can construct state-of-the-art reactors worldwide while also enhancing its expertise and staying abreast of advancements in the nuclear sector. This dual approach not only proves profitable but also strengthens Russia's position politically.

Indeed, through Rosatom's involvement, Russia fosters political and economic dependencies in the countries where these projects are undertaken. This raises the question of whether Russia leverages these partnerships to circumvent sanctions, especially within the European Union, where Russia maintains several influential entities. These entities, often referred to as "Trojan horses," wield considerable power within EU institutions, potentially enabling Russia to influence policy decisions and mitigate the impact of sanctions.

To illustrate further, let's consider three major entities in Russia: Gazprom, Rosneft, and Rosatom. While Gazprom and Rosneft face varying degrees of sanctions, primarily limiting the export of oil and petroleum products and impeding the import of critical equipment and spare parts, Rosatom's operations could similarly suffer if Western companies ceased deliveries. However, despite the potential ramifications, numerous European, Japanese, and American companies continue to maintain business relations with Russian counterparts, exporting essential equipment, technologies, and spare parts.

This ongoing collaboration is driven by a business-as-usual mindset, as it remains profitable for Western companies despite geopolitical tensions. These companies have longstanding agreements to produce, maintain, and replace specialised equipment, ensuring a sustainable future business environment and securing profitability.

In summary, the continuation of business ties with Russia provides Western companies with lucrative opportunities, even amidst sanctions and geopolitical challenges. This underscores the complex interplay between economic interests and political considerations in international relations.

However, it's crucial to acknowledge the lack of transparent access to internal Russian affairs, particularly concerning Rosatom's handling of spare parts and equipment. Officially, Rosatom may declare a specific quantity of spare parts, but in reality, the actual supply could far exceed the reported amount. This practice, while widespread, serves to generate additional revenue for Rosatom.

Moreover, Rosatom not only utilises these spare parts for maintenance and repair of nuclear facilities but also for developing new, advanced warheads and supporting Russian defence industries. This includes providing electronics and other technological components for the production of missiles and other complex weaponry. Thus, while Western companies profit from these collaborations, they inadvertently contribute to Russia's military preparations, potentially fuelling conflicts such as the ongoing tensions with Ukraine or even larger-scale conflicts against European or NATO member states.

Gary: The recent incident involving the seizure of a ship by the Germans, carrying enriched uranium from Russia to the United States, underscores the complexities surrounding sanctions enforcement. The German authorities impounded the ship and its cargo due to EU sanctions violations. However, the response from the United States remains uncertain. Will they respect EU sanctions, or will they challenge them? The outcome of this situation could have significant implications, potentially discrediting EU sanctions and setting a precedent for future challenges.

As this is an ongoing news item, it's difficult to predict the outcome. Nevertheless, it's a matter of considerable concern within EU institutions, particularly regarding the potential repercussions of releasing the cargo. Any decision made will undoubtedly have far-reaching consequences, impacting not only EU-Russian relations but also broader geopolitical dynamics.

Oksana: In early March, hearings were conducted in the US Congress, specifically in the House of Representatives, addressing the potential imposition of sanctions on Rosatom. Presently, there are no sanctions in place against Rosatom, with the United Kingdom being the sole country to have adopted such measures. The outcome of these congressional hearings primarily revolved around exploring the feasibility of imposing sanctions as a means of influencing Rosatom's operations.

It's noteworthy to highlight that the revenue generated by Rosatom within the nuclear sphere pales in comparison to the significant earnings from the gas and oil sectors. For instance, in 2023, while oil and gas exports contributed approximately \$200 billion to the Russian budget, Rosatom's export revenues amounted to a much lower figure of around \$14 billion. This substantial disparity underscores the greater economic reliance on gas and oil revenues compared to those from the nuclear sector.

However, the primary dependence of Western companies lies in uranium enrichment and the supply of nuclear fuel. Rosatom commands a considerable share of these markets, controlling approximately 40% of world enrichment services and 17-20% of the global nuclear fuel supply. This dependency traces back to the early 1990s when American, French, and European companies, buoyed by optimism about Russia's

transition to democracy after the collapse of the USSR, opened their markets to Russian nuclear fuel and services at competitive prices. This initial openness led to a situation where many Central and Eastern European countries now find themselves reliant on Russian equipment and fuel, extending their dependence over decades.

Despite calls for sanctions on Rosatom, including resolutions passed by the European Parliament in 2022, concrete actions have yet to materialise. While there has been some progress, such as Finland rejecting new nuclear reactor projects and certain countries like the Czech Republic opting out of using Russian nuclear fuel, it's evident that more substantial measures are needed to curb Rosatom's influence on the global market.

In summary, while discussions and proposals regarding sanctions on Rosatom have surfaced, tangible steps to address the company's dominance in the nuclear sector have been limited. The complexities of economic interdependence, historical ties, and geopolitical considerations continue to shape the approach towards mitigating dependence on Russian nuclear technologies and fuel.

Gary: A few years ago, Energoatom established an office here in Brussels, which increased awareness regarding its activities, particularly its relationship with Rosatom. Traditionally, Rosatom insisted that only its nuclear fuel could be used in its reactors. However, Energoatom, in collaboration with Westinghouse, managed to find alternatives, such as producing fuel rods compatible with the VVER-1200 reactors. This approach offers a potential pathway to reduce dependency on Rosatom.

Indeed, during times of conflict, Ukraine's nuclear industry successfully transitioned away from Russian fuel to Western alternatives, demonstrating the feasibility of such a shift. European countries should emulate this example to lessen dependency on potential aggressors. Transitioning to Western or Canadian fuel is a matter of strategic independence and security.

When competing on the international markets, Rosatom benefits from the backing of the Kremlin, presenting a formidable advantage. However, Western nuclear companies possess their own strengths and opportunities. For instance, Rosatom heavily relies on a wide range of Western technologies for operational functionality, control systems, electronics, and equipment. While Rosatom enjoys vertical integration and substantial support from the Russian government, foreign companies operate in a competitive environment, prioritising long-term contracts with reliable partners.

Western companies focus on building sustainable, long-term relationships and diligently assess future prospects. While Rosatom's revenues contribute modestly to the Russian budget, they wield significant influence geopolitically, making them a potential tool for Russian aggression. Thus, European countries must carefully consider the implications of their reliance on Rosatom and take steps to diversify their nuclear supply chain for enhanced security and independence.

In Central Europe, nuclear energy plays a significant role in providing affordable electricity to several countries. Ensuring the continuous operation of these facilities is

crucial for maintaining stable prices for both the population and industries. However, there is concern that Russia, as a major supplier of fuel and maintenance services, could leverage its position to exert pressure on local politicians, potentially disrupting operations through various means, such as withholding fuel supplies or instigating accidents. While such scenarios are often portrayed as dire by Russian propagandistic sources, the reality may not be as bleak.

As my colleague mentioned, Energoatom, the Ukrainian company, successfully introduced a technical approach for transitioning from Soviet fuel assemblies to those manufactured by Western companies like Westinghouse. This transition has proven technically viable and even more efficient, according to Ukrainian technicians. Therefore, there exists a feasible solution to reduce dependency on Russian fuel.

What is needed now is political support for European companies and the establishment of consortia to develop comprehensive solutions across the nuclear chain industry. By bringing together European companies involved in various aspects of the nuclear industry, from uranium conversion to fuel disposal, these consortia can offer affordable alternatives to Russian dominance in the market. This approach not only benefits the European market but also provides viable options for third countries, gradually reducing Russia's influence worldwide.

Gary: You rightly pointed out that Rosatom's status as a state monopoly could be considered a weakness on the international stage. Monopolies tend to stifle innovation due to the lack of competition. Without the incentive to improve or innovate, Rosatom may not be as responsive to market demands or technological advancements. Moreover, decision-making within Rosatom may be influenced more by governmental priorities rather than market dynamics, potentially limiting its ability to adapt to changing circumstances. In contrast, Western models, driven by competition and innovation, have shown greater flexibility and resilience in responding to market challenges. Therefore, the monopoly status of Rosatom could indeed be seen as a weakness, particularly in an increasingly competitive global environment.

Andrii, I fully agree with your assessment regarding the need for political support to European companies, especially given the current geopolitical landscape. In times like these, governments cannot afford to remain passive; they must proactively address the pressing issue of reducing reliance on the Russian nuclear sector. What steps can the West take? What strategies can the European Union, individual member states, the UK, the US, and Japan implement to mitigate this dependence?

Firstly, let's consider alternative sources of uranium. Countries like Kazakhstan and Australia possess vast uranium resources that remain largely untapped. The challenge lies not in the availability of resources but in the political will to diversify supply chains away from Russia.

Secondly, we must address the issue of Rosatom's dominance in the nuclear fuel market. Gradually phasing out reliance on Russian enrichment services and transitioning to Western alternatives is crucial. While some argue that this process

could take several years, we must start today, implementing a gradual approach to sanctions and denial of enrichment services.

Thirdly, there's the matter of fuel supply. Switching to Western fuel analogs is imperative to reduce dependence on Rosatom. By embracing alternative suppliers, we can disrupt Rosatom's monopoly and enhance energy security.

Lastly, we need to restrict the transfer of Western technologies to Rosatom. It's essential not to inadvertently empower Rosatom's nuclear blackmail tactics by providing them with access to crucial technologies. Rosatom's involvement in human rights violations, such as its collaboration with Russian military forces in the occupation of the Zaporizhzhia Nuclear Power Plant, underscores the urgency of this action.

Furthermore, it's crucial to hold Rosatom accountable for its role in these atrocities. International organisations, human rights groups, and NGOs are working to gather evidence for future tribunals. Initiatives like the letter to the UN Global Compact urging the exclusion of Rosatom demonstrate a collective effort to ensure accountability.

In summary, the West must adopt a multifaceted approach, including diversifying uranium sources, transitioning to Western fuel alternatives, and restricting technology transfer to Rosatom. By taking decisive action, we can reduce dependence on the Russian nuclear sector and safeguard our energy security while upholding human rights and international norms.

Oksana: In Putin's most recent speech in February 2022, he once again resorted to nuclear blackmail against Western countries. This highlights a troubling dynamic where Western companies engage in cooperation with Russia, while Russia uses the threat of future nuclear weapons as leverage.

To address this, precise sanctions are necessary. For instance, the US should reassess its approach to previously granted licenses for Rosatom subsidiaries such as TENEX or Uranium One, which have significant operations in the USA. Despite claims that ending these partnerships would lead to a significant hike in electricity prices, research suggests otherwise, estimating only a modest increase of 1 to 5%. The inflated concerns about price hikes are largely propagated by Russian lobbying efforts.

Rosatom currently controls a substantial portion, ranging from 76 to 40%, of the global market for uranium enrichment. In the USA alone, there are approximately 26 contracts for the supply of uranium raw materials involving 19 American firms. It's imperative to reduce dependence on cheap Russian nuclear fuel, which distorts competition and poses a direct risk to national security. Therefore, imposing a ban on Russian nuclear fuel and enrichment services is a logical step forward.

Additionally, there's significant collaboration between French companies and Rosatom, which also warrants scrutiny and potential cessation.

The recent hearings in the US Congress represent a crucial opportunity to delve deeper into these issues and make informed decisions. It's essential to take decisive action to curb Russia's influence in the nuclear sector and mitigate its geopolitical ambitions, which often run counter to Western interests.

Gary: We have addressed several significant issues during our discussion, including challenges confronting the West and the geopolitical significance of Rosatom in relation to Vladimir Putin's objectives. Now, I have one final question for both of you. Andre, imagine you were in Brussels today, sitting down with the leaders of the EU member states or the European Commissioners. If you could provide them with one instruction, what would be the top priority you'd advise them to focus on? In other words, what urgent action would you recommend they take to tackle these pressing issues?

Andrii: In addressing the pressing issues facing the European Union (EU) and its member states, there are several crucial priorities that need immediate attention. If I were to provide one instruction to the leaders of the EU member states or the European Commissioners, it would be to prioritize unity and strategic action in addressing energy security and geopolitical challenges. Here's what I would recommend:

1. : It's essential to bring together all companies and representatives of national governments to establish a unified approach to nuclear energy. Currently, there's a division among European countries, with some still heavily reliant on nuclear power while others have phased it out. Instead of perpetuating this divide, leaders should work towards provisional agreements or memoranda of understanding to accommodate varying national energy mixes. This unity is crucial in ensuring energy security, particularly amidst geopolitical tensions.
2. : Russia's attempts to expand nuclear projects in unstable African countries pose significant risks. Simultaneously, the EU relies on uranium imports from African nations, making it vulnerable to disruptions caused by Russian interference. The EU should impose strict sanctions on Russian private military companies involved in destabilising African nations, labeling them as terrorists. Furthermore, engaging in negotiations with African leaders to foster bilateral cooperation in uranium production is essential. By actively countering Russian influence and promoting stability in Africa, the EU can safeguard its interests and prevent the spread of instability to its borders.
3. : The EU should also actively engage with countries in the Caucasus and Central Asia, such as Kazakhstan and Uzbekistan, which are key uranium suppliers. Given Russia's ability to manipulate regional dynamics, proactive diplomacy and collaboration are necessary to secure a stable supply of uranium and mitigate potential disruptions.
4. : The EU's reluctance to impose sanctions on Rosatom only emboldens Russia's aggressive behavior and strengthens its nuclear capabilities. Rosatom plays a central role in managing Russia's nuclear forces, and failure to sanction it sends a message of weakness. Adequate responses,

including targeted sanctions, are essential to deter further aggression and ensure European security.

Overall, it's crucial for the EU to demonstrate unity, resolve, and proactive leadership in addressing energy security challenges and countering Russian influence. By taking decisive action, the EU can safeguard its interests, promote stability, and uphold its values on the global stage.

Gary: I'd like to underscore the fact that the EU often finds itself in a reactive position. Effecting any meaningful change in relationships is a cumbersome process. It's not due to a lack of effort; rather, the challenge lies in reconciling differences that seem inherently incompatible. Putin undeniably holds the advantage in this dynamic and isn't hesitant to wield it. If given the chance to address the European Commission, I would emphasize the gravity of the current situation. With two years of conflict, not just in Ukraine but across Europe, there's a palpable fear of further escalation. Many are hesitant to impose sanctions on entities like Rosatom out of concern for exacerbating tensions. It's a delicate balance, and careful consideration is needed to navigate these complexities.

Oksana: My primary concern is that the lack of action only emboldens Russia to escalate its aggression further. By refraining from sanctioning Rosatom, the entity responsible for managing Russian nuclear forces, the international community inadvertently fuels the advancement of Russian nuclear capabilities. This failure to provide an adequate response only serves to encourage future acts of aggression. It's crucial to recognise that the conflict isn't confined to Ukraine; it's already encroaching upon Europe and risks spreading to other European nations if decisive measures aren't taken now. Some European pragmatists, driven by a fear of escalation, continue with business as usual. However, this perceived weakness only exacerbates the situation and accelerates the development of Russian nuclear capabilities. A robust and unified response is imperative to deter further aggression and safeguard regional stability.

Gary: I extend my sincere gratitude to both of you for joining us today. Andrii, Oksana, it has been an absolute pleasure and immensely enlightening. There's a wealth of insights to digest from our discussion, and I truly appreciate your contributions.

I'd also like to express my gratitude to Quest Communications in Antwerp, for their invaluable support in facilitating today's event.

It's been an honour to be part of this conversation. I wish you both all the best, and I eagerly anticipate our next opportunity to connect.

Thank you, and have a wonderful day ahead!

