G8 GLOBAL PARTNERSHIP ANNUAL REPORT

G8 SENIOR GROUP, JUNE 2005

1. In June 2002 at Kananaskis, G8 Leaders committed themselves to raise up to $20 billion over ten years for the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. They set out a number of priorities for co-operation projects. Among the priority concerns are the destruction of chemical weapons, the dismantlement of decommissioned nuclear submarines, the disposition of fissile materials and the employment of former weapons scientists. Visible progress has been made in implementing projects in Russia.

2. Both the Evian Action Goals and the Sea Island Action Plan underscored the long-term commitment of the G8 and an increasing number of other Global Partnership (GP) associated countries to practical efforts to reduce the risks of proliferation of weapons of mass destruction (WMD). In these two years, these new donors and new funding have brought renewed impetus to the Partnership's work. There has been progress in turning political pledges into concrete projects. Some projects have already been completed to time and cost. But more needs to be done to increase the momentum so that the current substantial pledges can be turned into completed projects by 2012, primarily in Russia. Many of the lessons learnt by undertaking projects in the Russian Federation addressing Global Partnership priorities will have direct application elsewhere, first of all in Ukraine which joined the Partnership in 2004. Nonetheless, the Partnership should remain open to new or rising challenges and threats. Its success will be increasingly measured by its ability to respond to changing circumstances. The evidence of the effective collaboration now taking place between Global Partnership countries is an early indication that we will be successful in this endeavour. This report summarises the developments made in key areas since June 2004.

Implementation

3. The Kananaskis Global Partnership documents set guidelines that provide the basis for the negotiation of specific project implementation agreements between beneficiary and donor countries in the Partnership. In the documents, Leaders made clear that the G8 would welcome other contributors and would be willing to enter into negotiations with any other recipient countries, including those of the Former Soviet Union, provided that they were prepared to adopt the principles of non-proliferation and the guidelines for the implementation of projects under the Partnership. The Senior Group has continued to review implementation, working through the Global Partnership Working Group (GPWG).

4. There is an increasing diversity of instruments for implementing projects. The negotiation of additional bilateral implementing agreements is working well. Good working relationships have developed, and beneficiaries have increasingly recognised donors' requirements for sufficient information to facilitate project selection and reduce project risk. Donors have also been receptive to the need to provide training to enable beneficiaries to enhance project and resource management expertise. Such skills are vital to ensuring the best value for money is obtained from Global Partnership funding. The Multilateral Nuclear Environment Programme in the Russian Federation (MNEPR), which provides the basis for the implementation of the Northern Dimensional Environmental Programme (NDEP), is now being used successfully for a number of multilateral and bilateral projects.

5. There is an increased understanding among donors of the scale of the challenges, key priorities to address, and the need to co-ordinate work with all participating donor countries to avoid duplication of effort and to maximise use of resources. A growing proportion of pledged funds have been committed to contracted projects - including to submarine dismantlement projects, and to chemical weapons destruction projects. The Russian Federation has shared information with donors on the scale of the challenges at individual sites. Such openness greatly enhances the ability of donors to identify and evaluate priorities and to deliver successful projects in a timely manner.

6. The Global Partnership Working Group has examined in depth the exchange of information on funding. National reports are attached at Annex A.

7. Participating countries have also developed innovative ways to work together, which could also have application in future programmes. "Piggy-backing" (where a country contributes financial resources to a project led by another GP donor) has become a successful mechanism for effective multilateral support for some nuclear and chemical weapon destruction (CWD) projects. This method also enables more projects to be implemented, as project management costs are reduced and countries with limited resources can contribute to substantial projects.

Priorities for further improving implementation

8. The building of confidence in a balanced Partnership has contributed to the success of the initiative with improved co-operation in implementation. But some challenges remain. Under the UK Presidency theme of 'Pledges to Progress', G8 and other GP - associated countries have identified and discussed challenges so that partners could learn from each others' experience and facilitate solutions.

9. This exercise highlighted a need to place increased emphasis on overall or long-term planning for more complex project areas. This is particularly important where a number of donors are undertaking closely related projects or where some of their projects are dependent on the completion of others. The GPWG welcomed the

intention of Russia to develop and share plans, programmes and priorities, including its planned financial commitments with donors. Russia also presented a list of proposed new projects for submarine dismantlement and chemical weapons destruction. The development of the " Strategic Master Plan" for work in NW Russia associated with the nuclear submarine legacy under the NDEP Fund, administered by the European Bank for Reconstruction and Development (EBRD), was cited as an excellent example of openness on the challenges ahead. Similarly, donors need to share as far as possible their plans to meet their long-term commitments, including the projected availability of funding.

10. The GPWG will work further on the following;-

- Where appropriate, consideration of the establishment of more international co-ordination groups such as those successfully established in the past year: the group for nuclear submarine dismantlement related work at Andreeva Bay, the CWD-related Shchuch'ye Co-ordination Working Group, and the group for coordination of elimination of Radioisotope Thermoelectric Generators (RTG). These are intended to facilitate efficient and timely implementation and to avoid unnecessary competition over resources.

- Improved co-ordination of detailed information for proposed projects, as well as committed projects, to avoid duplication of effort and identify synergies between projects.

- Continued assistance from more experienced donors to those partners at an earlier stage of involvement in order to enhance confidence and reduce risk, including to facilitate participation through piggy-backing and to provide project management advice, and information about lessons learnt.

- Site access arrangements are working smoothly in many cases, but it is clear that access problems can impact on the successful implementation of projects. Issues related to site access should be resolved as quickly as possible in accordance with national legislation of the recipient country and relevant agreements with donors and with a view to enabling implementation to go forward in a timely way. In the same way, wherever possible, access should also be granted to donors that provide financial resources to projects led by others.

- The Russian procedures covering tax exemption issues are being clarified in order for all parties to have the necessary information on the documentation required.

- Prompt negotiation of straightforward amendments to existing agreements to enable a wider range of priority work to be undertaken.

Practical Progress in implementing the Global Partnership

Chemical Weapon Destruction

11. Work is going forward to help eliminate Russia's stockpile of chemical weapons (CW). In order to meet its international obligations, as a State Party to the Chemical Weapons Convention, to destroy its chemical weapons stockpile, the Russian Federation has sought international help with building destruction facilities and in 2005 has substantially increased its own funding in this area.

12. Canada, the Czech Republic, the European Union, Finland, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Poland, Russia, Sweden, Switzerland, the United Kingdom, and the United States have made contributions to support the construction of chemical weapon destruction facilities at Gorny, Shchuch'ye, and Kambarka. Assistance projects begun in previous years and led by Germany have contributed to the destruction of over 900 tonnes of chemical weapons at the only operational Russian CW destruction facility at Gorny. Good progress at Kambarka, with assistance provided primarily by Germany, should enable Russia to complete the construction of the facility and start destruction of CW there by the end of 2005. The United States is co-operating with Russia on the construction of a destruction facility at Shchuch'ye, where some 1.9 million nerve agent munitions will be destroyed. The facility is planned to be complete in 2007. The UK, Canada, Italy and other donors are also providing assistance for essential infrastructure projects and equipment for the Shchuch'ye destruction facility. Global Partnership projects at other CW destruction facilities are at an early stage. Italy has committed substantial funds for construction of the facility at Pochep, while Germany is considering providing assistance at Leonidovka. The United States is also co-operating with Russia regarding demilitarisation of former chemical weapon production sites.

13. The Russian Federation has stressed the importance of allocating mores resources to the field of chemical weapons destruction, especially in 2005-2008, in order to meet its obligations under the Chemical Weapons Convention to destroy its chemical weapons stockpile by 2012.

Dismantlement of Submarines and related work

14. Dismantlement of nuclear submarines withdrawn from the Russian Navy was identified as among the priority areas at Kananaskis. Substantial progress has been made since 2002 in establishing a major portfolio of projects. Progress has been particularly pronounced in NW Russia where Germany, Canada, the UK, the US and Norway have active programmes underway and further projects are under discussion between the Russian Federation and Italy. In 2004, the US completed the dismantlement of one nuclear-powered ballistic missile submarine (SSBN) at Zvezdochka and continues work dismantling three additional SSBNs (two at SevMash and one in the Russian Far East). In addition, the US has made available the US-funded dismantlement facilities, when not engaged in US-funded work, for

use by other projects. The US has dismantled 6 SSBNs since 2002, and is scheduled to complete the dismantlement of another SSBN in the summer of 2005. At the Nerpa shipyard Germany has financed to date dismantling of multi-part units of six submarines and one three-part unit floating in Saida Bay. Canada has established a programme to finance dismantling of three submarines a year at the Zvezdochka shipyard and expects to dismantle a total of 12 submarines by 2008. To date, Canada has completed the towing and de-fuelling of three Victor Class submarines and the dismantlement of two. The UK has successfully financed to time and cost the dismantlement of two Oscar class submarines at Zvezdochka, and dismantlement of a third submarine is under way at the Nerpa shipyard. Norway is financing the dismantlement of its third submarine with some of the infrastructure and documentation costs shared with the UK. In the Pacific Far East, Japan has successfully completed the dismantlement of one Victor III Class nuclear submarine. The negotiation between Japan and Russia is well underway for the dismantlement of three Victor III Class, one Victor I Class, and one Charlie Class submarines. Australia has provided financial resources for the dismantlement of a nuclear submarine in the Pacific Far East.

15. The submarines themselves are only part of the challenge facing the Global Partnership from the operation of the nuclear fleet during the Cold War. The reactor compartments from dismantled submarines have to be stored safely and securely for some 70 years before they can be dismantled. Unless secure storage facilities are provided in a timely manner, further dismantlement of submarines will be impossible. Germany is funding the construction and equipping of a land-based, long-term interim storage facility for 120 reactor compartments at Saida Bay. According to the plan, the first reactor compartments will be brought to the long-term interim storage facility at the end of 2005, when the first part of it will be operable. The construction of the facility is expected to be completed by the end of 2008, which will allow the dismantlement of submarines to continue. Germany is also financing technical infrastructure improvements at the Nerpa shipyard related to reactor compartment storage and submarine dismantlement.

16. Significant quantities of Spent Nuclear Fuel (SNF) also remain to be made safe and secure on land-based sites such as Andreeva Bay and Gremikha. The UK, Norway, Sweden and Italy are working with the Russian Federation to provide safe storage for 20,000 SNF assemblies stored at Andreeva Bay. France and the EBRD's NDEP Fund are undertaking some preliminary studies for SNF storage programmes at Gremikha. The EBRD's NDEP Fund is about to implement a couple of projects in line with the Strategic Master Plan for NW Russia, which was elaborated with support from the Fund.

17. Work is well under way on a UK-funded $30 million SNF storage facility to be completed in 2007 at the Atomflot site at Murmansk for safe and secure long-term storage of some 3500 SNF assemblies. The US funded construction of SNF storage facilities at Zvezda and Zvezdochka, and is procuring special SNF

storage/transportation casks to facilitate submarine defueling. Canadian funding has been channelled into environmental protection improvements at Zvezdochka.

18. Russia, as part of its $2 billion contribution to the Global Partnership, is dismantling 32 submarines along with nuclear support ships. Work is also underway on the cleanup of former shore bases. Russia has requested that Global Partnership members, including new donor countries, allocate more resources for submarine dismantlement in the Russian Far East.

Disposition of fissile materials

19. In 2000 the US and the Russian Federation agreed to each convert 34 tonnes of weapons-grade plutonium designated as no longer required for defence programmes into forms not useable for weapons. Although financial support has been pledged by the international community for the programme of disposition of surplus Russian weapon grade plutonium, a multilateral framework to manage international co-operation remains to be concluded.

20. US and Russian negotiators have made significant progress on a common approach to resolving soon the question of liability protections, which will help put this and other programmes on solid ground for the long term. In the meantime, the US, Japan, France and the EU are financing preliminary studies and projects preparing the wider programme.

21. The US and Russia, with additional financial support from several other countries, are co-operating on the construction of fossil fuel power plants that, when completed, will allow the permanent closure of the three remaining Russian reactors that are producing weapon-grade plutonium. Canada, Finland, the Netherlands and the UK have taken decisions to contribute funds to support the projects, and will be able to transfer funds to the US, making use of new authorities provided by the US Congress to accept contributions for this project. Encouraged by an international conference hosted by Switzerland in February 2005, other donors are also considering support for this project.

22. Closely related efforts include co-operation of Russia and the United States to convert research reactors using HEU fuel to LEU fuel, which is a focus of the Global Threat Reduction Initiative. In addition, fresh HEU fuel of Russian origin has been repatriated from a number of countries, most of which are not involved directly in the Global Partnership.

Employment of former weapon scientists

23. The Kananaskis statement identified civilian employment of weapon scientists as among the priorities to be addressed. The International Science and Technology Centre (ISTC), based in Moscow, and the Science and Technology Centre in Ukraine (STCU), based in Kiev, have continued to make progress in redirecting

former weapons scientists towards sustainable, peaceful employment. Using the ISTC and STCU, a number of donors have demonstrated the opportunities allowed to widen the Global Partnership principles outside Russia, with projects now underway in other FSU states. In the last year, hundreds of research projects and other activities were funded by the United States, the EU, Canada, Japan and other countries. Canada has recently acceded to the ISTC and committed significant funds (up to Can $18m annually) for the redirection of former weapons scientists. As these redirection programs have been maturing, efforts are increasingly shifting from funding discrete research projects towards development of initiatives that lead to long-term economic sustainability. In addition to traditional science centre projects, some countries are funding additional redirection projects bilaterally.

24. A number of donors, including Canada, the EU, Japan, the UK and the United States have engaged in co-operation projects in closed nuclear cities. The UK has projects in four closed nuclear cities covering the development of key technological and business development activities, as well as projects supporting regional economic development and training needs. The United States projects begun previously under the Nuclear Cities Initiative are being completed, and work continues at other nuclear institutes. The United States has also shared information on project opportunities in the closed cities with other participating countries.

25. Employment and redirection efforts also engage scientists and experts in biological and chemical areas. In addition to Science Centre traditional research grants, Canada, France, the UK, and the United States are participating in co-operation projects that include collaborative joint projects with donor country ministries or institutes as well as training and other projects to support development of economic sustainability for the beneficiary institutes.

Physical Protection of Nuclear Materials and Facilities

26. The G8 Gleneagles Statement and the Sea Island G8 Action Plan on Non-Proliferation, highlighted the importance of addressing the security of nuclear materials, equipment and technology as well as radioactive sources. A number of countries have now established programmes with Russia and the Ukraine to upgrade the physical protection of and account for nuclear materials. These include the US, UK, Germany, Canada, Norway, Sweden and the EU. The United States has committed over $800m and spent over $500m in this area since Kananaskis. As activities in this area have increased, greater co-ordination among participating countries is necessary both to avoid duplication of effort and to agree upon priorities, while respecting the security interest of the Russian Federation. There is also increasing cooperation among those engaged in securing radiological sources. Several donors, including the US, Norway, Denmark, the Nordic Environmental Finance Corporation (NEFCO), Germany, Canada and France are supporting dismantling, storing and replacing some 700 highly radioactive RTGs which have been used to power Russian lighthouses. A Russian “RTG Master Plan” is being

developed and efforts are under way to increase co-ordination among participating countries.

27. In the Ukraine a further step towards nuclear safety has been made with the replenishment of the Chernobyl Shelter Fund (an additional £210 million), providing the necessary financial resources for completion of the new shelter.

Other areas of co-operation

28. In addition to addressing the four areas specifically named as priorities at Kananaskis, Global Partnership countries are co-operating in other respects. For example, the United States is cooperating with Russia and Ukraine on the dismantlement of strategic weapons systems, and enhancing the security of weapons transportation and storage. A number of donors are engaged in projects to enhance export control and border security systems to help prevent the illicit trafficking in WMD across national borders. The need to address proliferation concerns associated with biological technologies was highlighted at Sea Island, as it is at Gleneagles. Co-operative bio-security and bio-safety projects are being implemented with the support of several G8 and other Global Partnership members.

Expanded membership

29. Following its admission in 2004, a number of donors have been in discussion with Ukraine concerning potential engagement in new projects. Donors also acknowledged already established projects that fall under the Global Partnership. In the context of the Partnership's openness in principle to further expansion in accordance with the Kananaskis documents, and in the context of the ongoing focus on projects in Russia, the Presidency, on behalf of the GPWG, discussed with nine countries of the Former Soviet Union their interest in joining the Partnership. The Presidency is seeking formal confirmation of their readiness to meet the conditions established in the Kananaskis documents, as well as detailed information on the projects which they would request be addressed under the Global Partnership. This work will continue.

Iraq and Libya

30. At Sea Island, Partners agreed to co-ordinate their efforts to address proliferation challenges worldwide. Since then, the US and UK have shared information on the progress they made in developing and implementing project proposals for redirection of scientists in Iraq and Libya, which are being implemented in order to minimise the risks of proliferation of WMD expertise.

Future Directions

31. During the remainder of 2005, the Working Group will continue to provide overall co-ordination of current and proposed projects under the Global Partnership. Where

necessary, the Working Group will also review progress in resolving outstanding implementation issues. Given that almost a third of the ten-year Global Partnership initiative has passed, the Working Group intends in the autumn to review partners' experience so far and to assess which needs have been covered and which remain to be met. This should enable the Group to make recommendations on how the Global Partnership's priorities can be pursued in the remaining period, and to assist participants to plan and co-ordinate future activities.