

House of Representatives Committees Take Measures to Terminate Mixed Oxide (MOX) Program for Plutonium Disposition

Disastrous decision but it looks like a purely financial one.

Novastar
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Novastartoday confirmed that a House of Representatives ("House") Appropriations Subcommittee and the House Armed Services Committee have both taken steps to stop the mixed oxide ("MOX") fuel program.

The Energy and Water Development Subcommittee of the Appropriations Committee of the United States House of Representatives has decided to terminate all construction activities for the plutonium disposition facilities at the Savannah River Site in South Carolina. These facilities were to be employed in the MOX fuel program. In 2000, the United States and Russia entered into a bi-lateral agreement committing each country to dispose of 34 metric tons of excess weapons-grade plutonium. The agreement requires that both the U.S. and Russian programs proceed in parallel. Originally, the National Nuclear Security Administration ("NNSA") of the U.S. Department of Energy ("DOE") selected a MOX fuel technology for Russia and a dual-track approach based on MOX and immobilization for the United States. In the year 2002, NNSA abandoned the immobilization approach, leaving MOX as the sole disposition approach for the U.S. and Russian programs. Since then, the U.S. part of the MOX program has experienced significant cost overruns and schedule slippage, as described in detail in a December 2005 report released by the Office of Inspector General of DOE, while little progress has been made on the Russian MOX program due to nuclear liability concerns, insufficient funding, technical challenges, and political issues.

On May 11, 2006 the Subcommittee on Energy & Water Development of the Appropriations Committee of the House of Representatives, chaired by Rep. David Hobson (R-OH), approved a committee report accompanying the Fiscal Year 2007 Energy and Water Development Appropriations Bill. According to highlights of this report released by the House Appropriations Committee, the bill terminates several programs, including construction of the MOX Fuel Plant and the Pit Disassembly and Conversion Facility at the Savannah River Site; the original appropriation for this program was \$368 million.

According to Environment and Energy Daily, Chairman Hobson indicated that "the elimination of \$368 million for construction of the mixed oxide (MOX) fuel project at the Savannah River Site stems from signals that Russia will abandon its similar program [MOX], which makes the U.S. program unnecessary." Earlier, in his April 6, 2006 testimony to the Subcommittee on Energy & Water Development of the Senate Appropriations Committee, Ambassador Linton Brooks, NNSA Administrator, stated that "the Russians have made it clear that they will dispose of plutonium in light water reactors, as we had envisioned [using MOX], if the entire cost is borne by the international community" and that NNSA would be unable to "raise all of the operating money from the international community" necessary to implement the MOX program in Russia, estimated to cost close to \$3 billion. Amb. Brooks also testified that NNSA is also working with the Russians on the idea of using a BN-600 fast reactor for disposing of a small portion of Russian plutonium. He further stated that the BN-600 cannot eliminate all 34 metric tons of plutonium in any reasonable time and "it would simply prove the technology and allow a Russian-planned reactor called the BN-800, not yet built, to be a path for disposition." Finally Amb. Brooks suggested that the U.S. and Russian

plutonium disposition programs be de-coupled and that "construction should go forward in South Carolina."

A separate report by the House Armed Service Committee ("HASC"), relating to the Fiscal Year 2007 National Defense Authorization Act, emphasizes the significant cost overruns and protracted delays associated with the MOX program. The following excerpt can be found within the HASC report:

"On a separate note, in December 2005, the Department of Energy (DOE) Inspector General (IG) issued a report on 'The Status of the Mixed Oxide Fuel Fabrication Facility,' which strongly criticized management of the U.S. MOX project, citing significant cost overruns and project management weaknesses. According to the IG, the July 2005 design and construction cost estimate for the U.S. MOX facility exceeded the 2002 estimate by \$2.5 billion."

The HASC report also states that on April 25, 2006 the Department of Energy ("DOE") identified \$229 million of prior authorized funds available for the Russian plutonium disposition program. The HASC report requires the Secretary of Energy to submit a report to Congress by March 1, 2007 providing a detailed plan to include estimated cost and schedule information for management, consolidation and disposition of all weapons-grade plutonium held by the Department of Energy. Accordingly funding for U.S. MOX construction activities is limited to \$50 million until and unless the Secretary certifies to Congress that the MOX technology is the most effective means from a cost and technical standpoint to dispose of the U.S. plutonium.

Thorium Power, Inc. has developed nuclear fuel technology to dispose of plutonium, while efficiently producing electricity. The Thorium Power technology effectively disposes of plutonium, with the annual plutonium disposition rate per Russian VVER-1000 reactor up to 3 times as fast as MOX and at a much lower cost than MOX and is fully compatible with the Russian VVER-1000 reactors. This proprietary technology has taken over a decade to develop, funded by both private investment and federal grants from the U.S. government. Thorium Power also has developed nuclear fuel technology to eliminate existing stockpiles of reactor-grade plutonium and technology to stop reactors from producing new weapons-usable plutonium.

Commenting on the Congressional reports, Novastar Resources Chief Executive Seth Grae said, "The Russian plutonium stockpiles represent perhaps the greatest national security threat to our nation. The goal is to dispose of this plutonium as quickly as possible so terrorists can never get their hands on it and use it against us. Over the past thirteen years, Thorium Power, working in conjunction with hundreds of Russian nuclear scientists, has developed the fastest, cheapest and most effective technology to dispose of plutonium. Over the next few years Thorium Power, Inc. plans to demonstrate this technology in a commercial reactor in Russia powering a city. I am confident that the technology that works the best will be used to dispose of the many tons of plutonium. We are working with the United States government on these matters."

On February 14, 2006 Novastar Resources signed a definitive merger agreement with Thorium Power, Inc. to combine the two companies. Shareholders of Thorium Power recently approved the merger with Novastar Resources, which is expected to close during the second calendar half of 2006. The name of the Company will change to Thorium Power Ltd. and a new trading symbol will be requested.