



Consultation with Stakeholders Implementation of Financial Guarantees for Licensees

Canadian Nuclear Safety Commission



Established May 2000, under the *Nuclear Safety and Control Act*

Replaced the AECB of the 1946 *Atomic Energy Control Act*



***Canada's independent nuclear regulator
65 years of experience***

Our mission is clear



Protect the **health**,
safety and **security** of
persons and the
environment; and
implement Canada's
international
commitments on the
peaceful use of nuclear
energy



The CNSC



The CNSC

CNSC Staff

CNSC responsible for regulating licensees, assessing whether licensees are compliant with the NSCA, regulations, and international obligations

Commission Tribunal

- Up to seven members
- Experts in own fields
- Holds public hearings
- Makes regulations
- Issues licences
- Supported by staff

Independent Commission Tribunal



- Quasi-judicial administrative tribunal
- Makes legally-binding decisions on licensing of nuclear-related activities
- Sets regulatory policy direction on matters relating to health, safety, security and environment



Transparent decision-making

CNSC Regulates All Nuclear-Related Facilities and Activities

- Uranium mines and mills
- Uranium fuel fabricators and processing
- Nuclear power plants
- Waste management facilities
- Nuclear substance processing
- Industrial and medical applications
- Nuclear research and educational
- Export/import control



...From cradle to grave

Regulation is Federal Responsibility ⁶

A licensee's responsibility



- Protection of health, safety and security
- A licensee is responsible at all times from acquisition to safe disposal

**These responsibilities remain
until a license is revoked**

Financial Guarantees



- Currently in place for all major facilities and uranium mines and mills
- Including research reactors and waste management facilities
- Today we are discussing financial guarantees as it applies to licences issued by the Directorate of Nuclear Substance Regulation

The CNSC now plan to expand financial guarantees to all licensees.

What is a Financial Guarantee?



- A financial guarantee is a tangible commitment that funds will be available to safely terminate activities
- Licensees may be permitted access to the funds when terminating their activities
- A financial guarantee would only be used by the CNSC if a licensee is unable to terminate its own activities

Any unused funds will be released to the licensee once the license is revoked

What a financial guarantee is not



- A financial guarantee is **NOT** a new cost recovery instrument
- A financial guarantee is **NOT** a source of operational funds
- A financial guarantee is **NOT** a fee
- A financial guarantee is **NOT** a tax

Policy Framework



- Based on risk informed principles
- Formula based with flexibility
- Include a fixed administrative fee
- Establish a threshold
- Difference between private vs public

Risk informed principles



Assessment based on risks from:

- Operational
- Commercial
- Financial

***Goal is to minimize risk to the
Federal Government
and Canadian public***



Formula based



- With ~2500 active licenses the CNSC developed a mechanism to establish the value of a financial guarantee required
- Based on consultation with remediation specialists the following was established
 - Laboratory or room \$4,000/room
 - Sealed sources or devices \$3,000/unit

Remediation costs for labs or rooms - unsealed sources only



- Cost \$4,000 per lab or room
- Applies to rooms only where unsealed material is used or stored
- Price would include safe removal and disposal of all open sources and restoration of the room

$$\text{Cost} = (\# \text{ of rooms} \times \$4,000)$$

Remediation costs per device or sealed source



- Maximum cost \$3,000 per unit
- Applies to all sealed sources and devices in storage or use
- This would include all costs for interim storage and final disposal

$$\text{Cost} = (\# \text{ of units} \times \$3,000)$$

Administrative fee



- Purpose is to cover CNSC costs in conducting administrative and compliance verification during site restoration
- Based on average annual licensing fee from Cost Recovery Regulations

Administrative fee currently determined to be \$10,000/licensee

Determining the value of the financial guarantee



(# of units X \$3,000)

+ (# of rooms X \$4,000)

+ Admin fee

Value of the FG

Threshold Value



- Within this financial guarantees framework, CNSC staff have determined that a **threshold value** could be established, below which the requirements and controls of the financial guarantees would be distinct

Proposed threshold value
\$75,000

Threshold Value



- Above the threshold value
 - CNSC will verify FG existence and compliance to criteria and specific commitments.
- Below the threshold value
 - CNSC will accept declaration by licensee that FG is in place

All licensees will require some form of a financial guarantee to be in place

Creation Principles



- Provide in a form acceptable to the CNSC a financial guarantee as per established principles
- Segregated assets
 - e.g. Trust fund
- Accessible by the Crown
 - e.g. Access agreements to trust funds

Instruments Criteria



- Provide in a form acceptable to the CNSC a financial guarantee as per established criteria¹

Criteria

- Liquidity
- Certainty of value
- Adequacy of value
- Continuity of value

Examples

- Trust funds
- Letter of Credit
- Bonds
- Insurance
- Government commitment

Public Commitment



- Recognition that many public sector licensee are backed by some level of government eg. hospitals, public universities, government departments

Licensees for which this applies will need to acknowledge and warrant their future liabilities

Determining the value of the Financial Guarantee -Fixed Gauges



- A fixed gauge licensee with 95 devices

- Administrative fee = \$10,000 **A**

- 95 devices X \$3,000/device = \$285,000 **B**

- Proposed value for FG = **A** + **\$295,000**

Determining the value of the Financial Guarantee -Radiography



- A radiography licensee with 8 devices

- Administrative fee = \$10,000 **A**

- 8 devices X \$3,000/device = \$24,000 **B**

- Proposed value for FG = **A** + **B** **\$34,000**

Determining the value of the Financial Guarantee - Hospital



- A licensee with 8 devices and 20 labs

- Administrative fee = \$10,000 **A**

- 8 devices X \$3,000/device = \$24,000 **B**

- 20 labs X 4,000/lab = \$80,000 **C**

Proposed

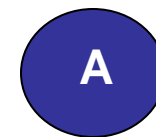
- value for FG = **A** + **B** + **C** **\$114,000**

Determining the value of the Financial Guarantee - X-ray fluorescence

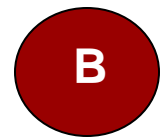


- A XRF licensee with 1 device

- Administrative fee = \$10,000

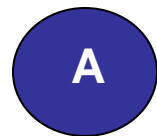


- 1 devices X \$3,000/device = \$3,000

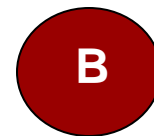


- Proposed value for FG

=



+



\$13,000

Flexibility



- A formula based approach is good for the majority but not all
- For some the calculated liability may not be sufficient
- For others it may be excessive

Flexibility for a Costed Restoration Plan (CRP)

Consultation process



- Consultation and comment phase November 30, 2011
- Outreach from Sept. to Nov, 2011
- Response to comments and further opportunity to comment
- Implementation of accepted suggested changes

Commission Tribunal



- Public hearing of Commission Tribunal in Mar/Apr 2012 to amend on its own motion to include a licensing condition to require a financial guarantee.
- Intervenor can comment on implementation direct to the tribunal orally or through a written submission

Commission Tribunal



- If the Tribunal agrees they will amend all affected licenses on their own motion to require an acceptable financial guarantee
- Phase in over 24 months to allow licensee to accrue funds, if necessary

Financial Guarantee

- Verification and follow up



- Licensees will have a new condition applied to their license
- As a license condition it will be subject to inspection
- Annual reporting

Comments and input

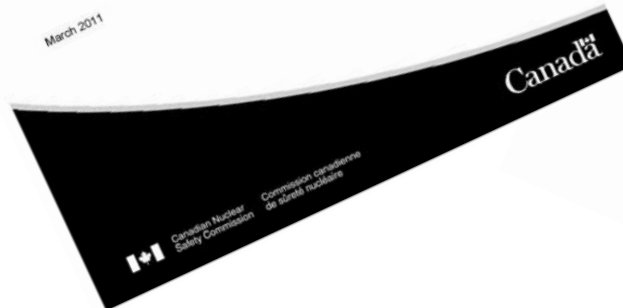


- Online, using the electronic comment form located on our website
 - Email: consultation@cnscccsn.gc.ca
- Mail:
Canadian Nuclear Safety Commission
Regulatory Framework Division
P.O. Box 1046, Station B
280 Slater Street
Ottawa, Ontario, Canada K1P 5S9
- Fax: 613-995-5086
- Oral or written submission at the Commission Hearing

For further information on the Financial Guarantee proposal



Implementation of Financial Guarantees for Licensees
Discussion Paper DIS-11-01



Discussion Paper
DIS-11-01

March 2011
DIS-11-01 Implementation of Financial Guarantees for Licensees
Canadian Nuclear Safety Commission
Discussion Paper Regarding the
Implementation of Financial Guarantees for Licensees

I. Executive Summary

The Canadian Nuclear Safety Commission (CNSC) regulates the use of nuclear energy and materials to protect the health, safety and security of Canadians and the environment, and to respect Canada's international commitments on the peaceful use of nuclear energy.

The licensees are responsible for ensuring that their nuclear facilities and activities are designed, constructed, operated, decommissioned and abandoned in a manner that protects health, safety, security and the environment, while respecting Canada's international obligations. This responsibility includes making appropriate plans, as part of corporate business planning, for the termination of licensed activities, including the termination of operations, the short- and long-term management of radioactive waste, and the disposition of all nuclear substances and prescribed equipment.

A financial guarantee is a tangible commitment by a licensee that funds will be available to safely terminate activities and to leave a licensed site or activity in a safe state whether the termination is planned or unplanned. The CNSC has required financial guarantees of major nuclear facilities for many years. Currently, all Class 1 nuclear facilities and all uranium mines and mills have financial guarantees in place to cover the costs of terminating their licensed activities.

The CNSC has determined that the use of financial guarantees should be expanded, with few exceptions, to all licensees. Through expansion of the program, the CNSC is not imposing a new financial burden on licensees. Rather, the CNSC is ensuring that licensees take into consideration the end-of-life activities associated with termination of their licensed activities and that they set aside sufficient funds to cover the associated costs. The nature of the end-of-life activities and the degree of planning for these activities would be risk-informed – that is, they would be commensurate with the potential risk to the environment and to the health and safety of persons.

This discussion paper is intended to facilitate discussion with licensees and stakeholders on implementing the expanded use of financial guarantees, by providing information on the CNSC's financial guarantees program and on the plans to expand it to cover the use of nuclear substances in industry, academia and medicine. The CNSC is seeking feedback on the implementation of its plans for expanding this program.

Following the consultation process, CNSC staff will consider improvements to the implementation proposal and submit recommendations to the Commission Tribunal for consideration at its April 2012 public hearing. A final decision by the Commission Tribunal will follow. Affected licensees will be provided an opportunity to be heard in accordance with the provisions of the *Nuclear Safety and Control Act* and the CNSC's *Rules of Procedures*.

The CNSC will be contacting licensees and stakeholders shortly to arrange consultation sessions and to provide information on the proposed implementation of the expansion of the financial guarantees program.

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Visit our Web site
nuclearsafety.gc.ca



Any questions?

nuclearsafety.gc.ca