CHINA ENRICHMENT INDUSTRY. 
STATE & PROSPECTS OF DEVELOPMENT. 
2017

International Business Relations, LLC (IBR™)

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Moscow, 2017
About INTERNATIONAL BUSINESS RELATIONS, LLC (IBR™)

INTERNATIONAL BUSINESS RELATIONS, LLC (IBR™) was set up in 1991 by a group of researchers and engineers who previously worked at enterprises under the USSR Ministry of Atomic Power and Industry. IBR™ is specialized in consulting & engineering along with project management in nuclear power and nuclear fuel cycle. Leading Russian and foreign companies, as well as state organizations, are constant clients of IBR™. The IBR™ successful activities are based on high professionalism of the company staff, which implies:

- Deep knowledge of technologies and operational experience in nuclear power and nuclear fuel cycle;
- Knowledge of the tools for economic and investment analysis of nuclear technologies;
- Experience in successful management of “nuclear” projects.

IBR™ strives for expansion and intensification of cooperation with its constant clients and welcomes collaboration with new clients in the interests of further improvement of safety and efficiency of nuclear technologies.
PROJECT TEAM 2017

- The IBR™ staff
- Selected experts

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CONTENTS

ABOUT INTERNATIONAL BUSINESS RELATIONS, LLC (IBR™) 2
PROJECT TEAM 3
CONTENTS 4
LIST OF TABLES 5
LIST OF FIGURES 6
EXECUTIVE SUMMARY 7
INTRODUCTION 8

CHAPTER 1 CNNC Enrichment Industry Background & Status 9
CHAPTER 2 CNNC uranium enrichment industry development strategy and development program. IBR™ forecast of CNNC uranium enrichment industry development 18
CHAPTER 3 CNNC Technology Platform for uranium enrichment industry development 28
ANNEX 1 IBR™ evaluation of tails assay for CNNC uranium enrichment industry development 38
ANNEX 2 IBR™ estimation of SWU cost for CNNC technologies in use and under development 41
ANNEX 3 CNNC gas centrifuge development and manufacture industry 43
TABLE OF CONTENTS

LIST OF TABLES

Table 1.1 CNNC uranium enrichment industry enterprises
Table 1.2 Identification of the operating uranium enrichment plants and plans of uranium enrichment capacity expansion projects
Table 1.3 Design and actual capacity of the uranium enrichment plants as of the end 2016
Table 1.4 Commissioning / decommissioning of CNNC uranium enrichment production capacities in the period of 1997-2035 (Results of IBR™ analysis & forecasting, 2017)
Table 2.1 IBR™ forecast of:
- Demands in EUP/SWU of CNNC origin;
- CNNC uranium enrichment industry capacity dynamics;
- CNNC EUP/SWU production volumes;
- CNNC capacity directions of utilization
Table 2.2 Indices characterizing the technologies specific capacity per unit of the plant floor space
Table 3.1 IBR™ forecast of CNNC enrichment capacities demands as of mid-2019. The IBR™ forecast is based on CNNC data (2010) & IBRTM calculations (2017)
Table 3.2 IBR™ forecast of CNNC enrichment capacities demands as of mid-2019. The IBR™ forecast is based on CNNC data (2016) & IBRTM calculations (2017)
Table 3.3 Comparison of CNNC nominal operating capacity options as of mid-2019, based on options of GC model C1 capacity, with SWU of CNNC origin demands as of 2020
Table 3.4 Technical and economic characteristics of the CNNC centrifuge lineup (results of analysis and forecasting of IBR™)
Table A.1.1 Initial data for CNNC decision making on contemplated tails assay for the development of own enrichment capacities in 2008 - 2017
Table A.2.1 IBR™ estimation of SWU production net cost of CNNC enrichment plants for the currently used technology and running projects as of 2016
LIST OF FIGURES

Figure 1.1  General view of Hanzhong site (IBR™ plants classification)
Figure 1.2  General view of Lanzhou site (IBR™ plants classification)
Figure 1.3  General view of dual-purpose (defense/civil) Emeishan CEP 0 of plant 814  (IBR™ plants classification)
Figure 1.4  General view of Emeishan site (IBR™ plants classification)
Figure 1.5  CNNC installed / nominal operating capacity. Mln. SWU, IBR™ analysis
Figure 1.6  The number of GC different models in CNNC uranium enrichment industry, Pieces, IBR™ analysis
Figure 1.7  Share of GC of the relevant models in the total number of GC in CNNC uranium enrichment industry, %, IBR™ analysis
Figure 1.8  Share of the CNNC uranium enrichment industry capacity supported by GC of different models, %, IBR™ analysis
Figure 2.1  Nuclear power development / Nuclear fuel demand / Nuclear fuel capacity built and to be built
Figure 2.2  CNNC installed / nominal operating capacity. Mln. SWU, IBR™ forecast
Figure 2.3  The number of GC different models in CNNC uranium enrichment industry, Pieces, IBR™ forecast
Figure 2.4  Share of GC of the relevant models in the total number of GC in CNNC uranium enrichment industry, %, IBR™ forecast
Figure 2.5  Share of the CNNC uranium enrichment industry capacity supported by GC of different models, %, IBR™ forecast
Figure 2.6  Ratio of CNNC nominal operating capacity to installed capacity, %, IBR™ forecast
Figure 2.7  CNNC capital investments in the uranium enrichment industry development, $ Mln., IBR™ forecast
Figure 2.8  The relative capacity of the CNNC nuclear fuel fabrication plants (powder, pellets, FA) that are using EUP of CNNC production. The relative capacity of the CNNC enrichment plants. The plants capacities (1997-2025) are rationed at the corresponding capacities of 1997.
Figure A.3.1  GC production volume, pieces / year
Figure A.3.2  GC production volume, SWU / year
Figure A.3.3  GC production volume, pieces / year
Figure A.3.4  GC production volume, SWU / year
Executive Summary

1. China has an ambitious Program of National nuclear power development (~ 150 GW (e) in 2030 and ~ 200 GW (e) in 2035) and plans of nuclear technology export (NPPs construction abroad). China National Program of nuclear power development, contemplated export of nuclear technologies (NPP construction abroad) and CNNC plans of SWU export expansion should be supported by the relevant development of CNNC uranium enrichment industry.

2. Strategy of CNNC Technology Platform development bases on:

   ✓ Maximum using of the URENCO / ETC Technology Platform (by replication, wherever possible, or by development of self-designed equipment and technology processes approximated to the fullest in terms of performance attributes to the URENCO / ETC equipment and technology, if replication proved impossible);

   ✓ Use of certain elements of the Russian Technology Platform when developing certain elements of the CNNC Technology Platform (design of the GC upper and lower units, cascade control, etc.).

3. Strategy of CNNC uranium enrichment capacity expansion is based on the need of meeting the demand in EUP of the significant part of the national nuclear power (~ 85-90%) and SWU export.

4. CNNC uranium enrichment capacity has reached ~ 9.2 mln. SWU as of the end of 2016.

5. IBR™ forecasts the China nuclear power development dynamics more pessimistically (~ 110 GW (e) in 2035) than China Communist Party and China Government. IBR™ forecasts that CNNC uranium enrichment capacity will reach ~ 25 mln. SWU by 2035.

6. According to the results of the IBR™ analysis, CNNC enrichment industry is competitive in the relations to URENCO/AREVA and can provide prices for SWU on the domestic market of China at ~ $ 50 per SWU, and transfer prices of CNNC ~ $ 44 per SWU and lower when moving to the next generation centrifuges (payback period ~ 12 years). The level of CNNC transfer prices puts CNNC's uranium enrichment industry at second place in the world in terms of economic efficiency after the TVEL's (Rosatom) uranium enrichment industry (TVEL's transfer prices are at the level of $ 25 per SWU (2016)).
Introduction

The first IBR™ non-exclusive report on the China (CNNC) uranium enrichment industry provides objective and valid information on the state and prospects of the development of the CNNC uranium enrichment industry, including the following data:

- Characterization of the CNNC's technology platform and the feasibility study of the technology platform's choice by CNNC;
- Characteristics of all sites and plants of CNNC that are using for uranium enrichment, including design capacities, capacities as of the end of 2016, timing of design, construction and commissioning of the plants and GC cascades;
- Technical and economic analysis of existing CNNC’s technological platform for uranium enrichment (specific investments, specific operating costs, SWU cost and price) and CNNC’s technological platform development forecast;
- CNNC’s strategy and plans for the uranium enrichment industry development;
- IBR™ forecast of the CNNC's uranium enrichment industry development through 2035;
- IBR™ forecast of CNNC's main equipment manufacturing industry development.

The data presented in the report are obtained by processing the entire array of information on the CNNC industry on uranium enrichment using the IBR™ model, which includes, among other things, engineering calculations of the mechanical, electrical, thermal, other uranium enrichment equipment and the technological processes. In order not to load the readers of the Report with the methods used for CNNC enrichment industry analyzing, by the initial data used for engineering calculations, and also to protect the IBR™'s model and the original data from copying and use in other models, the methodology and intermediate results of engineering calculations are not presented in the Report.

The push for the IBR™'s report development devoted to the CNNC's uranium enrichment industry was the acquaintance of IBR™ specialists with the report "China's Uranium Enrichment Capacity: Rapid Expansion to Meet Commercial Needs", Harvard Kennedy School, August 2015. IBR™ specialists are engaged in technical and economic analysis of nuclear power and nuclear fuel cycle technologies for more than 30 years. Therefore, the IBR™'s specialists were amazed at the almost complete discrepancy between the data presented in the report of the Harvard Kennedy School Belfer Center for Science and International Affairs, to the results of the analysis of the CNNC's uranium enrichment industry on that is performed annually by IBR™ specialists in the interests of the certain organizations. Apparently, the authors of the report from the Belfer Center for Science and International Affairs Harvard Kennedy School not only are not nuclear engineers, but also engineers in general. Because only one comparative analysis of cooling systems of CNNC plants on uranium enrichment (Russian origin technology and domestic (CNNC) origin technology), could already lead them to think about the technologies used in these plants. Not to mention other less noticeable parameters of the CNNC plants, which can quite definitively say about the technologies used in the plants, and the capacity of these plants. Unfortunately, we have to state that the report of the Harvard Kennedy School not only failed to provide the world nuclear community with objective information on the CNNC uranium enrichment industry, but also led the world nuclear community into delusion about the state and prospects for the development of the CNNC industry on uranium enrichment.
Chapter 1
CNNC Enrichment Industry Background & Status

The China National Nuclear Corporation (CNNC) is a large State-owned enterprise under direct management by the central Government. CNNC has established a complete nuclear technology industry framework. It is a main part of the China national nuclear technology industry and a leading element of national strategic nuclear forces and nuclear power development.

The Corporation integrates 246 industrial enterprises, companies, research and design institutes and institutions. The Corporation focus areas are nuclear energy, nuclear materials, nuclear fuel, handling of SNF and radioactive waste, uranium prospecting and mining, nuclear equipment, isotopes, applications for nuclear technologies and adjacent areas of research and developments, construction and operation of NFC enterprise, foreign economic cooperation and import-export business.

*Table 1.1*

<table>
<thead>
<tr>
<th>Company Title</th>
<th>Functions</th>
</tr>
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<tbody>
<tr>
<td>China National Nuclear Corporation (CNNC)</td>
<td>Nuclear fuel cycle industry management</td>
</tr>
<tr>
<td>Shaanxi Uranium Co., Ltd</td>
<td>Uranium enrichment: Hanzhong &amp; Emeishan sites</td>
</tr>
<tr>
<td>Lanzhou Uranium Co., Ltd.</td>
<td>Uranium enrichment: Lanzhou site</td>
</tr>
<tr>
<td>CNNC's Research Institute of Physical and Chemical Engineering of the Nuclear Industry at Tianjin</td>
<td>GC and cascades R&amp;D &amp; design</td>
</tr>
<tr>
<td>CNNC (Tianjin) Machinery Co., Ltd.</td>
<td>GC and cascades manufacture</td>
</tr>
<tr>
<td>CNNC Xinmeng Nuclear Engineering Co., Ltd.</td>
<td>Enrichment plants engineering design, construction, procurement, installation and facility adjustment</td>
</tr>
</tbody>
</table>

Tables 1.1 - 1.3 present data on the operating CNNC uranium enrichment plants and on the plants to be commissioned (or to be commissioning) in future through year 2035 inclusive.

Figures 1.1 - 1.4 show satellite images of the sites accommodating the uranium enrichment plants.

Figures 1.5 – 1.8 depict data on CNNC uranium enrichment industry development in the period of 1997-2016.

All the data provided in the tables and figures are IBR™ analytical results.
### Identification of the operating uranium enrichment plants and plans (projects) of uranium enrichment capacity expansion

<table>
<thead>
<tr>
<th>Enrichment site general designation</th>
<th>Site location</th>
<th>China National Nuclear Safety Administration nuclear facilities classification</th>
<th>Chinese nuclear facilities classification by IBR</th>
<th>Operator</th>
<th>Facility status</th>
<th>Facility commissioning dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant 405</td>
<td>Hanzhong region</td>
<td>The project of 405-1A, Hanzhong CEP 1, Russian-supplied, Phase I, Hanzhong CEP 2, Russian-supplied, Phase II, Hanzhong CEP 3, Russian-supplied, Phase IV</td>
<td>Hanzhong CEP 4 of plant 405</td>
<td>Shaanxi UraniumCo., Ltd / CNNC</td>
<td>In operation</td>
<td></td>
</tr>
<tr>
<td>Plant 504</td>
<td>Lanzhou region</td>
<td>Lanzhou uranium centrifugation separation facility phase I, Domestic Centrifuge Commercial Paradigm Project, Uranium Enrichment Project, Phase III</td>
<td>Lanzhou CEP 1, Russian-supplied, Phase III, Lanzhou CEP 2 Phase I of plant 504, Lanzhou CEP 3 Phase I of plant 504, Lanzhou CEP 3 Phase II of plant 504</td>
<td>Lanzhou UraniumCo., Ltd / CNNC</td>
<td>In operation</td>
<td></td>
</tr>
<tr>
<td>Plant 814</td>
<td>Emeishan region</td>
<td>Plant is not under CNNSA supervision, North Region Centrifuge Extension Project, Phase I, North Region Centrifuge Extension Project, Phase II</td>
<td>Emeishan CEP 0 of plant 814, Emeishan CEP 1 of plant 814, Emeishan CEP 2 of plant 814, Emeishan CEP 3 of plant 814</td>
<td>Shaanxi UraniumCo., Ltd / CNNC</td>
<td>In operation</td>
<td>In trial operation, Planned</td>
</tr>
</tbody>
</table>
Table 1.3

Design and actual capacity of the uranium enrichment plants as of the end 2016

<table>
<thead>
<tr>
<th>Chinese nuclear facilities classification by IBR</th>
<th>Designed nominal capacity (average for the service life), Min. SWU</th>
<th>Operation capacity as of the end of 2016, Min. SWU</th>
<th>Main equipment (GC) - Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanzhong CEP 1, Russian-supplied, Phase I</td>
<td></td>
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<tr>
<td>Hanzhong CEP 2, Russian-supplied, Phase II</td>
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<td>Hanzhong CEP 3, Russian-supplied, Phase IV</td>
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<td>Hanzhong CEP 4 of plant 405</td>
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<tr>
<td>Lanzhou CEP 1, Russian-supplied, Phase III</td>
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<td>Lanzhou CEP 2 of plant 504</td>
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<tr>
<td>Lanzhou CEP 3 of plant 504</td>
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<td></td>
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<tr>
<td>Emeishan CEP 0 of plant 814</td>
<td></td>
<td></td>
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<tr>
<td>Emeishan CEP 1 of plant 814</td>
<td></td>
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<tr>
<td>Emeishan CEP 2 of plant 814</td>
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<tr>
<td><strong>Total</strong></td>
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</tbody>
</table>
Figure 1.4
General view of Emeishan site (IBR™ plants classification)
Figure 1.5
CNNC installed / nominal operating capacity, Min. SWU
IBR™ analysis

Figure 1.6
The number of GC different models in CNNC uranium enrichment industry, Pieces
IBR™ analysis
Chapter 2
CNNC uranium enrichment industry
development strategy and development program.
IBR™ forecast of CNNC uranium enrichment industry development

China has an ambitious Program of National nuclear power development and plans of nuclear technology export (NPP construction abroad). China National Program of nuclear power development, contemplated export of nuclear technologies (NPP construction abroad) and CNNC plans of SWU export expansion should be supported by the relevant development of CNNC uranium enrichment industry.

CNNC develops own Technology Platform for uranium enrichment. Strategy of CNNC Technology Platform development bases on:

- Maximum using of the URENCO / ETC Technology Platform (by replication, wherever it possible, or by development of self-designed equipment and technology processes approximated to the fullest in terms of performance attributes to the URENCO / ETC equipment and technology, if replication proved impossible);
- Use of certain elements of the Russian Technology Platform when developing certain elements of the CNNC Technology Platform (design of the GC upper and lower units, cascades control, etc.).

Strategy of CNNC uranium enrichment capacity expansion is based on the need of meeting the demand in EUP of the significant part of the national nuclear power (85-90%) and SWU export.

“CNNC has the integrated ability for centrifuge enrichment plant design, building and operation management:

- In 2013, CNNC has realized the industrial application of self-designed centrifuge technology in Lanzhou uranium Enrichment Corporation, which makes it easy for CNNC to increase the enrichment capacity when needed;
- The capacity of Uranium enrichment in China can meet the market requirement now and for the future nuclear power development.”

Strategy and plans of CNNC uranium enrichment industry development are built on the guideline documents approved by the State Council and other state governing bodies. Hence, in the medium-term for uranium enrichment industry production capacity expansion the following documents are the guidelines for CNNC:

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Figure 2.6
Ratio of CNNC nominal operating capacity to installed capacity, %
IBRTM forecast

Figure 2.7
CNNC capital investments in the uranium enrichment industry development, $ Mln.
IBRTM forecast
Comparison of relative capacity of the CNNC nuclear fuel fabrication plants (powder, pellets, FA) that are using EUP of CNNC production, and relative capacity of the CNNC enrichment plants.

Figure 2.8
The relative capacity of the CNNC nuclear fuel fabrication plants (powder, pellets, FA) that are using EUP of CNNC production. The relative capacity of the CNNC enrichment plants.

The plants capacities (1997-2025) are rationed at the corresponding capacities of 1997.

Legend:

- Wnf – relative capacity of the CNNC nuclear fuel fabrication plants (powder, pellets, FA) that are using EUP of CNNC production. The rationing is made at the CNNC’s nuclear fuel fabrication plants capacity (powder, pellets, FA) that used EUP of CNNC production as of 1997;
- Wswu – relative capacity of the CNNC enrichment plants engaged in SWU production. The rationing is made at the CNNC’s enrichment plants capacity as of 1997.
Chapter 3

CNNC Technology Platform for uranium enrichment industry development

The complex of data about the CNNC Technology Platform for uranium enrichment industry development available to IBR™ includes:

- Vast technical and economic, as well as customs, information on the Russian technology and equipment transferred / supplied to CNNC by the Russian enterprises;
- Data of the Russian experts cooperating with the Chinese research institutes and design offices engaged in the development of the China GC, including GC with a composite rotor consisting of several subcritical rotors joined by bellows;
- Vast technical and economic information on the ETC / URENCO technology, including licensing documentation on URENCO and AREVA plant projects in the USA from the NRC US database along with licensing documentation on URENCO European plants;
- Satellite images of the CNNC sites accommodating uranium enrichment plants at different stages of construction and operation.

All the globally used technology platforms of uranium enrichment based on employment of uranium isotope separation using gas centrifuges can be subdivided into two classes:

- Technology platforms based on subcritical / supercritical GC, its uniform (one section) rotor height up to 1 meter, which are assembled into assemblies (the assemblies are made by manufacturers and delivered to the enrichment plants, where they are mounted in several tiers, transfer of the GC from transport to operating mode is provided by unscrewing one threaded member);
- Technology platform based on the use of supercritical GC with a composite rotor made up of several subcritical rotors joined by bellows.

Subclasses can be identified in the two technology platforms above:

- The Russian Technology Platform makes use of subcritical / supercritical GC, the uniform (one section) rotor, its height up to 1 meter, assembled into units and [] in the cascade halls (~21°C);
- The URENCO / ETC Technology Platform makes use of supercritical GC with a composite rotor, consisting of several subcritical rotors joined by bellows and [] in the cascade halls (~35°C).

Each of the technology platforms has its own advantages and drawbacks. Among the advantages of the Russian Technology Platform, the following should be mentioned:

- Providing of the assemblies with a GC by the manufacturer;
- No need for the building accommodating qualified personnel to be engaged in assembly, testing and mounting of GC on the uranium enrichment plant site;
- [ ].

The drawbacks of the Russian Technology Platform include:

- Higher material consumption per unit of installed capacity versus the high centrifuge technology;
- [ ]
- [ ]
- [ ]
A centrifuge with a non-uniform high rotor constructed on the basis of short subcritical rotors joined by bellows is used as a main centrifuge; temperature conditions of the Centrifuge Cooling Water System and microclimate parameters in cascade halls of the CNNC plants correspond to similar parameters at URENCO plants. IBR experts extending the experience obtained when analyzing the URENCO / ETC Technology Platform to analysis of the CNNC Technology Platform, have ascertained that:

- The pitch of GC sections arrangement over the cascade hall length;
- The pitch of GC arrangement within one section;
- The number of GC in a cascade,

correspond to designs of the plants SP4, UTA-1, E23 (modules A, B, C), which permits defining the number and type of the cascades (the number of GC in a cascade) unambiguously at each of the CNNC plants using the URENCO / ETC Technology Platform.

Why CNNC has preferred to choose the URENCO / ETC Technology Platform as a strategic trend in development?

Argument 1

Table 3.1 presents data characterizing average for the 30-year service life specific capacity of the CNNC plants per unit of the plants floor space for the operating and future main equipment (GC).

<table>
<thead>
<tr>
<th>CNNC Enrichment Plant Actual Technology / Technological Limit</th>
<th>Technology</th>
<th>Plant Specific Capacity (average for 30 years’ service life), SWU / m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanzhong CEP 3 Actual Technology</td>
<td>351D2</td>
<td>22</td>
</tr>
<tr>
<td>Hanzhong CEP 3 Technological Limit for GC in assemblies</td>
<td>K379R</td>
<td>258</td>
</tr>
<tr>
<td>Emeishan CEP 1 Actual Technology</td>
<td>C1</td>
<td>45</td>
</tr>
<tr>
<td>Emeishan CEP 1 Technological Limit for high GC</td>
<td>C4</td>
<td>133</td>
</tr>
</tbody>
</table>

The answer on the question, why throughout the 15 years of the plant's construction in China using the Russian Technology Platform, the number of tiers of GC assemblies was not increased at least to three is one of the fundamental ones for understanding the CNNC logic when choosing the URENCO / ETC Technology Platform as a strategic trend in development.

The experience of GC operation in Russia indicated that even in case of relatively small earthquakes a certain per cent of GC is break. Moreover, the higher is the tier, the greater is the percentage of GC failed due to earthquakes. According to data provided by JSC Ural Electrochemical Combine (UECC) about the earthquake of magnitude 3.0-4.0 that took place on October 27, 2000, the earthquake resulted in going out of service of 0.0028% of the 5th generation GC. According to URENCO data during the earthquake that occurred on July 19, 1984, measured 5.4 on the Richter scale, its epicenter being 100 miles off the Capenhurst site, “several dozens” of GC at E21 plant became disabled, though none of GC got out of 5.

If the plant Hanzhong CEP 3 instead of GC 351D2, installed in two tiers, to equip by the GC K379R installed in seven tiers, the area occupied by the cooling system of the plant would be 20-25% of the plant’s building area. But since with a dense arrangement of dry coolers and industrial air conditioners, the efficiency of heat release is reduced because of their mutual influence, then the actual size of the site on which the equipment is placed to discharge heat to the atmosphere should equal the area of the half of the building itself.

Table 3.4
Comparison of CNNC nominal operating capacity options as of mid-2019, based on options of GC model C1 capacity, with SWU of CNNC origin demands as of 2020 (capacity as of mid-2019), Mln. SWU

<table>
<thead>
<tr>
<th>GC model C1 capacity options, SWU</th>
<th>CNNC capacity as of mid of 2019, Mln. SWU</th>
</tr>
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<tbody>
<tr>
<td>0</td>
<td>SWU of CNNC origin requirements by 2020 (capacity as of mid-2019), Mln. SWU</td>
</tr>
<tr>
<td>27.0</td>
<td>9.400 / 9.700</td>
</tr>
<tr>
<td>30.0</td>
<td>10.300 / 10.600</td>
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<tr>
<td>33.3</td>
<td>11.300 / 11.600</td>
</tr>
<tr>
<td>36.0</td>
<td>12.100 / 12.400</td>
</tr>
<tr>
<td>40.0</td>
<td>13.200 / 13.500</td>
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</tbody>
</table>

An analysis of the data in Table 3.4 shows that when the value of the GC model’s C1 power is equal to 33.3, there is a good coincidence data on SWU of CNNC demands with the capacity of the CNNC industry for uranium enrichment. This confirms IBR™’s initial assumption that the strategic direction of the CNNC development is the movement towards the use of successful URENCO / ETC experience and where it is possible to copy the technological achievements of URENCO / ETC (TC-11 capacity is ~ 33.3 SWU/year).

Table 3.5
Technical and economic characteristics of the CNNC centrifuge lineup (results of analysis and forecasting of IBR™)

<table>
<thead>
<tr>
<th>GC Model</th>
<th>351D2</th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity, SWU</td>
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<tr>
<td>URENCO / ETC analogue</td>
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<tr>
<td><strong>Rotor</strong></td>
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<td>Rotor diameter (across the inner wall), mm</td>
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<tr>
<td>Rotor height, mm</td>
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<td>Rotor rotation frequency, Hz</td>
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<tr>
<td>Rotor rotary speed, m/sec</td>
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<tr>
<td><strong>GC design and materials used</strong></td>
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<tr>
<td>Power consumption, kWh/SWU</td>
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<td>Reliability, 1/год</td>
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<tr>
<td>Designated service life, years</td>
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</tbody>
</table>
IBR™ estimation of SWU production net cost of CNNC enrichment plants for the currently used technology and running projects as of 2016

<table>
<thead>
<tr>
<th>Technology</th>
<th>URENCO / ETC TC-12</th>
<th>URENCO / ETC TC-21</th>
<th>CNNC C1</th>
<th>CNNC C2</th>
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<td>Specific investments in installed capacity of separation module without account of investment in the site general infrastructure, EUR/SWU</td>
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<td>Specific investments in installed capacity of separation module with account of investment in the site general infrastructure, EUR/SWU</td>
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<td>Specific operating expenses, EUR/SWU</td>
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<td>SWU specific price for ~ 12 years Discounted Pay-Back Period, EUR/SWU</td>
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<td>SWU specific price for ~ 12 years Discounted Pay-Back Period, $/SWU</td>
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Notes to Table A.2.1:

- Data on the URENCO / ETC technologies were taken from report ETC Technological Platform. URENCO & AREVA ETC state development forecast 2017, IBR™ 2017, and also calculated using URENCO and ETC 2016 yearly reports;
- Discounted rate – 4.0%;
- Data on the CNNC technologies were obtained multiplying the relevant data on URENCO/ETC specific investments by a factor of ~0.5 and data on operation costs by a factor ~0.4. The factors ~0.5 and ~0.4 were obtained by transformation of URENCO / ETC input items into the relevant CNNC input items. Hence, for one of the main input items, i.e. “Employee benefits expense” the transformation factor was assumed to be 0.22.
- According to IBR™, the management system at URENCO plants is more efficient than at CNNC enterprises. This circumstance is accounted for in the form of a coefficient equal to 1.15.