

AGREEMENT

BETWEEN

THE EUROPEAN ATOMIC ENERGY COMMUNITY

AND

THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANISATION

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THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANISATION

THE EUROPEAN ATOMIC ENERGY COMMUNITY,
hereinafter referred to as "the Community",

and

THE KOREAN PENINSULA ENERGY DEVELOPMENT ORGANISATION,
hereinafter referred to as "KEDO",

Whereas KEDO was established pursuant to the Agreement on the Establishment of the Korean Peninsula Energy Development Organisation, entered into in New York on 9 March 1995, as amended, (hereinafter referred to as the "KEDO Establishment Agreement") among the Governments of the Republic of Korea, Japan and the United States of America;

Whereas the Community and KEDO concluded an Agreement for determined substantial and sustained support by the Community to KEDO which expired on 31 December 2000;

Whereas the European Union wishes to continue to contribute to securing the implementation of the international nuclear non-proliferation regime on the Korean Peninsula and demonstrate strong support for the safeguards system of the International Atomic Energy Agency (the "IAEA") as well as for nuclear safety;

Whereas both the Community and KEDO have expressed the wish to continue and enhance their cooperation; and

Recognising that the Executive Board of KEDO, noting the Community's intention to contribute to KEDO EUR 20 million annually for the five years 2001-2005 inclusive has determined that such contributions would constitute further substantial and sustained support to KEDO,

HAVE AGREED AS FOLLOWS:

Article 1

Executive Board

1. Pursuant to Article VI(b) of the KEDO Establishment Agreement, the Community shall be represented on the Executive Board of KEDO for a term to coincide with the Community's substantial and sustained support to KEDO.
2. As a member of the Executive Board, the Community shall participate in the activities of the Executive Board with the same rights and obligations as the other members of the Executive Board, as described in the KEDO Establishment Agreement.

Article 2

Advisory Committees

Community representation on KEDO Advisory Committees under Article IX (b) of the KEDO Establishment Agreement shall include representation on Advisory Committees that may be established such as on safeguards and nuclear safety. The Community shall also be entitled to serve as chair of appropriate Advisory Committees, pursuant to the relevant rules and regulations of KEDO.

Article 3

KEDO Staff

Personnel from the Community shall be appointed to suitable positions on the staff of KEDO including to a post of Senior Advisor.

Article 4

Privileges and Immunities in the DPRK

Personnel from the Community and its Member States sent to the DPRK by KEDO, its contractors and subcontractors are entitled to privileges, immunities, protections, exemptions and facilities, as appropriate, in accordance with the respective provisions in the Protocol

between KEDO and the DPRK on the Juridical Status, Privileges and Immunities, and Consular Protections of KEDO in the DPRK, signed in New York on 11 July 1996, executed pursuant to Article IV of the Agreement on the Supply of a Light-Water Reactor (LWR) Project to the DPRK between KEDO and the DPRK, signed in New York on 15 December 1995 (hereinafter referred to as the "Supply Agreement").

Article 5

Equitable Distribution

Pursuant to Article III (i) of the KEDO Establishment Agreement, the Community shall be entitled to participate in the distribution of any remaining KEDO assets or proceeds therefrom in an equitable manner according to its contributions to KEDO.

Article 6

Liability Protections

1. In the area of nuclear liability, KEDO has obtained legally binding commitments from the DPRK in Article XI of the Supply Agreement, with respect, inter alia, to an indemnity to be given by the DPRK, nuclear liability insurance or other financial security to be secured by the DPRK, and a legal mechanism to be implemented by the DPRK channelling nuclear liability exclusively to the operator, in order to protect itself, its Members, its contractors and subcontractors, and their respective personnel from any liability for any injury, loss or damage resulting from nuclear incidents in connection with the LWR plants.
2. Conventional liability for any injury, loss or damage resulting from KEDO's activities and omissions shall be covered under appropriate insurance policies.

Article 7

Industrial Aspects

Subcontracts for the LWR balance of plant shall be put to bid and awarded in a fair, open and non-discriminatory manner by the Prime Contractor, subject to the terms and conditions stipulated in the Prime Contract, taking into due account the participation in KEDO, through

the Community, of the Community Member State in which the prospective subcontractor is established.

Article 8

Audit

The Community will be entitled to audit KEDO's expenditure of its contribution and, to do so, will be granted access to, in an appropriate manner, the relevant financial accounts of KEDO upon demand.

Article 9

Dispute Settlement

Any question or dispute relating to the application or interpretation of this Agreement shall be the subject of consultations, negotiations or other similar procedure.

Article 10

Termination

This Agreement shall remain in force until 31 December 2005.

Article 11

Entry into Force

This Agreement shall enter into force upon signature by the Community and KEDO.

Done at Brussels, this 18 day of December 2001, in two originals.

For the European Atomic
Energy Community

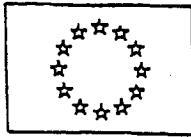


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Done at Seoul, this 12 day of December 2001, in two originals.

For the Korean Peninsula
Energy Development Organisation

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EUROPEAN COMMISSION

18 December 2001

SIDE LETTER

Agreement between the European Atomic Energy Community ("the Community") and the Korean Peninsula Energy Development Organisation ("KEDO"), hereinafter referred to as "the Agreement"

Sir,

The Commission of the European Communities (hereinafter referred to as "the Commission") presents its compliments to KEDO and wishes to refer to the above-mentioned Agreement which enters into force on 18 December 2001.

The Commission wishes to note that, in connection with the earlier Agreement between the Community and KEDO which entered into force on 19 September 1997 (hereinafter referred to as "the Accession Agreement"), there were 4 side letters agreed between the Community and KEDO. These side letters were: on liability, representation of the Community, industrial aspects and on payment procedures and accounting and audit requirements.

The Commission understands that the terms of these side letters remain in force under the Agreement with the following additional provisions:

Side Letter on EU Contribution

The Commission notes that the financial contribution of the Community will be spent according to KEDO priorities and according to the terms of this Agreement and its side letters.

Side Letter on Liability

The Commission notes that the KEDO Nuclear Liability Contact Group has been established.

Side Letter on Industrial Aspects

The Commission notes that KEDO recognises the Community's participation in KEDO and, in particular, the continued substantial and sustained nature of the Community's financial contribution to KEDO under both the Accession Agreement of 1997 and the Agreement of 18 December 2001, and confirms that contracts can be obtained by Community enterprises based on a competitive and transparent bidding system, including contracts for items of the Balance of Plant in Annex 1 of Executive Board Resolution 1997-33, taking into due account the participation in KEDO, through the Community, of the Community Member State in which the prospective subcontractor is established.

The Commission understands that KEDO will use its best efforts to ensure that the bidding evaluation criteria used by the Prime Contractor are fair and transparent. It is understood that the EU, as well as other Executive Board members, may request clarifications from KEDO thereon.

The Commission notes that the Turnkey Contract between KEDO and KEPCO for the construction of the Light Water Reactors (LWRs) was signed on 15 December 1999 and became effective on 3 February 2000.

Side Letter on Payment Procedures and Accounting and Audit

It is the intention of the Community that the annual financial contribution of the Community shall be paid by the Commission by 30 June of each calendar year. This annual contribution will be paid in Euro; it will not exceed EUR 20 million.

The Community understands that KEDO also recognises that no final decision has yet been reached with regard to the ranking of the EURATOM and other contributions to KEDO against "other Indebtedness" as referred to in Executive Board Resolutions 1999-22 and 2000-2 and relevant agreements.

The Community shall not be responsible for expenditures over and above its financial contribution. KEDO recognises that it cannot require from any Member of KEDO, including the Community or its Members States, the provision of financial indemnities.

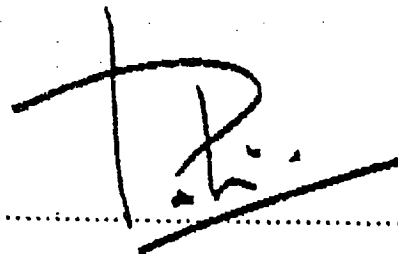
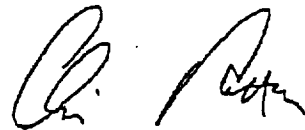
Side Letter on Representation of the Community

Noting that, in practice, decisions of the Executive Board have been made by a consensus of the representatives serving on the Executive Board, the Community understands that the achievement of consensus will continue to be the basis for decision-making of the Executive Board, without prejudice to the KEDO Establishment Agreement.

The Commission would appreciate KEDO's agreement to the arrangements recorded in the Side Letter on Payment Procedures and Accounting and Audit, and KEDO's confirmation that it shares the understandings recorded in the Side Letters on EU Contribution, Liability, Industrial Aspects, and Representation of the Community.

The Commission avails itself of this opportunity to renew to KEDO the assurances of its highest consideration.

For the European Atomic Energy Community





December 18, 2001

The Korean Peninsula Energy Development Organization (hereinafter referred to as "KEDO") presents its compliments to the European Communities (hereinafter referred to as "the Commission") and has the honor to acknowledge receipt of the letter dated December 18, 2001 from the Commission referring to the Agreement between the European Atomic Energy Community and the Korean Peninsula Energy Development Organization signed on December 12, 2001 in New York by KEDO and on December 18, 2001 in Brussels by the Commission. A copy of that letter is attached.

KEDO wishes to record its agreement to the arrangements recorded in the Side Letter on Payment Procedures and Accounting and Audit and that it shares the understandings recorded in Side Letters on EU Contribution, Liability, Industrial Aspects, and Representation of the Community.

KEDO avails itself of this opportunity to renew the Commission the assurances of its highest consideration.

For the Korean Peninsula Energy Development Organisation

A handwritten signature in black ink, appearing to read 'Chang', is written over a horizontal dotted line. The signature is fluid and cursive in style.