

No. 20828

**UNITED STATES OF AMERICA
and
JAPAN**

**Agreement on co-operation in coal liquefaction using the
SRC-II process. Signed at Washington on 31 July 1980**

Authentic text: English.

Registered by the United States of America on 1 March 1982.

**ÉTATS-UNIS D'AMÉRIQUE
et
JAPON**

**Accord de coopération pour l'utilisation du procédé SRC-II
de liquéfaction de la houille. Signé à Washington le
31 juillet 1980**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 1^{er} mars 1982.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF JAPAN ON COOPERATION IN COAL LIQUEFACTION USING THE SRC-II PROCESS

The Government of the United States of America and the Government of Japan,

Referring to article IV of the Agreement between the Government of the United States of America and the Government of Japan on cooperation in research and development in energy and related fields, signed at Washington on May 2, 1979² (hereinafter referred to as “the Basic Agreement”), which provides that implementing arrangements specifying the details and procedures of cooperative activities in the areas referred to in article II of the Basic Agreement will be made between the two Governments or their agencies, whichever is appropriate,

Recalling that the term “the SRC-II Project” means a multiphase project, as set forth in a contract including any superseding contract (present contract number DEAC-05-ORO-3055; formerly contract number ET-78-C-01-3055) (hereinafter referred to as “the SRC-II Prime Contract”) between the Department of Energy of the United States of America (hereinafter referred to as “DOE”) and The Pittsburg and Midway Coal Mining Co., a wholly-owned subsidiary of Gulf Oil Corporation (hereinafter referred to as “the Prime Contractor”), for the design, construction and operation of a nominal six-thousand-ton-per-day demonstration module of a full-scale commercial plant for the production of liquid solvent refined coal products, using the SRC-II process proven successful in the Tacoma Pilot Plant owned by the Government of the United States of America, and supporting activities (hereinafter referred to as “the SRC-II Project”),

Recalling also that DOE and the Federal Minister for Research and Technology of the Federal Republic of Germany (hereinafter referred to as “BMFT”) entered into an Agreement on cooperation in coal liquefaction using the SRC-II process in the SRC-II Project on October 5, 1979,³ which provides in article 6 for the addition of other governments in the SRC-II Project,

Recalling further that the SRC Cooperative Arrangement is comprised of development of SRC-II technology as undertaken to date by the Government of the United States of America, and by industrial organizations in the United States of America, Japan and the Federal Republic of Germany, and the activities included in phases 0, I, II and III of the SRC-II Project (hereinafter referred to as “the SRC Cooperative Arrangement”), and

Convinced that the participation of the Government of Japan in the SRC-II Project could make an important contribution to the SRC-II Project,

Have agreed as follows:

Article 1. 1. DOE and the Government of Japan shall cooperate in phases I, II and III of the SRC-II Project, which cover detail/final design (phase I), procure-

¹ Came into force on 31 July 1980 by signature, in accordance with article 10 (1).

² United Nations, *Treaty Series*, vol. 1171, p. 283.

³ *Ibid.*, vol. 1265, No. 1-20794.

ment and construction (phase II), and operation and evaluation (phase III) of a nominal six-thousand-ton-per-day demonstration module.

2. The Ministry of International Trade and Industry of Japan (hereinafter referred to as "MITI") shall be designated as the agency to implement the SRC-II Project for the Government of Japan.

3. The Steering Committee shall adopt by unanimity a DOE prepared Reference Baseline Project Control Document (hereinafter referred to as "the Baseline Document") which shall be periodically updated and shall set forth, among other matters, the estimated costs of the SRC-II Project incurred on or after October 1, 1979, and the technical basis, overall schedule and key decision points for phases I, II and III of the SRC-II Project. In addition, the Steering Committee shall receive notification prior to subcontracting of a list of major subcontracts which shall be set forth in the Baseline Document. In any event, subcontracts shall be entered into in accordance with the terms and conditions of the SRC-II Prime Contract.

4. Nothing in this Agreement conflicts with the SRC-II Prime Contract existing at the date of signature of this Agreement. It shall be DOE's responsibility to negotiate the cost-sharing agreement with the Prime Contractor to obtain funds for the SRC-II Project consistent with this Agreement.

Article 2. 1. The Steering Committee, consisting of two (2) designated representatives of DOE, two (2) designated representatives of the authorities concerned of the Government of Japan, in particular MITI, and two (2) designated representatives of BMFT shall provide direction for the SRC-II Project as set forth in this article. DOE, such authorities concerned of the Government of Japan and BMFT shall also designate alternate representatives who shall serve as members of the Steering Committee should the designated representatives be unable to do so and shall inform one another in writing of all designations under this paragraph. One of the representatives of DOE shall act as Chairman of the Steering Committee.

2. The Steering Committee shall meet at least twice a year in regular session in the United States of America on a date mutually agreed upon among DOE, such authorities concerned of the Government of Japan and BMFT when the Chairman so notifies all the members in writing. In addition, a special meeting shall be convened upon the request of DOE, such authorities concerned of the Government of Japan or BMFT.

3. The Steering Committee shall review the progress of the work undertaken in the SRC-II Project. DOE, such authorities concerned of the Government of Japan and BMFT may make, at any time, recommendations regarding options for the SRC-II Project which would result in a change to the SRC-II Project which shall be described in the Baseline Document. Such recommendations shall be discussed by the Steering Committee for adoption.

4. The Steering Committee shall adopt by unanimity any significant changes to or key decisions in the Baseline Document. The definition of the terms "significant changes" and "key decisions" shall be established in the Baseline Document.

5. The Steering Committee shall designate, guide and direct the Joint Project Management Team. The Joint Project Management Team shall be comprised of two (2) designated representatives of MITI, two (2) designated representatives of DOE, and two (2) designated representatives of BMFT. The Joint Project Management Team shall monitor the ongoing activities of the Prime Contractor of the SRC-II Project and apprise the Steering Committee, by means of monthly written reports, of

the activities of the SRC-II Project and of any problems or issues needing the attention of the Steering Committee. These monthly reports shall not be further disseminated without a program and patent review by DOE and the Prime Contractor and shall be appropriately marked to protect any confidential information in the custody and control of the Prime Contractor in accordance with the terms and conditions of the SRC-II Prime Contract.

6. The Steering Committee may, from time to time, appoint special *ad hoc* groups to review for the Steering Committee actions on technical, financial, operational and other problems. Any reports generated by the special *ad hoc* groups shall not be further disseminated without a program and patent review by DOE and the Prime Contractor and shall be appropriately marked to protect any confidential information in the custody and control of the Prime Contractor in accordance with the terms and conditions of the SRC-II Prime Contract.

7. Aside from the undertakings of the Steering Committee as stated above, responsibility and control for the SRC-II Prime Contract shall be exercised by DOE. All legal and technical acts required to implement the SRC-II Project shall be performed by DOE in accordance with this Agreement, the SRC-II Prime Contract, the Baseline Document including significant changes thereto, and all applicable laws and regulations, including licensing requirements.

Article 3. 1. MITI shall receive for any and all uses copies of the various technical and management reports, which are generated by the Prime Contractor and delivered to DOE under the SRC-II Prime Contract, having appropriate restrictions as to further dissemination until necessary DOE and Prime Contractor program and patent reviews have been completed.

2. MITI shall have the right to assign, in proportion to the financial contribution as set forth in article 4, staff selected by MITI working in coal liquefaction to the SRC-II Project for the purpose of directly contributing work to the SRC-II Project, subject to reaching satisfactory arrangements between the staff assigned and the Prime Contractor. The staff assigned will be financed from the budget of the SRC-II Project. Details as regards each assignment including costs shall be pursuant to the aforementioned arrangements. In addition, MITI is permitted to nominate, subject to reaching satisfactory arrangements with the Prime Contractor, observers, the number of which shall be agreed upon between DOE and MITI, at no cost to DOE or to the Prime Contractor. The participation of the assigned staff and observers shall not affect the responsibilities of the Prime Contractor for the SRC-II Project. The observers shall be permitted to make written reports to MITI with a copy contemporaneously provided to DOE. Moreover, such reports shall bear a restrictive designation limiting their use for evaluation purposes only within MITI. Further dissemination shall not take place without a program and patent review by DOE and the Prime Contractor.

3. MITI and participants in the SRC-II Project on the Japanese side shall assume obligations with regard to the reports stated in this article and paragraphs 5 and 6 of article 2, which are necessary to protect the confidential information in the custody and control of the Prime Contractor in accordance with the terms and conditions of the SRC-II Prime Contract. The result of the preliminary program and patent review by DOE and the Prime Contractor shall be communicated to MITI within four weeks of the date of transmittal of the report to MITI. Specific guidelines covering the dissemination of information and access to the SRC-II locations shall be developed by an exchange of letters among DOE, MITI and BMFT.

Article 4. 1. The Government of Japan shall take appropriate steps for the provision of a financial contribution of the amount equivalent to twenty-five (25) percent of the costs of the SRC-II Project which shall be set forth in the Baseline Document, subject to the approval by the Diet of the budgetary appropriation for that purpose. The amount of the payments by the Japanese industrial participants for their appropriate cost-sharing contribution to the SRC-II Project shall be considered as part of the financial contribution referred to in the first sentence of this paragraph. Detailed procedures and schedule for transferring such financial contribution shall be set forth in a funding agreement between DOE and MITI to be entered into contemporaneously with this Agreement.

2. Significant changes to the costs of the SRC-II Project shall require amendment by unanimity of the Baseline Document pursuant to paragraph 4 of article 2. The representatives to the Steering Committee shall recommend to their respective Governments whether to adjust the amount of the financial contribution to take account of any changes in cost levels, if any, so as to ensure that the adjusted financial contribution represents a realistic assessment of the funds needed for the purposes of the activities specified in the Baseline Document. Such adjustment shall be accomplished in accordance with procedures specified in the funding agreement referred to in paragraph 1 above. If there are significant changes in costs, the Steering Committee shall consider whether to adjust the technical scope of the Baseline Document.

Article 5. The SRC Cooperative Arrangement intellectual property rights shall be equitably apportioned in accordance with contributions and obligations undertaken with regard to the SRC-II Project. The equitable apportionment of such intellectual property rights shall be achieved in appropriate cost-sharing agreements or other agreements between two or more of DOE, MITI, BMFT, the Prime Contractor and any other entity contributing to the SRC-II Project.

Article 6. 1. Activities under this Agreement shall be subject to the laws and regulations, including license requirements, and to budgetary appropriations of both countries.

2. Solicitations for the provision of major components shall be issued by the Prime Contractor to suppliers in the United States of America, Japan and the Federal Republic of Germany. Responses to solicitations by Japanese and German firms shall be judged on an equal basis with those by United States firms in accordance with normal subcontracting procedures for DOE-funded projects. An advance listing of and a schedule for major component solicitations shall be provided to MITI. MITI may provide to the Prime Contractor a list of potential subcontractors for the subcontract competition in each case. Upon request, DOE shall provide to MITI a copy of the Prime Contractor's recommendations (excluding confidential information) relating to the award of subcontracts requiring DOE's consent along with DOE's letter of consent.

3. An option for a share of the product from the operation of the SRC-II plant up to twenty-five (25) percent shall be made available to MITI. If MITI chooses to exercise the option, conditions of the transfer of and payment for the product shall be negotiated between DOE and MITI.

Article 7. 1. All questions related to this Agreement shall be settled by mutual agreement of the two Governments.

2. This Agreement may be amended at any time by mutual agreement of the two Governments.

Article 8. If in the course of the product sales or sale of the plant itself or liquidation of the assets there are net proceeds remaining with the SRC-II Project in accordance with the laws and regulations of the United States of America, MITI shall receive a twenty-five (25) percent share of such net proceeds.

Article 9. A copy of this Agreement shall be deposited with the Executive Director of the International Energy Agency, in recognition of that Agency's interest in international cooperation in research and development in the field of coal technology.

Article 10. 1. This Agreement shall enter into force upon signature and remain in force until the completion of the SRC-II Project.

2. However, either Government may at any time give written notice to the other Government of its intention to terminate this Agreement, in which case this Agreement shall terminate thirty (30) days after such notice is received by the other Government.

3. In case of termination of this Agreement under paragraphs 1 or 2 above, detailed matters concerning termination, including financial aspects, shall be determined in a termination agreement which shall be concluded between DOE and MITI contemporaneously with this Agreement.

DONE at Washington, D.C., on July 31, 1980, in duplicate in the English language.

For the Government
of the United States of America:

[Signed — Signé]¹

For the Government
of Japan:

[Signed — Signé]²

¹ Signed by Jimmy Carter — Signé par Jimmy Carter.

² Signed by Yoshio Okawara — Signé par Yoshio Okawara.