

August 20, 1973

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MEMORANDUM FOR:

The Honorable William J. Casey
The Honorable William E. Simon
Mr. Kenneth Dam
Mr. Charles DiBona
Mr. Peter Flanigan
Mr. Samuel Hoskinson
Mr. Stephen Wakefield
Mr. John Sawhill
Mr. Stan Katz

SUBJECT: Yakutsk and North Star LNG Projects

Dr. Kissinger has asked the Committee on International Aspects of Energy to conduct a study of the national security, economic and foreign policy aspects of the proposed Yakutsk and North Star LNG projects.

The study should assess the current status and likely future development of these projects. Special attention should be given to the role the U.S. government may be asked to play by the companies and to resultant issues that would have to be decided.

The study should examine the general national security and foreign policy issues involved and, where applicable, the options. For example, the study should address:

-- The national vulnerability arising from dependence on the projected quantities of Soviet LNG.

-- The effect the projects could have on U.S. -Soviet and U.S. - Japanese relations, with particular emphasis on the implications for U.S. -Japanese relations of various participation arrangements currently under consideration.

-- Technical issues, including questions of technology transfer.

NSS review completed.

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-- Economic issues, including the balance of payments and cost implications and the effect of domestic deregulation. Insofar as possible, the likely economic feasibility of the prospect should be included in terms of probable future gas prices and demand levels;

-- Financial questions, including those relating to possible Export-Import Bank credits and loan guarantees, LNG tanker ownership and possible Maritime Administration financing and guarantees; and,

-- Likely Congressional attitudes toward the projects and toward alternative USG actions on the above issues.

This study should be undertaken by an ad hoc committee composed of your representatives and chaired by a representative of the NSC staff. An initial report should be submitted by September 15, 1973.



Philip A. Odeen
Director, Program Analysis

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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ACTION
August 1, 1973

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MEMORANDUM FOR:

DR. KISSINGER

FROM:

PO PHIL ODEEN / GAIL SONNENFELDT *[initials]*

SUBJECT:

Yakutsk and North Star LNG Projects

In our earlier memorandum we provided you with a status report on the Yakutsk and North Star LNG projects. As we noted, these projects raise a number of issues which will have to be addressed in the USG. We understand that the U.S. companies involved in the projects are likely to come in soon to ask for Ex-Im Bank credits and loan guarantees. Thus, we will have to make some decisions in the near future.

There would have to be Congressional hearings on the project to clear the Ex-Im Bank financing as well as Maritime Administration guarantees for construction of the LNG tankers. The projects are likely to be criticized in Congress, in part for security reasons and in part because the funds alternatively could be used to exploit domestic energy sources.

Given the problems we face with the two projects and the likelihood that we will soon be faced with decisions on them, we believe an in-depth study of the projects should be undertaken promptly. The study would cover the technical, economic and foreign policy implications of the projects.

There is some work going on in bits and pieces on these implications by Treasury, Governor Love and others. However, because of the major foreign policy ramifications of the projects, we believe the best way to carry out an overall study would be to commission an ad hoc group under the Committee on International Aspects of Energy which Phil Odeen chairs. We recommend you approve the initiation of such a study, along the lines of the attached study directive (Tab A).

Approve *[initials]* Disapprove _____

Governor Love concurs.

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Can. Sonnenfeldt or Odeen
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THE WHITE HOUSE
WASHINGTON

Phil Olson

Phil -

Shouldn't we have a
proposed study directive
accompanying this,
coordinated as appropriate
in the Energy Council?

Paul