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WTE #2966 1512119  
312056Z MAY 75  
THE SITUATION ROOM //TOHAK081//

GOMPERT/RODMAN FOR THE SECRETARY/GEN SCOWCROFT

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DOS REVIEWED 07-Mar-2011: NO OBJECTION TO DECLASSIFICATION.

HAK081  
DOE REVIEWED 16-Dec-2010: NO OBJECTION TO DECLASSIFICATION.

MAY 31, 1975

TO: GOMPERT/RODMAN  
FROM: SCOWCROFT  
SUBJECT: ELLIOTT  
URANIUM ENRICHMENT

DOMESTIC COUNCIL HAS CABLED TO RUMSFELD A DRAFT OF THE DECISION MEMO FOR THE PRESIDENT REGARDING THE NEXT URANIUM ENRICHMENT PLANT. YOU WERE TO RECEIVE A COPY. IT FAIRLY DESCRIBES WHERE WE STAND AND THE REMAINING UNCERTAINTIES -- AN IMPORTANT ONE BEING CONGRESSIONAL REACTION.

THE UEA PROPOSITION LOOKS BETTER THAN BEFORE BECAUSE THE REQUIREMENT OF GOVERNMENT SUPPORTS HAS BEEN REPLACED BY A PROVISION THAT THE USG WILL BUY THEM OUT IF THEIR PLANT COMPLETION FAILS FOR ANY REASON. SOME ELEMENT OF RISK TO UEA HAS BEEN INTRODUCED LEAVING OPEN WHETHER OR NOT THE BUY OUT WILL FULLY COMPENSATE UEA'S INVESTMENT.

FROM OUR VIEWPOINT, THE MAJOR PROBLEM WITH GOING THE UEA ROUTE RATHER THAN MAKING AN IMMEDIATE COMMITMENT TO THE ADD-ON GOVERNMENT PLANT RELATES STILL TO FOREIGN CONFIDENCE. WILL THE US BE OK LIKE, AND IN REALITY BE, A RELIABLE AND AVAILABLE SUPPLIER OF NUCLEAR FUEL? THE RELATIVE RISKS PRESENTED BY UEA ARE:

-- CONGRESSIONAL APPROVAL IS LESS CERTAIN BUT SEVERAL MONTHS WILL LAPSE DURING CONGRESSIONAL DEBATE.

RECALLED  
PAGE 01  
TOR:151/21:19Z DTG:312056Z MAY 75

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- EVEN WITH SUCH APPROVAL, UEA WILL NOT COMMIT TO BUILDING THE NEXT PLANT BEFORE IT SIGNS UP CUSTOMERS FOR 80 PERCENT OF THE PLANT'S OUTPUT FOR 25 YEARS. THIS MARKETING EFFORT WILL TAKE UP TO A YEAR, AND IT IS FAR FROM CERTAIN THAT UEA CAN OBTAIN THIS LEVEL OF IMMEDIATE COMMITMENT.
- IF UEA WERE TO REQUIRE USG TAKE OVER BECAUSE, SAY, ENVIRONMENTALISTS WERE BLOCKING FINAL LICENSING, IT IS NOT CLEAR THAT THE GOVERNMENT COULD (OR WOULD) OVERRIDE THESE OBJECTIONS AND OPERATE THE PLANT -- POSSIBLY LEAVING US WITH A HIATUS OF SEVERAL YEARS IN THE DELIVERY OF FUEL. A GOVERNMENT ADD-ON PLANT AT AN ESTABLISHED SITE HAS LESS SUCH RISK.

ERDA HAS SUGGESTED THAT IF THE PRESIDENT DECIDES ON UEA, THAT, WITH CONGRESSIONAL COMMITTEE CONCURRENCE, HE ISSUE A STATEMENT THAT UEA CUSTOMERS WOULD BE ASSURED OF SUPPLY IN ANY EVENT. THIS IS HELPFUL BUT NOT BINDING UNTIL CONGRESS EITHER AUTHORIZES (1) THE CONTINGENCY BUY OUT OF UEA OR (2) IF IT REJECTS THE UEA DEAL, PROVIDES MONEY FOR THE GOVERNMENT PLANT.

YOU AND HAK ARE EXPECTED TO RESPOND WITH YOUR VIEWS TO BE INCORPORATED IN THE DECISION PAPER. I RECOMMEND THE POSITION THAT: THERE IS A DISTINCT RISK THAT UEA WILL ACQUIRE MANY FOREIGN CUSTOMERS (UP TO 60 PERCENT OF THE PLANT'S OUTPUT) AND THEN FAIL TO MATERIALIZE A YEAR FROM NOW. COMING ON TOP OF OUR OWN DECISION OF CLOSING THE US ORDER BOOK A YEAR AGO AND VACILLATING SINCE, OUR CREDIBILITY AND STANDING IN THE WORLD NUCLEAR MARKET WOULD BE IRREPARABLY DAMAGED. THE LEADERSHIP WE WANT TO ASSERT IN ENERGY AFFAIRS AND IN CONTROLLING PROLIFERATION WOULD BE MEASURABLY REDUCED. THIS RISK IS NOT WORTH THE GAIN OF ATTEMPTING TO SET UP A PRIVATE ENRICHMENT COMPANY WHICH IS BASICALLY IN MONOPOLY POSITION. IT IS BETTER TO BUILD THE LAST DIFFUSION PLANT AS A GOVERNMENT ADD-ON, AND LOOK TO THE SEVERAL CENTRIFUGE COMPANIES TO ESTABLISH A COMPETITIVE INDUSTRY SUBSEQUENTLY.

IF, HOWEVER, THE DECISION IS MADE TO SUPPORT THE UEA APPROACH, IT WOULD BE VITAL TO HAVE THE AUTHORITY TO GUARANTEE THAT CONTRACTS TAKEN WITH UEA ARE ASSURED. THEN, IN THE EVENT OF UEA FAILURE TO COMMIT TO PLANT CONSTRUCTION, THE GOVERNMENT WOULD BE THE SOURCE OF SUPPLY. THIS AUTHORITY WILL TAKE TIME AND CONGRESSIONAL ACTION BUT SHOULD BE THE FIRST ORDER OF BUSINESS.

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PAGE 02

OF 02

TOR:151/21:19Z

DTG:312056Z MAY 75

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