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THE WHITE HOUSE

WASHINGTON

September 15, 1976

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Brent Scowcroft *BS*
Jim Cannon *JC*
Jim Lynn *JL*

SUBJECT:

NUCLEAR POLICY

The Nuclear Policy Review Group that you created on July 14 has completed its assignment and submitted a report (Appendix I) which has been reviewed by agencies (their detailed comments at Appendix II) and your senior advisers.

Problems Requiring Attention

Briefly, the following major problems require attention:

- There is a growing threat of nuclear proliferation abroad because of the spread of the capability to recover plutonium from "spent" fuel elements from nuclear power and research reactors in a step called "reprocessing." The separated plutonium is intended to be recycled as reactor fuel. However, the plutonium can also be stolen or clandestinely diverted and used quite quickly to make explosives.
- The system of controls to prevent such uses is not adequate for dealing with the growing threat. This system includes IAEA safeguards and inspections, physical security programs, and various bilateral and multilateral agreements.
- Concern in the public and Congress about proliferation abroad is leading toward legislation designed to force our foreign customers to agree to forego reprocessing and the accumulation of plutonium stockpiles -- as a condition for receiving nuclear fuel and equipment from U.S. suppliers.
- U.S. leverage for insisting upon rigorous controls is declining along with our role as the dominant supplier of nuclear fuel and equipment.



- . Efforts by industry to proceed with commercial scale reprocessing in the U.S. are stalled because of uncertainties concerning economics, safeguards and regulatory requirements. Also, domestic reprocessing is strongly opposed by some who believe that energy and economic benefits are outweighed by the problems resulting from significant quantities of separated and recycled plutonium. (It should be noted that reprocessing is useful but not crucial to the pursuit of the nuclear power option, at least for the next 10 to 20 years.)
- . Uncertainties about reprocessing and long-term nuclear waste management (a Federal responsibility) are being used by opponents of expansion of nuclear power in the U.S. (Six more states will have anti-nuclear initiatives on their November ballots.)

Recommended Response

There is general agreement among heads of agencies concerned and your senior advisers on a recommendation that you issue a major statement on nuclear policy which:

- . Reaffirms U.S. intent to increase the use of nuclear power.
- . Recognizes that other countries will do the same regardless of U.S. position.
- . Reflects U.S. intent to be a reliable and competitive international supplier of nuclear fuel and equipment.
- . Reflects great concern about the spread of reprocessing abroad because of the potential for theft by terrorists or diversion by nations of separated plutonium.
- . Announces policy changes to deal with this concern, backed up by a series of specific proposals to tighten controls, offer incentives to those who cooperate in restricting reprocessing, and impose sanctions on those who violate agreements.
- . Announces Administration position on reprocessing in the U.S. and a course of action to carry out that position.
- . Commits the Administration to assure the availability of a nuclear waste disposal facility when needed about in 1985.

However, with respect to reprocessing here and abroad, there is disagreement among your advisers on:

- . Whether and when reprocessing should be used.
- . The desirability and effectiveness of U.S. attempts to get other nations to forego reprocessing.

Issues Requiring Your Attention

If you agree that a Presidential response is warranted to deal with outstanding nuclear policy problems, your decision is needed on the critical issue of U.S. policy on reprocessing here and abroad. (Discussed below.)

In addition, your decision will be needed later on specific initiatives in support of the general policy decision that you make. Those specific initiatives will be developed in greater detail and presented for your approval while the statement is being developed.

Principal Issue - Policy on Acceptability of Reprocessing Here and Abroad and the Control of Separated Plutonium

All of your advisers agree that some change of current policies (summarized in Alt. #1, below) on reprocessing and the control of separated plutonium are needed. They disagree as to the nature of the change -- largely because of different views on:

- . The relative weight given to non-proliferation and other foreign policy considerations, and on energy and economic objectives.
- . The chances of changing significantly the course of worldwide events leading to reprocessing, a step which creates the capability for proliferation.
- . The probable effectiveness of U.S. attempts to use its diminishing supplier role to deter other nations from proceeding with reprocessing.
- . The impact, here and abroad, of a change in U.S. policy which now assumes that we will proceed with reprocessing and recycle of plutonium.

Four principal positions on domestic and foreign reprocessing and alternatives are identified and described below. The principal variables among the four alternatives are:

- . The toughness of our stand against the spread of reprocessing abroad.
- . Our attitude toward reprocessing in the U.S. and the government role in bringing about reprocessing.
- . The extent of the consistency between our domestic and foreign policy on reprocessing.
- . The importance attached to the breeder reactor -- which is dependent upon reprocessing and plutonium recycle (though a decision on breeder commercialization is not scheduled by ERDA until 1986).
- . Alt. #1. Continue to resist the spread of reprocessing abroad but with no significant change in policy or significant new initiatives. Continue current policy on domestic reprocessing, which assumes reprocessing, and recycle of plutonium, encourages the development of a private reprocessing industry, and provides limited government assistance on reprocessing R&D.

Your statement announcing this position would stress concern about the spread of international reprocessing, stress the need to work cooperatively with other nations, take credit for past U.S. actions and limited efforts now underway or planned.

In effect, we would be accepting the inevitability of the spread of reprocessing and not make a major effort to halt that spread.

- o Principal arguments for this approach are that:
 - Other nations who view us as overreacting to the risk of proliferation would be reassured of our steadiness.
 - There would be little additional Federal involvement in reprocessing now.
- o Principal arguments against this approach are that:
 - It does not deal with the currently perceived threat of proliferation and would be unacceptable to the Congress and the public.
 - Differences in NRC and Executive Branch attitude would be obvious since NRC almost certainly will deny some exports that our trading partners expect under existing agreements for cooperation.
 - Uncertainties about domestic reprocessing would continue.

- . Alt. #2. Significantly strengthen efforts to limit the spread of reprocessing abroad (but accept its inevitability) and to prevent theft and diversion of separated plutonium -- hopefully in cooperation with other nations, but with unilateral moves when necessary. Continue current policy of encouraging development of a domestic reprocessing industry, with a commitment to assist with a Federal commercial scale demonstration.

Your statement announcing this policy would stress concern about the spread of international reprocessing, highlight the need for major new steps to avoid this spread and to strengthen safeguards, tighten our export restrictions, and offer incentives to customers and suppliers to cooperate. It will also include a greater Federal role in demonstrating commercial scale reprocessing in this country and justify domestic reprocessing plans on the grounds that capacity is needed to understand economics and safeguards and to provide reprocessing services for both U.S. and foreign needs.

In effect, you would be accepting this inevitability of reprocessing but would be moving vigorously to limit its spread in other countries. Many nations probably would go along with this position but (a) Brazil and Pakistan would proceed with plans for major reprocessing plants, and (b) Germany and France would continue a more liberal policy toward assisting others to build reprocessing facilities. Reactor manufacturers in the U.S. would be concerned about impact on foreign sales but they, and others, in the U.S. nuclear industry would welcome the commitment to reprocessing and the plan to resolve uncertainties.

o Principal arguments for this approach are:

- Recognizes that reprocessing will likely be pursued abroad in any event and that there will be strong pressures for reprocessing domestically.
- Offers the basis for a reasonable compromise with other suppliers: Canada favors tougher stand against reprocessing; the FRG and France a somewhat more liberal one.
- Would help resolve some uncertainties restraining the growth of nuclear energy in the U.S.
- Consistent with current domestic policy on reprocessing.
- Compatible with plans for developing breeder reactor (which requires plutonium as fuel).



o Principal arguments against this approach are:

- It does not go far enough to meet the expectations of some critics in Congress and those who believe that proliferation risks of reprocessing outweigh energy and economic advantages.
- Leaves some inconsistency between our negative attitude towards reprocessing by others and our own intentions to proceed.
- Further commits the Administration to reprocessing and recycle while NRC's decision on this issue is still pending.
- Calls for significant increase in government role in reprocessing and also involves government costs for a domestic reprocessing demonstrations (upwards of \$1 billion through 1985) and buy back of foreign fuel (upwards of \$200 million through 1985 and \$3 billion through 2000).
- In effect, it would commit the government to assist in starting up a \$270 million existing privately owned spent fuel separations facility at Barnwell, South Carolina, with the potential charge of "bailing out" a private venture owned by Allied Chemical, Gulf Oil, and Royal Dutch Shell.

- . Alt. #3. Significantly strengthen our efforts to control the spread of reprocessing abroad, as in Alt. #2, but also take strong stand that reprocessing should go ahead domestically and internationally only if safety, safeguards, and economic benefits can be demonstrated clearly. No longer assume that reprocessing and recycle would be acceptable, but proceed with planning and design activities necessary to bring reprocessing facilities on line when needed if a decision to proceed with reprocessing is made. Provide government assistance in a commercial scale demonstration of reprocessing to resolve uncertainties. Launch a significant program to explore and develop alternative ways of getting energy and economic benefits from spent fuel, if feasible.

Your statement would make clear that non-proliferation goals take precedence over energy and economics. The attitude would be sharply different from Alt. #2, and place burden of proof on those who want to proceed with reprocessing. It would also stress strongly your concern

about the spread of international reprocessing and announce steps to avoid this spread. The reprocessing demonstration would be justified primarily as an experiment to develop and demonstrate safeguards.

The potential of getting other nations -- customers and suppliers -- to take concerns about reprocessing more seriously would be greater than in Alt. #2. The budget impact would be about the same as Alt. #2, though the expenditures supporting the domestic reprocessing experiment might be somewhat less and the expenditures supporting research into technical alternatives to reprocessing somewhat more.

o Principal arguments for this alternative are:

- Could improve our ability to persuade sensitive countries such as Korea, Pakistan, Republic of China and Iran not to acquire reprocessing facilities by our removing the argument that we were seeking to deprive them of capabilities and benefits that we were exploiting ourselves.
- It recognizes clearly the uncertainties with respect to reprocessing, including the need not to commit to reprocessing before an NRC decision on plutonium recycling.
- Reduces the inconsistency between our plans for going ahead with reprocessing and our opposition to spread of reprocessing abroad, thus strengthening our position with supplier and customer nations.
- It would be more favorably received by U.S. critics of reprocessing than would Alt. #2.
- Provides utilities assurance that either reprocessing or spent fuel storage will be available when needed.
- It could be presented to industry as the best way of proceeding and minimizing delays, recognizing current hostility to reprocessing.

o Principal arguments against this alternative are:

- As a very substantial change or reversal in Government position on reprocessing, it may add additional uncertainty about nuclear power -- which could slow nuclear power growth in the U.S.
- Potential reprocessors may withhold further investment and involvement in reprocessing plants until after the Government makes a final decision on reprocessing.



- Adds uncertainty to the viability of the breeder, but a decision on breeder commercialization will not be made until 1986.
- Highlighting of alternative technologies (which have not yet been developed) can raise false expectations that reprocessing is not necessary and thus lend credence to opponents' arguments against proceeding even with a reprocessing demonstration.
- General public may view it as a signal that the government is less sure about safety of nuclear energy.

- . Alt. #4. Strongly oppose the use of reprocessing here and abroad. Commit the government to a major program to explore and evaluate the feasibility of alternative technologies for getting energy value from spent fuel without separating the plutonium. If unsuccessful, prepare to dispose of spent fuel without regard to the energy value or possibly reactivate reprocessing at some later date.

Your statement would make clear that we view reprocessing as a serious danger, that we are forswearing reprocessing and urge others to do so as well. You could offer to share our results from developing new technologies with others and work with industry to assure that spent fuel storage is available, possibly on an international basis.

- o Principal arguments for this approach are:
 - Could improve our ability to persuade sensitive countries such as Korea, Pakistan, Republic of China and Iran not to acquire reprocessing facilities by our removing the argument that we were seeking to deprive them of capabilities and benefits that we were exploiting ourselves.
 - Would be quite popular with a few members of Congress, the press and the public.
- o Principal arguments against the approach are:
 - Would forego the use of known reprocessing technology in return for alternatives whose feasibility have not been demonstrated.
 - Would be unlikely to dissuade France, FRG, United Kingdom, and possible others from proceeding with current reprocessing plans.
 - U.S. private sector reprocessing interests would fold, utilities might slow down nuclear reactor orders.



COMMENTS OF AGENCY HEADS UPON
SELECTING THEIR PREFERRED ALTERNATIVE

Deputy Secretary of Defense Ellsworth

"We support Alternative #3 and we support it strongly."

Under Secretary of State Robinson

"The State Department supports Option 3. In contrast to Option 2, Option 3 would involve an experimental program using the AGNS facility at Barnwell, but designed to assess the viability and desirability of both reprocessing and alternative technologies. This option would not prejudge the outcome of the program in terms of either a commercial reprocessing commitment or further development of alternatives. Such a step by step approach would take full account of the many uncertainties inherent in reprocessing, and would permit maximum flexibility to capitalize on technological developments and to support the essential international dimensions of our nuclear policies. In budgetary terms, while overall expenditures for a given period could be comparable to those under Option 2, this experimental option would also permit maximum flexibility in allocating funds among the various program components and help avoid premature commitments to financing commercial-scale projects."

ERDA Administrator Seamans

"I am selecting Option 3 on the basis that a vigorous demonstration program of reprocessing, fuel fabrication, plutonium storage, and waste management will ensue. Only in this way will the program be consistent with our stated position on the liquid metal fast breeder and our plans for handling high level nuclear waste. I agree that we should go ahead with reprocessing only if safety, safeguards, and economic benefits can be demonstrated clearly by the immediate design, construction and test of all elements in the fuel cycle with Government support as appropriate. This approach will be accepted positively by the nuclear industry. However, if the option in fact contemplates years of studies and debate it will have a severely negative impact domestically and I believe internationally as well. We can rally support for our plans and policies only by establishing a positive, understandable program."

ACDA Director Ikle

"From an arms control point of view, Alternative 4 clearly is the preferred one. It would give the strongest signal at home and abroad that the U.S. will do everything it can to steer the development of nuclear energy away from technologies that cause the most serious risks of proliferation.

"However, Alternative 4 is perhaps drawn too starkly, while Alternative 3 is too close to Alternative 2:

- We need not 'foreswear' reprocessing; we only should postpone pushing reprocessing with major government subsidies. That is to say, we should cease favoring this dangerous technology over safer alternatives.

We should not move towards a budgetary outlay to support the current private reprocessing ventures, but more evenly balance the government effort between a vigorous program to push alternatives and a scaled-down (i.e., smaller than in Alternative 2) research effort to reduce the uncertainties of reprocessing (and to keep the option open should it be needed later on). Reprocessing can be postponed without a significant economic loss.

"In my view, the defect of Alternative 3 is that it still envisages government assistance in a commercial scale demonstration of reprocessing. This would be seen at home and abroad as a rather massive effort in favor of reprocessing, and hence sharply detract from the beneficial political impact of your overall policy decision. It could become the focus of criticism at home, and be distorted abroad as a U.S. effort to simply grab the reprocessing market. It would thus mar your overall program on non-proliferation."

FEA Administrator Zarb

"Option 3 represents an even-handed position which could help to defuse some of the current criticism and create a better environment to move forward. If this Option is selected, it should be made clear that it does not in any way indicate that the government is less sure of the safety of nuclear power.

"This position also places an added burden on government to move ahead promptly and properly demonstrate the technologies and make timely decisions so that private investment will be available when it is needed."

Secretary of Commerce Richardson

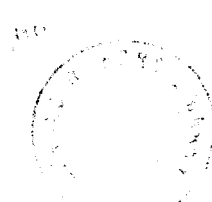
Recommends Option 2, with some modification. He recommends accepting reprocessing as inevitable -- because he thinks it is -- but at the same time developing, in cooperation with IAEA, a reprocessing industry which is multilateral. The Barnwell complex could be the first such plant. Secretary Richardson argues that this arrangement will provide the nuclear power industry worldwide with certainty as to the future development while maximizing assurances that the critical reprocessing phase will be under international control.

CEQ Chairman Peterson

"CEQ supports Option 4 but recommends that the effort to develop alternative nuclear fission technologies should be accompanied by a major international effort led by the United States to conserve energy and to develop solar energy as a major alternate source by early next century."

OSTP Director Guy Stever

"I favor Alternative #3 because it contains the R&D program which will keep open the options for the future in reprocessing and breeder reactor development, and at the same time recognizes realistically that we do not have the power in the world nuclear energy picture to force other nations into constraining the spread of reprocessing without setting an example ourselves."



Fueler

THE WHITE HOUSE

WASHINGTON

September 22, 1976

MEMORANDUM FOR: JIM CANNON
FROM: *Glenn Schleede*
GLENN SCHLEEDE
SUBJECT: The Egyptian and Israeli Nuclear Agreements

Brent Scowcroft has asked for our views on the attached memo to the President, the bottom line of which is Brent's recommendation that the President submit the proposed nuclear agreements to the Congress soon.

Briefly, the alternatives are:

1. Submit the agreement now (State).
2. Submit the agreement after disposition of proliferation bill (NSC).
3. Submit the agreement after disposition of the proliferation bill and announcement of the President's nuclear policy (ERDA).
4. Hold the agreements until the next session (Marsh and Friedersdorf, with alternative 3 as a second choice).

The principal arguments for sending the agreements now are:

- . A commitment made to Israel and Egypt that agreement would be proposed this session.
- . Allegedly, "skids are greased" for Congressional approval of the agreements.
- . These agreements are tougher than any the U.S. has previously negotiated.

The principal arguments against sending the agreements now are:

- . Congress cannot possibly complete action on the agreements this session (the law provides that the agreements cannot go into effect until a period of 60 legislative days has passed during which the Congress does not pass a concurrent resolution of disapproval).



- . Prompt action is unlikely because Senator Mansfield has appointed a committee of senators led by Ribicoff and Baker to go to the Middle East to study the impact and introducing commercial nuclear power there.
- . The agreements do not contain all of the restrictions that are called for by (1) the proliferation bills now extant on the Hill or (2) those recommendations by the Fri study. Thus, the Administration would be in the position of justifying these agreements on the grounds that, while they do not contain all the explicit controls, in total, they provide a rigorous set of controls.
- . We would be submitting the agreements at a time of great emotional concern about proliferation legislation.

RECOMMENDATION

I recommend that you express a preference for alternative 4 but agree with alternative 2, if it looks as though we will solve that issue over the next few days.



THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON *J. Cannon* JIM LYNN *J. Lynn*
BRENT SCOWCROFT *B. Scowcroft*
SUBJECT: NON-PROLIFERATION AND NUCLEAR
FUEL LEGISLATION

When you met with Senator Percy and others on September 17, you stated that you would urge Senator Baker to remove his hold from the Senate non-proliferation bill if (a) the NFAA was scheduled for Senate action under a time agreement, and (b) an acceptable non-proliferation bill was negotiated.

NON-PROLIFERATION

Bob Fri believes he has reached agreement with Percy on a reasonable bill. Detailed language must be worked out and Senator Percy must sell the compromise to his colleagues.

Senator Baker is maintaining his hold, but indicates he will be guided by your wishes. Senator Percy may attempt to bring up his compromise next week. Even if it passes the Senate, it is unlikely to pass the House.

Anderson and Price have introduced their non-proliferation bill (H.R. 15419) -- which ERDA and State believe is acceptable -- but there is no chance that it will be taken up by the House.

NUCLEAR FUEL ASSURANCE ACT

- . Senate Outlook. Today, the NFAA was put on the Senate calendar for next week but the opponents probably will try to table it again. Estimate of those opposed now ranges from three to six (Proxmire, Clark, Durkin, McGovern, Abourezk and Glenn). Senator Percy insists that it is not possible to move the NFAA. Industry and labor supporters of the bill are focusing their attention on 27 democratic Senators who are known to

support the bill -- with the objective of getting Senator Byrd to debate the bill even though there is opposition. Industry and labor supporters are contending that Glenn, Abourezk, and McGovern have or will remove their "holds."

- Percy Compromise. Senator Percy has proposed a compromise approach to uranium enrichment:

- 1) Dropping the NFAA as it passed the House;
- 2) Add to his non-proliferation bill, language to:
 - Authorize the Portsmouth plant;
 - Authorize you to submit a detailed plan for encouraging the private uranium enrichment industry, "including a discussion of specific terms" of proposed cooperative agreements with private firms. The plan would be referred to the JCAE and that Committee would have 60 days to give its views and recommendations to each House of Congress together with legislation to implement their recommendations. (Bob Fri believes this would permit proposing contracts and authorizing legislation at the same time as the plan.)

Fri has proposed, but Percy has not accepted, a further clause that requires an up or down vote on the JCAE recommendations within 30 legislative days. Fri believes Percy would push for this clause if you insisted it is necessary.

Except for the disputed clause, the compromise provides no new authority. Specifically, authority for Portsmouth will be provided in the ERDA Authorization Bill even without the NFAA and you can submit reports, plans, proposed contracts and draft legislation anytime.

ALTERNATIVES

There are three principal alternatives available for your consideration:

- Alt #1. Hold to the proposal you presented to Senator Percy and others on September 17, that you would urge Senator Baker to remove his hold if (a) the NFAA was scheduled for Senate floor action under a time agreement, and (b) non-proliferation legislation acceptable to you was negotiated with Senator Percy and others.

- Principal arguments for this approach are that:
 - (a) it is a logical position in that U.S. ability to get other nations to accept our non-proliferation goals depends upon our reliability as a supplier of uranium enrichment services; and (b) it is consistent with the position you presented to Senator Percy and others.

- Principal argument against this approach is that you will be open to the charge of obstructing non-proliferation legislation and you may not get the NFAA anyway.

- . Alt. #2. Endorse the Percy compromise approach which adds some kind of uranium enrichment provisions to the non-proliferation bill.
 - Principal arguments for this approach are that:
 - (a) you would be postured in favor of non-proliferation legislation and willing to compromise or give in on uranium enrichment,
 - (b) it ties non-proliferation and at least some reference to private uranium enrichment together, and (c) it may be the only chance of getting any Senate legislation referring to uranium enrichment this session.

 - Principal arguments against this approach are that: (a) it would remove all possibility of getting a vote next week on NFAA, and (b) depending upon the language on uranium enrichment that is added to the non-proliferation bill, the result may be less acceptable than merely accepting defeat of the NFAA for this session and submitting a new proposal in January.

- . Alt. #3. Accept the non-proliferation legislation without any provision for uranium enrichment, urge Senator Baker to remove his hold, and let the NFAA live or die this session separately from non-proliferation.
 - Principal arguments for this approach are that it (a) postures you in favor of non-proliferation legislation, (b) leaves options open on uranium enrichment for next session, and (c) puts the Senate, at least, on record as to appropriate nuclear export criteria -- a move that may head off NRC promulgation of less acceptable criteria.

 - Principal arguments against this approach are that it (a) is a reversal of the position you have taken with the Senators with respect to the NFAA, and (b) it foregoes whatever gains

might be achieved if Percy is able to seal the vote forcing clause on uranium enrichment that Bob Fri has proposed.

It may be possible to mitigate the negative effects of holding fast to Alt. #1 by (1) sending a strong letter on non-proliferation to the Senate, and/or (2) proceeding promptly with a major statement on non-proliferation. The critical importance to non-proliferation of expanded uranium enrichment capacity should be emphasized.

RECOMMENDATIONS

OMB*, Alt. #1. Maintain hold on non-proliferation legislation unless NFAA is taken up.

ERDA, NSC, State** Alt. #2. Accept Percy compromise.

Domestic Council Alt. #3. Sever relationship between NFAA and non-proliferation legislation

* OMB favors Alt. #1 with the mitigating step outlined above. OMB notes that the Fri clause on uranium enrichment provides very little unless it permits ERDA to sign contracts if Congress fails to act.

** If Alt. #2 cannot be accomplished, Alt. #3 would be the backup recommendation of NSC and State.



[Sept. 1976]

THE WHITE HOUSE

WASHINGTON

DECISION

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON
BRENT SCOWCROFT

SUBJECT: NON-PROLIFERATION AND NUCLEAR
FUEL LEGISLATION

When you met with Senator Percy and others on September 17, you stated that you would urge Senator Baker to remove his hold from the Senate non-proliferation bill if (a) the NFAA was scheduled for Senate action under a time agreement and (b) an acceptable non-proliferation bill was negotiated.

NON-PROLIFERATION

Bob Fri believes he has reached agreement with Percy on a reasonable bill. Detailed language must be worked out and Senator Percy must sell the compromise to his colleagues.

Senator Baker is maintaining his hold, but indicates he will be guided by your wishes. Senator Percy may attempt to bring up his compromise next week. Even if it passes the Senate, it is unlikely to pass the House.

Anderson and Price have introduced their non-proliferation bill (H.R.15419) -- which ERDA and State believe is acceptable -- but there is no chance that it will be taken up by the House.

NUCLEAR FUEL ASSURANCE ACT

- Senate Outlook. Estimate of "holds" now range from three to six (Proxmire, Clark, Durkin, McGovern, Abourezk, and Glenn). Senator Percy insists that it is not possible to move the NFAA. Industry and labor supporters of the bill are focusing their attention on 27 democratic Senators who are known to support the bill -- with the objective of getting Senator Byrd to schedule the bill even though some holds remain.



Industry and labor supporters are contending that Glenn, Abourezk, and McGovern have or will remove their holds.

- Percy compromise. Senator Percy has proposed a compromise approach to uranium enrichment:

- 1) Dropping the NFAA as it passed the House;
- 2) Add to his non-proliferation bill language to:
 - Authorize the Portsmouth plant;
 - Authorize you to prepare a detailed plan for moving to a private uranium enrichment industry, including the specific terms of cooperative agreements with private firms. The plan would be referred to the JCAE and that Committee would have 60 days to give its views and recommendations on your proposal to each House of Congress together with legislation to implement their recommendations.

This provides nothing new. Authority for Portsmouth will be provided in the ERDA Authorization Bill even without the NFAA. Other authority is already available.

- Alternatives

There are three principal alternatives available for your consideration:

- Alt. #1. Hold to the proposal you presented to Senator Percy and others on September 17, that you would urge Senator Baker to remove his hold if (a) the NFAA was scheduled for Senate floor action under a time agreement, and (b) non-proliferation legislation acceptable to you was negotiated with Senator Percy and others.

- Principal arguments for this approach are that:
 - (a) it is a logical position in that U.S. ability to get other nations to accept our non-proliferation goals depends upon our reliability as a supplier of uranium enrichment services; and (b) it is consistent with the position you presented to Senator Percy and others.
- Principal argument against this approach is that you will be open to the charge of obstructing non-proliferation legislation and you would not get the NFAA anyway.



- Alt. #2. Endorse the Percy compromise approach which adds some kind of uranium enrichment provisions to the non-proliferation bill.
 - Principal arguments for this approach are that: (a) you would be postured in favor of non-proliferation legislation and willing to accept a compromise on uranium enrichment, (b) it ties non-proliferation and uranium enrichment together, and (c) it may be the only chance of getting any Senate legislation dealing with uranium enrichment this session.
 - Principal argument against this approach is that, depending upon the language on uranium enrichment that is added to the non-proliferation bill, the result may be less acceptable than merely accepting defeat of the NFAA for this session and submitting a new proposal in January.

- Alt. #3. Accept the non-proliferation legislation, urge Senator Baker to remove his hold, and give up for this session on the NFAA.
 - Principal arguments for this approach are that it (a) postures you in favor of non-proliferation legislation, (b) provides the opportunity to reiterate the importance of the NFAA and leaves options open on uranium enrichment for next session, and (c) puts the Senate, at least, on record as to appropriate nuclear export criteria, probably heading off NRC promulgation of less acceptable criteria.
 - Principal arguments against this approach are that it (a) is a reversal of the position you have taken with the Senators, and (b) it foregoes whatever gains might be achieved in the uranium enrichment language attached to the Percy non-proliferation bill.



It may be possible to mitigate the negative effects of holding fast to Alt. #1 by (1) Sending a strong letter on Non-Proliferation to the senate, and/or (2) proceeding promptly with a major statement on non-proliferation.

There is a strong rumor that Governor Carter is considering a statement on non-proliferation.

RECOMMENDATIONS

- _____ Alt. #1. Maintain hold on non-proliferation legislation unless NFAA is taken up.
- _____ Alt. #2. Accept Percy compromise
- _____ Alt. #3. Sever relationship between NFAA and non-proliferation legislation.



THE WHITE HOUSE

WASHINGTON

9/24/76

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON *J.C.* JIM LYNN *L.*
BRENT SCOWCROFT *B.S.*

SUBJECT: NON-PROLIFERATION AND NUCLEAR
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NUCLEAR FUEL ASSURANCE ACT

- Senate Outlook. Today, the NFAA was put on the Senate calendar for next week but the opponents probably will try to table it again. Estimate of those opposed now ranges from three to six (Proxmire, Clark, Durkin, McGovern, Abourezk and Glenn). Senator Percy insists that it is not possible to move the NFAA. Industry and labor supporters of the bill are focusing their attention on 27 democratic Senators who are known to



support the bill -- with the objective of getting Senator Byrd to debate the bill even though there is opposition. Industry and labor supporters are contending that Glenn, Abourezk, and McGovern have or will remove their "holds."

- Percy Compromise. Senator Percy has proposed a compromise approach to uranium enrichment:

- 1) Dropping the NFAA as it passed the House;
- 2) Add to his non-proliferation bill, language to:
 - Authorize the Portsmouth plant;
 - Authorize you to submit a detailed plan for encouraging the private uranium enrichment industry, "including a discussion of specific terms" of proposed cooperative agreements with private firms. The plan would be referred to the JCAE and that Committee would have 60 days to give its views and recommendations to each House of Congress together with legislation to implement their recommendations. (Bob Fri believes this would permit proposing contracts and authorizing legislation at the same time as the plan.)

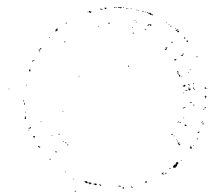
Fri has proposed, but Percy has not accepted, a further clause that requires an up or down vote on the JCAE recommendations within 30 legislative days. Fri believes Percy would push for this clause if you insisted it is necessary.

Except for the disputed clause, the compromise provides no new authority. Specifically, authority for Portsmouth will be provided in the ERDA Authorization Bill even without the NFAA and you can submit reports, plans, proposed contracts and draft legislation anytime.

ALTERNATIVES

There are three principal alternatives available for your consideration:

- Alt #1. Hold to the proposal you presented to Senator Percy and others on September 17, that you would urge Senator Baker to remove his hold if (a) the NFAA was scheduled for Senate floor action under a time agreement, and (b) non-proliferation legislation acceptable to you was negotiated with Senator Percy and others.



- Principal arguments for this approach are that:
 - (a) it is a logical position in that U.S. ability to get other nations to accept our non-proliferation goals depends upon our reliability as a supplier of uranium enrichment services; and (b) it is consistent with the position you presented to Senator Percy and others.

- Principal argument against this approach is that you will be open to the charge of obstructing non-proliferation legislation and you may not get the NFAA anyway.

- . Alt. #2. Endorse the Percy compromise approach which adds some kind of uranium enrichment provisions to the non-proliferation bill.
 - Principal arguments for this approach are that:
 - (a) you would be postured in favor of non-proliferation legislation and willing to compromise or give in on uranium enrichment,
 - (b) it ties non-proliferation and at least some reference to private uranium enrichment together, and (c) it may be the only chance of getting any Senate legislation referring to uranium enrichment this session.

 - Principal arguments against this approach are that: (a) it would remove all possibility of getting a vote next week on NFAA, and (b) depending upon the language on uranium enrichment that is added to the non-proliferation bill, the result may be less acceptable than merely accepting defeat of the NFAA for this session and submitting a new proposal in January.

- . Alt. #3. Accept the non-proliferation legislation without any provision for uranium enrichment, urge Senator Baker to remove his hold, and let the NFAA live or die this session separately from non-proliferation.
 - Principal arguments for this approach are that it (a) postures you in favor of non-proliferation legislation, (b) leaves options open on uranium enrichment for next session, and (c) puts the Senate, at least, on record as to appropriate nuclear export criteria -- a move that may head off NRC promulgation of less acceptable criteria.

 - Principal arguments against this approach are that it (a) is a reversal of the position you have taken with the Senators with respect to the NFAA, and (b) it foregoes whatever gains

might be achieved if Percy is able to seal the vote forcing clause on uranium enrichment that Bob Fri has proposed.

It may be possible to mitigate the negative effects of holding fast to Alt. #1 by (1) sending a strong letter on non-proliferation to the Senate, and/or (2) proceeding promptly with a major statement on non-proliferation. The critical importance to non-proliferation of expanded uranium enrichment capacity should be emphasized.

RECOMMENDATIONS

OMB*, Alt. #1. Maintain hold on non-proliferation legislation unless NFAA is taken up.

ERDA, NSC, State** Alt. #2. Accept Percy compromise.

Domestic Council Alt. #3. Sever relationship between NFAA and non-proliferation legislation

* OMB favors Alt. #1 with the mitigating step outlined above. OMB notes that the Fri clause on uranium enrichment provides very little unless it permits ERDA to sign contracts if Congress fails to act.

** If Alt. #2 cannot be accomplished, Alt. #3 would be the backup recommendation of NSC and State.



Energy

THE WHITE HOUSE
WASHINGTON

Request

September 27, 1976

MEMORANDUM FOR: JIM CANNON
FROM: *Glenn* GLENN SCHLEEDE
SUBJECT: WORK PLAN

Here is a copy of the draft "work plan" suggested by Bob Fri. We have discontinued work on this particular effort -- at least temporarily -- because:

- it did not appear to be a useful decision document, and
- we began work on the fact sheet and statement which seem to provide better vehicles for sorting out the issues.

Tab C to Bob's draft memo is the most useful document, but all aspects of that have not been agreed to.

With respect to Tab B, OMB has gone beyond this formulation in their work on the fact sheet.

Attachment

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etc
|



MEMORANDUM FOR: THE PRESIDENT
SUBJECT: Work Plan for Implementing Your
Nuclear Policy

In addition to the major options on the US stance on nuclear reprocessing (already presented to you), the Fri report recommends a number of initiatives in which the agencies and your senior advisers generally concur. However, more work is required to: (a) determine how best to frame certain initiatives for a Presidential message on nuclear policy; (b) prepare detailed program, budget, and legislative material; and (c) begin the process of refining and implementing the recommendations.

Accordingly, this memorandum requests your approval of a directive to initiate this work.

The work to be accomplished is set forth in Tabs A, B, and C, as follows:

1. Tab A describes the international initiatives recommended for inclusion in a message. The State Department should alert several other countries that we are considering these initiatives and should join ERDA in advising key Congressional leaders of your intentions before the message. If these consultations surface any serious adverse reactions, these would be drawn to your attention and your message would be shaped accordingly. In



his comments on the Fri report, Secretary Kissinger requested your approval of the necessary international contacts.

2. Tab B describes the work needed to shape the domestic reprocessing initiative for your message, and to prepare detailed program and budget proposals for your consideration in formulating your FY 1978 budget.

3. Tab C contains a consolidated list of assignments that should be completed to develop a message and to prepare for implementation of the recommendations of the Fri report. If issues requiring your decision arise as this work progresses, they will be presented to you.

If you approve of this work plan, Tabs A, B, And C will be sent to the appropriate agencies with a directive to take the actions you have endorsed.

_____ Approve

_____ Disapprove



INTERNATIONAL INITIATIVES TO BE
DISCUSSED, IN PRINCIPLE WITH OTHER STATES

The Fri report recommends several major international initiatives, that could be incorporated in a Presidential nuclear policy message. The Secretary of State has recommended certain consultations take place before the message is delivered.

Consultation with other states on several of the initiatives should proceed, to at least alert them that the initiatives might figure importantly in an overall address the President might present on US nuclear policy, and, within the time constraints involved, to reflect the results of these consultations in the message. Proposals on which consultations should proceed are outlined below.

Strengthening IAEA Safeguards

IAEA safeguards are a key element in US nonproliferation strategy but require material strengthening. Other nations should be alerted that the President will announce the commitment of additional US technical support to IAEA by:

- . Offering to establish dedicated groups at one or two ERDA laboratories to support the IAEA inspectorate;
- . Sponsoring safeguards demonstrations in the US with IAEA participation.

From a longer-term standpoint, State, ERDA, and ACDA should:

- . Explore promptly whether more effective IAEA procedures and rights for surveillance during construction and shutdown periods are warranted and negotiable;
- . Furnish proposals for expanding the safeguard resources, including manpower, that are available to IAEA.



Relatedly, states should be informed that the U.S. will continue to press for more timely information to gauge the effectiveness of IAEA safeguards. Also, should it be necessary to assure the effective safeguarding of sensitive facilities, the U.S. will reserve the right to supplement IAEA inspectors with a US presence.

Storage of Excess Spent Fuel and Separated Plutonium Under IAEA Auspices

The United States has proposed to the IAEA Secretariat and other suppliers that the IAEA activate a regime under which such excess stocks of spent fuel and plutonium would be deposited, temporarily, in IAEA repositories, pending actual need. Title to the material would remain with the state, and it would be returned only in quantities justified by prompt use.

To be successful, broad support of the concept will be needed from supplier and consumer states. The President intends to: (a) give the concept strong public support; (b) announce that the US, in principle, is prepared to donate a special grant to the IAEA (if needed) for the purpose of helping establish the regime, and to offer to provide a US storage site; and (c) state that henceforth, consumer state willingness, in principle, to participate in such will be a US criterion for concluding new and amended US agreements.

To ensure that the initiative is not perceived as unfairly discriminatory, the President intends to announce that, in principle, the US would be prepared to place its own excess civil designated spent fuel and separated plutonium in IAEA depositories pending a US need, if a generally satisfactory and broadly adhered to regime can be developed and established.

It is recognized that details of a storage regime may require several months to establish. Thus, some might argue that a US pledge to participate is premature. Nevertheless, without strong US leadership, it is doubtful whether others will join, and it is believed the US, in any case, will have the dominant voice in shaping the structure. However, a US pledge to participate could put pressure on the UK, France and others to follow with similar offers. For this reason the State Department should consult promptly with these and other countries beforehand. State and ERDA also should consult with key Congressional leaders to verify that there would be no serious opposition to the above proposals.



Restraints to be Applied to US Agreements

US agreements for cooperation typically are of a long-term nature. We have them with states party and not party to the NPT. The Indian nuclear explosion created pressure to toughen our conditions in new agreements, by seeking, inter alia, veto rights regarding where US supplied nuclear fuel or fuel employed in US supplied reactors can be reprocessed; assurances that adequate physical security measures will apply; and assurance that US-supplied material or facilities not be used in any nuclear explosive including those for so-called peaceful purposes.

The Fri report recommends some tightening in our overall terms. However, it strongly cautions against having the US proceed too far unilaterally, favoring an approach under which we would seek to tighten existing agreements through negotiation rather than through unilateral means.

The President intends to announce this overall approach. To this end the State Department is instructed to alert appropriate nations of the approach, and that the US plans to apply the following criteria in negotiating new or amended agreements and will work to achieve common supplier acceptance of them:

1. Reaffirm the London Suppliers Guidelines (restraints over retransfer of material, replication of technology, and physical security) as a minimum requirement.
2. Adhere, in addition to the above minimum requirement, to the following publicly-articulated criteria to be considered in review of new and amended agreements:
 - a. Whether nonweapon recipients are NPT parties or are clearly planning to adhere to the Treaty, or are prepared to submit all of their nuclear facilities to safeguards.
 - b. Whether they are prepared to foreswear or postpone for a substantial period the establishment of national reprocessing or enrichment activities, or (for nations having these capabilities) are prepared to consciously shape and schedule their reprocessing and enriching facilities to foster nonproliferation goals by delaying until economic needs are real and by satisfying the requirements of others by accepting spent fuel for reprocessing through a multinational or binational approach.



- c. Whether they are prepared, in principle, to participate in an international storage regime under which excess spent fuel and separated plutonium would be placed in IAEA custody pending use.

It would be understood that departures from these standards would require the President's personal approval.

It is recognized that the problem of public presentation of these criteria will be difficult, particularly given our need to preserve flexibility to deal with non-NPT countries (notably Egypt and Israel) in selected cases when it is in our nonproliferation interest. It is believed this problem can be resolved in the preparation of the final text of the Presidential message.

Sanctions

The State Department should alert other nations that the President plans to state a sanctions policy, as described below. Selected other nations (especially suppliers) should be urged to make similar announcements or to adopt comparable public policies.

1. For its part, the United States would regard any material violation of a nuclear safeguards agreement, such as a detected diversion, to be an extremely serious affront to the world community.
2. Any further nuclear proliferation, regardless of whether it is under the guise of developing a peaceful nuclear explosive device, would undoubtedly greatly enhance global and regional instability and bring the world closer to a nuclear holocaust.
3. Accordingly, if any state materially violated a safeguards agreement to which we are a party, we would, as a minimum, immediately cut off our nuclear fuel supply and cooperation. Moreover, regardless of whether we, ourselves, are a party to a safeguards agreement, we would judge a material one with the IAEA, to be of such grievous concern to warrant immediate reexamination and broad consultations with all suppliers and consumers to discuss the nature of the punitive or remedial actions that should be taken collectively.

As part of our longer-range work program, the State Department should:

1. Seek supplier agreement to press for an IAEA decision to direct the curtailment or suspension of nuclear assistance to a state violating Agency safeguards;



2. Seek a multilateral agreement to suspend or terminate cooperation with any additional nonnuclear weapons state hereafter acquiring or testing a nuclear device regardless of whether a safeguards violation is involved;
3. Systematically reinforce its position on sanctions in its contacts with other nations.

Incentives

The Pri report proposes new policies to encourage other nations to accept the US view of reprocessing and export restraints:

Consumer Incentives

- . Offer to nations (those outside Europe and Japan and preferably NPT parties) that accept our conditions on reprocessing an opportunity for the US to acquire their spent fuel, with compensation in cash or fresh, low-enriched fuel. This buy-back option probably would be exercised only sparingly, mainly in sensitive areas. In other areas, reprocessing would be permitted in a few binational/multinational facilities or such services could be performed by supplier states.
- . Offer to these nations technical assistance in arranging for spent fuel storage in the US or overseas, in anticipation of the IAEA storage regime.
- . Extend an offer for immediate fuel exchange at a negotiated price to nations in highly sensitive areas (India, being the prime example).
- . Assure, for nations accepting our restraints policy, enrichment supply under USG guarantee, subject to capacity limits, covering both regular enrichment services and additional services required to implement our fuel exchange agreements. This assurance would extend to private sector enrichment plants, in which these nations would be invited to invest.

Supplier Incentives

- . Offer tie-in arrangements, particularly to France and FRG, whereby the USG would guarantee enrichment services at



nondiscriminatory prices to their reactor customers and/or offer separative work contract opportunities to European enrichers in connection with US reactor sales if they move significantly closer to our general constraints policy on reprocessing. This guarantee could be subject to capacity limits, and would be couched in terms assuming private enrichment.

- If interest is expressed in such arrangements, invite suppliers' (as well as consumers') investment in US private sector enrichment plants in return for assured supply for tie-in sales.
- Seek binational arrangements with Japan leading to jointly sponsored reprocessing of their fuel at a mutually agreeable time, and encourage European suppliers to pursue the United Reprocessors venture (France, Germany, UK) as a model for multinational plants.

The Department of State is instructed:

- To alert other interested countries on a selective basis of these new policies in very general terms stressing that they are compatible with positions we have expressed in the London Suppliers Group.
- Stress our interest in evolving our specific terms and conditions in a collaborative manner with other suppliers under terms that will avoid our creating any impression that we are seeking a commercial advantage unduly.
- Tailor the approaches to the FRG, France, Germany and Japan to above recommendations, but without attempting to get into detailed negotiations at this juncture.

State and ERDA are also instructed to communicate in a general way, to other suppliers, our desire to develop an arrangement with other suppliers for neutralizing competition for fuel cycle services and facilities. One possible approach favored by the State Department would be that the US should publicly favor the establishment of a "bank" or "pool" of supplier enrichment and reprocessing services to meet the needs of other nations. It has been decided that this idea requires further study before detailed presentation to other countries, and such internal study should proceed immediately.



Finally, State should pursue a two-year moratorium among suppliers on transfers of sensitive technology. Should the President decide to publicly endorse a moratorium, the State Department will be instructed to hold advance consultations with other suppliers known to favor a confidential approach.

Uranium Enrichment

Effective implementation of a tougher US stance on nonproliferation, as outlined in the Fri report, is highly dependent on perceptions of the US as a stable and reliable supplier of enriched uranium.

It is anticipated that the Presidential message will include a strong statement underscoring determination of the US to remain a reliable supplier, with the specific phrasing dependent on the then current status of the Nuclear Fuel Assurance Act.

Physical Security

The Fri report notes that the US is the world leader in promoting effective physical protection, and the principal nuclear suppliers have recently agreed, as a matter of national export policy, to require of customers adequate physical security. An international convention on physical protection has been discussed with interested countries, with lukewarm response.

On the whole, the report concludes that this is an area where reasonable progress is being made. The President intends to announce that the US will continue to press for upgrading standards worldwide. Accordingly, as part of the longer-range work program, the State Department, ERDA and other interested agencies should:

- . Pursue the international convention on physical security to the extent of taking diligent soundings about the real prospects of broad international support, recognizing that foreign interest only is moderate.
- . Continue to promote broad collaboration on developing and implementing physical security measures (for example, seek to develop close association with the European Community to encourage common nuclear standards).



Nonnuclear Technology Incentives

Collaboration on nonnuclear and advanced energy technologies should be focused on nations that are prepared to accept our policy on nuclear export restraints. In particular, benefits could be achieved near-term by providing selected countries with: (a) assistance in energy systems analysis and assessment of energy development strategies; and (b) technological help in developing indigenous fossil energy resources.

As part of the longer-range program, ERDA and the Department of State should undertake a joint, detailed review of the new international cooperative possibilities in these areas, emphasizing countries of proliferation concern, with a report of action recommendations to be made to the President in ninety days.



DOMESTIC REPROCESSING INITIATIVE

The President has approved as U.S. policy that reprocessing should proceed only if safety, safeguards, and economic benefits can be demonstrated clearly. To implement this policy, we will undertake appropriate technological demonstrations subject to the following guidelines:

- . Planning and design of demonstration facilities are to proceed as necessary to bring reprocessing on line when needed, if a decision to proceed with reprocessing is made.
- . Nonproliferation goals will weigh heavily in the final decision, along with energy and economic considerations.
- . Government assistance in commercial-scale demonstration of reprocessing will be provided to resolve uncertainties.
- . A significant program will be launched to develop alternative ways to obtain energy and economic benefits from spent fuel.

General Approach

The following general approach will be followed to implement the domestic reprocessing initiative:

- . The President will announce the general U.S. intention to undertake a major program to assess reprocessing economics, safeguards, and safety; demonstrate technology, including waste treatment; and assess alternative technologies.
- . International participation will be invited in the domestic reprocessing demonstration program.
- . Part of demonstration capacity may be used to serve foreign reprocessing needs.
- . Specific requirements for facilities and RD&D programs will be evaluated and announced in the fiscal 1978 budget.
- . Development of spent fuel storage facilities in the private sector will be encouraged.



Implementation Issues

The following are major issues to be resolved in design of the domestic reprocessing demonstration program:

- . In what time period will a decision be possible regarding proceeding with reprocessing and recycle, given regulatory and technical uncertainties?
- . How can negative impacts on industry, international initiatives to contain the spread of reprocessing, and development of breeder reactor technology be minimized?
- . What type and size demonstration facilities are required to resolve uncertainties?
- . What role should the existing AGNS facility play and under what cost-sharing criteria?
- . What criteria apply to international (IAEA, Japanese and United Reprocessors) participation?

Implementation Tasks

To be completed by September 25, 1976:

- . ERDA will evaluate the time period in which the US would be able to decide on the acceptability of reprocessing in the US. Impacts to be considered include: decision dates of private reprocessing industry; utilities' plans; reaction of nuclear critics.
- . ERDA will determine the specific steps required to develop program and budget proposals for decision in the FY 1978 budget cycle.
- . ERDA will provide suggested responses to questions (expected after the message is delivered) related to the above issues.

To be completed by October 31, 1976:

- . State, with ERDA support, will recommend principles for negotiating foreign participation.



- State, With ERDA and ACDA support, will establish a working relationship with IAEA to develop joint safeguards demonstrations in US facilities.
- ERDA, with NRC consultation, will evaluate implementation strategies in light of GESMO uncertainties.
- ERDA, with NRC consultation, will recommend whether licenses should be sought for demonstration facilities.
- ERDA will establish criteria for private sector cost-sharing and management participation (including foreign) in the demonstrations.

To be completed by December 31, 1976:

- ERDA will negotiate with private participants the cost-sharing arrangements for demonstration facilities to be built by USG.
- State, with ERDA support, will open negotiations to ascertain Japanese and United Reprocessors interest in participating in US demonstrations.
- ERDA will prepare detailed plans for use of AGNS facility, including, as appropriate, reacquiring land and building facilities for plutonium conversion and storage, mixed oxide fabrication prototype, and waste solidification.
- ERDA will prepare a program for assessment of alternative technologies for obtaining energy and economic value from spent fuel.
- OMB, with ERDA and State, will evaluate and recommend FY 78 budget for the domestic demonstrations program.



TASK ASSIGNMENTS

The attached tables present a consolidated list of assignments for work to be completed in three time periods-- by September 25, 1976; by December 31, 1976; and by March 31, 1977. The tables:

- . Describe the actions required. In many cases, these actions are described in Tabs A and B, and are incorporated by reference in the tables. Otherwise, a short statement of the action needed is given.
- . Refer to the appropriate section of the Fri report for background.
- . Assign responsibility.

It is expected that the responsible agencies will report the results of the action taken to the NSC, the Domestic Council, and the OMB by the date indicated.



1. Actions To Be Completed Before September 25, 1976

<u>Action</u>	<u>Reference</u>	<u>Responsibility</u>
A. Prepare message	-	White House
B. Undertake advance consultations	See Tab A	See Tab A
C. Q and A on domestic reprocessing initiative	See Tab B	See Tab B
D. Prepare Q and A on application of new policy to India, Taiwan, Egypt, and Israel	-	NSC
E. Develop recommendations on public announcement of two-year moratorium	See Tab A; Fri report, p. 23	State



2. Actions To Be Completed Before December 31, 1976

<u>Initiative</u>	<u>Reference in Fri Report</u>	<u>Action Required</u>	<u>Responsibility</u>
A. Safeguards demonstrations with IAEA	Pages 10, D6-7	See Tab B	See Tab B
B. More effective IAEA procedures for surveillance during construction and shutdown	Page 10	See Tab A	See Tab A
C. Supplement IAEA resources	Pages 10, D 8-9	See Tab A	See Tab A
D. "Sister" laboratories for the IAEA	Pages 10 D 8-9	Develop specific proposal	ERDA, State
E. Sanctions	Pages 13-14	See Tab A	See Tab A
F. Incentives	Pages 21-22	See Tab A	See Tab A
G. Reprocessing demonstration	Pages 29-31, H 1-2	See Tab B	See Tab B
H. Assured enrichment supply	Page 23	Develop options for increasing assurance of U.S. supply upon final action on NFAA	ERDA, State



2. Actions To Be Completed Before December 31, 1976 (Cont'd)

<u>Initiative</u>	<u>Reference in Fri Report</u>	<u>Action Required</u>	<u>Responsibility</u>
I. Proliferation intelligence	Pages 34-35	Recommended program	DCI, DOD, State, ERDA, ACDA
J. Nonnuclear technology	Pages 33-34	See Tab A	See Tab A
K. Waste management	Pages 33, I 2-4	Develop detailed schedules and organizations	OMB



3. Actions To Be Completed Before March 31, 1976

<u>Initiative</u>	<u>Reference in Fri Report</u>	<u>Action Required</u>	<u>Responsibility</u>
A. Upgrading existing agreements for cooperation	Page 17	Develop negotiating plan	State
B. IAEA storage regime	Pages 8-9	Develop detailed proposal	State, ERDA
C. Neutralize fuel cycle competition	Page 22	See Tab A	See Tab A
D. Physical security	Pages 10-11	See Tab A	See Tab A
E. Nuclear policy organization	Page 35	Recommend action, if any	NSC, Domestic Council, OMB



THE WHITE HOUSE

WASHINGTON

September 27, 1976

MEETING ON NUCLEAR POLICY

Tuesday, September 28, 1976

10:30 a.m. (30 minutes)

The Cabinet Room

From: James E. Connor

I. PURPOSE:

To permit Bob Fri briefly to review the nuclear policy paper and to elicit comments from those agency and department heads who may have some strong views on the subject.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN:

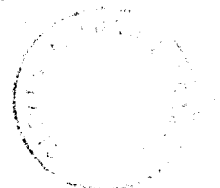
A. Background: At your direction, Bob Fri directed a six-week study of nuclear policy. The study was recently completed and a memorandum on the subject was submitted to you on September 15th from Jim Lynn, Jim Cannon and Brent Scowcroft.

B. Participants: Attached at Tab A.

C. Press Plan: No announcement to the press. David Kennerly photo only.

III. TALKING POINTS:

Attached at Tab B.



Participants in Meeting on Nuclear Policy
September 28, 1976 (10:30 am)

Robert Fri, Deputy Administrator, ERDA

Charles W. Robinson, Deputy Secretary of State

William P. Clements, Deputy Secretary of Defense (for Secretary Rumsfeld,
who is out of the city)

Under Secretary of Commerce, Edward Vetter (for Secretary Richardson
who has speaking engagements out of the city)

Frank Zarb, Administrator, FEA

Russell Train, Administrator, Environmental Protection Agency

Robert Seamans, Administrator, ERDA

Fred Ikle, Director, Arms Control and Disarmament Agency

James Lynn, Director, Office of Management and Budget

James Cannon, Assistant to the President for Domestic Affairs

Brent Scowcroft, Assistant to the President for National Security Affairs

James Connor, Secretary to the Cabinet



MEETING ON NUCLEAR POLICY

September 28, 1976 (10:30 am)

TALKING POINTS

1. All of your departments and agencies have participated in the comprehensive study directed by Bob Fri regarding nuclear policy. I want to thank each of you for your participation and compliment you, particularly Bob Fri, on the quality of your effort. I have asked Bob briefly to review the study and the broad options before us. I will then open up the floor for discussion. Bob, ...
2. [At close of the meeting] Thank you all for your views. You will have my decision shortly.
3. Again, let me thank you for the effort you have all put into this study and for being here today.

9/30/76

NON-PROLIFERATION MESSAGE

The promise of nuclear power is great indeed. Nuclear power is central to the energy independence of many countries. Its wise use can afford all people an unprecedented opportunity for economic well being, and protection from those who would use their energy resources for political purposes.

But we know that we cannot realize the promise of nuclear power unless we are prepared to deal forthrightly and effectively with its risks. The risks, like the promise, are great.

Nuclear fuel, once it has been burned to produce power, contains plutonium. By the relatively simple technique of chemical reprocessing, this plutonium can be separated and made available to generate additional power. But the same plutonium, when separated in its pure form, is the stuff of nuclear explosives. The world community simply cannot afford to let this dangerous material fall into irresponsible hands.

We must face both the promise and risk of nuclear power. We must strive to satisfy each nation's legitimate interest in nuclear power production. But we must also realize that we are all in danger unless we can insure that nations renounce the explosive uses of the atom, place adequate controls over the generation and storage of plutonium, and secure this dangerous material against the threat of theft and diversion.

During the past two years, no issue has been of greater concern to me, nor the subject of more intense effort on the part of my Administration. And we have made remarkable progress in reducing the threat of nuclear proliferation.

We have taken vigorous steps to slow the spread of plutonium reprocessing. Our stands in opposing reprocessing in Taiwan and Korea have been firm and successful. We have negotiated agreements for nuclear cooperation with Israel and Egypt that are models of restraint in nuclear cooperation. We have offered to buy back spent nuclear fuel from India to ensure against its unwise use, and I believe this offer will be accepted.

Early in my Administration I became concerned that some nuclear supplier countries were becoming tempted to offer less rigorous safeguards requirements to potential customers in order to increase their competitive advantage. I directed the Secretary of State to explore ways of limiting this dangerous form of competition. The first nuclear suppliers conference was convened quietly in London in April 1975. Since then there have been five more meetings plus a host of bilateral sessions. The results have been gratifying.

We have developed tighter new guidelines to govern nuclear exports -- the first undertaking of its kind. I have adopted these guidelines as U.S. policy for nuclear exports.

I have met repeatedly with Members of Congress to hammer out new legislation on nuclear proliferation. With the particular help of Senators Percy and Pastore, and Representatives Anderson and Price, we have agreed on realistic, constructive and imaginative proposals.

I have proposed legislation that would allow the United States to retain its position as a reliable supplier of nuclear fuel without imposing enormous burdens on the taxpayers. The House passed, but the Senate did not act on this legislation and, in so doing, contributed to a weakening of our nonproliferation policies. I will continue to press for this proposal.

We have also shaped our domestic program with a careful eye to nuclear safety and nonproliferation. We have deferred for ten years a decision to place the breeder reactor in commercial operation, in part because we must prove its safety.

Similarly, I have increased by four fold my budget for our program to dispose of nuclear waste. We expect to demonstrate a full size waste depository by 1985. I have recently directed, however, a speed up of the program to demonstrate the components of waste disposal technology by the end of 1978. I have also directed that the first repository be submitted for licensing by the Nuclear Regulatory Commission to ensure its safety and acceptability to the public.

Despite the steps already taken -- steps that give us the strongest nonproliferation stance this country has ever had -- I recently ordered a fullscale review of our entire policy in this area. I received the results of this review before Labor Day, and I have considered its recommendations carefully.

I particularly directed this review to examine the central issue of chemical reprocessing, and to evaluate the risks and benefits of its use.

I have concluded that our interests do not lie in the early development of plutonium reprocessing. Many have long believed that this technology is a natural and desirable part of nuclear power. Some day it may be, because it may extend our energy supply and reduce the cost of generating nuclear power. That day may come, but it is not here now.

We must banish from our thinking the belief that plutonium reprocessing is inevitable. Our policy must rather be this -- that our nonproliferation goals must always dominate our economic interests, and that the burden of proof falls on those who advocate plutonium reprocessing.

Accordingly, it is the policy of the United States that plutonium reprocessing should proceed only if its safety, security, and economic benefits can be clearly demonstrated. This is the policy that we will follow at home, and the policy we strongly urge on other nations.

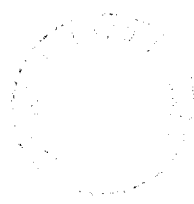
By adopting this policy, we gain the time to make a sober examination of the wisdom of plutonium reprocessing. Fortunately, there is little urgency in developing plutonium reprocessing, and we can take the time we need with little injury to anyone.

But this cannot be an empty policy.

For more than a year the United States has privately urged supplier nations to stop the export of sensitive nuclear technology.

It is now time for all supplier nations to cease the export of enrichment and reprocessing facilities and technology for a least three years. During this time, we can work out the details of a program to examine carefully the wisdom of plutonium use. During this time, our efforts should not be influenced by pressures to approve the export of these sensitive facilities.

If we can gain the time to act wisely, we must use the time well. The United States is prepared to do so. And, in this spirit, I am prepared to commit now to an unprecedented series of initiatives, as evidence of our commitment to a policy of nonproliferation and as an earnest for all other nations of the world to join with us.



Our first task must be to strengthen the system of international controls over nuclear exports.

Like all parties to the NPT, the United States has a special responsibility to share the benefits of peaceful nuclear energy with non-nuclear states. We have long given highest priority to being a reliable supplier of nuclear fuel and equipment. We recognize that this is in the interest of all nations.

However, given the choice between commercial advantage and promoting our nonproliferation goals, we are readily prepared to sacrifice the former. There should, however, be no incompatibility if common nuclear export policies are developed worldwide, and if all suppliers show common restraint and responsibility.

I believe the supplier nations must adhere to even more rigorous controls in their export policies, and they should favor those nations that accept responsible nonproliferation policies. I also believe that consuming states are fully entitled to understand our ground rules for nuclear supply, certain in the knowledge that, if they meet our tests, equipment and materials will be provided on a timely basis.

In the course of the last 18 months, the progress we made in discussions with other supplier nations leads me to conclude that they will be responsive to our leadership in establishing new and more rigorous criteria for international nuclear agreements.

Accordingly, I have directed that the U.S. Government henceforth adhere to the following criteria in judging whether to enter into new or expanded nuclear cooperation with a nonnuclear weapon state.

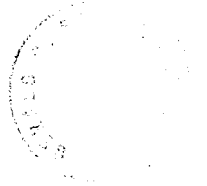


Above all, the U. S. will consider whether a nation is party to the Treaty on the Nonproliferation of Nuclear Weapons, or is in the process of adhering to that Treaty, or whether it is prepared to have its entire civil nuclear program subject to a safeguards arrangement with the International Atomic Energy Agency.

The U. S. will seek clear evidence that the cooperating nation is prepared to forego, or substantially delay, the establishment of further national reprocessing or enrichment activities, or to delay and shape these activities to satisfy the needs of others through the establishment of appropriate international arrangements. Furthermore, we will determine whether the nation is prepared in principle to participate in an international regime for protecting and storing excess civil plutonium pending actual use and need in civil programs.

I realize that there may be occasions when proliferation interests would be best served by cooperating with states not yet meeting these tests. However, before approving any such new cases, I would expect to make a personal determination that procedures to be followed would advance our nonproliferation interests.

I believe that these principles should apply to all agreements for cooperation in nuclear matters. I have therefore directed the Secretary



State to enter into negotiations to insure that the United States conforms to these principles in all its relationships with other countries. I have also directed the Secretary to open discussions with other nuclear suppliers to shape our common principles along these lines.

The U.S. will strive to implement these new arrangements during the moratorium on exports of sensitive nuclear technology.

Such arrangements will protect the world from the threat of nuclear proliferation while we take up the crucial task of testing the wisdom of plutonium reprocessing.

If plutonium reprocessing is to prove acceptable, we must answer three questions:

First, we must know whether we can develop the system of international controls that will ensure against the diversion or theft of plutonium, if and when it is used as a fuel.

Above all, we need to turn our attention to the control of the plutonium itself. No nation or group can have easy access to it. To this end, the United States will, in the immediate future, undertake urgent discussions aimed at the establishment of a new international regime to place under international custody and control spent reactor fuels and civil plutonium,

We believe that such a regime could provide additional assurance to the world at large that the growing accumulation of spent fuel and plutonium can be stored safely pending reentry into the nuclear fuel cycle or other disposition.

We urge the International Atomic Energy Agency, which is empowered to establish such a repository, promptly to elaborate and implement this concept. We are prepared to work cooperatively with other nations in developing this idea, and we are willing to pledge additional resources, including U.S. facilities, to the International Atomic Energy Agency for this specific purpose.

Also, once a broadly representative regime is in force, the United States is prepared to commit to place our own excess civil spent fuel and plutonium under IAEA auspices pending a need in our civilian nuclear power program.

A second element of the international control system is an effective procedure to safeguard plutonium against diversion, and to secure it against theft by terrorist groups, when it is outside an international repository. It is of central importance that our procedure for safeguards and security be developed to the fullest before we can make a responsible determination on the safety of reprocessing throughout the world.

For this reason, the inspection system of the International Atomic Energy Agency remains a key element in our entire nonproliferation strategy. I ascribe the highest importance to seeing that this system broadly applies to nuclear power programs throughout the world.



It is crucial for the world community to insure that the Agency has the requisite technical and human resources to keep pace with its expanding responsibility. Accordingly, I have directed a major commitment of additional financial resources to the IAEA, and also a mobilization of our best scientific talent. Two of our principal national laboratories have been directed to provide support, on a continuing basis, to the IAEA Secretariat.

In the same vein, the terrible increase in violence and terrorism throughout the world has accentuated our awareness to the need to assure that sensitive nuclear materials and equipment are rigorously protected. Fortunately, there is broad awareness of this problem, and many nations are materially strengthening physical security by taking into account the guidelines already prepared by the IAEA. Compliance with adequate physical security measures is also becoming

a normal condition of supply, and this is an area where all suppliers and consumers share a common interest.

However, the United States strongly believe that steps are needed to upgrade physical security systems to meet the international norms, and to assure timely international collaboration in the recovery of lost or stolen materials. This is an area that we plan to pursue diligently both on a bilateral and multilateral level, including the exploration of an international convention and other techniques.

To build a system of international controls that I have just outlined is an enormous task, and one on which the U.S. is prepared to embark with all its resources. However, no system of controls is likely to be successful if a potential violator judges that his acquisition of a nuclear explosive will be received with indifference by other nations.

For its part, the United States will act to dispel any such notion. We would regard any violation of a nuclear safeguards agreement, such as diversion of nuclear material to be an extremely serious affront to the world community and to all peace-loving nations throughout the world.

Accordingly, if any state violated a safeguards agreement to which we are a party, we would, as a minimum, immediately cut off our nuclear fuel supply and cooperation. Even more adverse effects

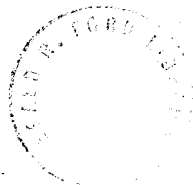
would undoubtedly occur in our relationship with the state concerned.

Moreover, regardless of whether we ourselves are party to the safeguards agreement, we would judge the material violation of any safeguards agreement, particularly one with the IAEA, to be of such grievous concern to warrant immediate reexamination and broad consultation with all suppliers and consumers to discuss the nature of the punitive or remedial action that should be taken collectively.

There is a second major question to be resolved before we can judge the wisdom of plutonium reprocessing. We must determine if the nations of the world can adapt to a pattern in which not every nation - indeed, not many nations - have reprocessing facilities.

This is a difficult issue, for it requires nations to balance their national interest and their international obligations.

On the one hand, the international system of control that I have just described would be eroded if every nation that uses nuclear power also engages in plutonium reprocessing. However effective our international controls, they will not work if we stretch them over a multitude of national reprocessing facilities. It thus remains the policy of the United States to oppose the spread of national reprocessing and it remains our objective to encourage other nations to join us in this policy.



But there is another side to the nuclear coin. Nations that have nuclear power or may require it have a legitimate interest in the residual value of spent fuel, and in its ultimate disposal as waste. We recognize our obligation to honor these interests. I believe, therefore, that if reprocessing is to prove acceptable, we must seek a world in which all nations have equal and assured access to both reprocessing and enrichment services, but in which few nations have such facilities within their borders and in which few nations possess plutonium.

I believe we can develop such a system. As a first step, the nations that export nuclear fuel should shoulder the responsibility for it. The United States is prepared to shoulder this responsibility.

Accordingly, I now offer an alternative to national reprocessing to nations that adopt responsible restraints on their nuclear power industry. The U.S. is prepared through 1985 to acquire their spent fuel, and to compensate them in cash or in fresh low-enriched nuclear fuel. The amount of compensation will be determined at the time the fuel is ready to be reprocessed, and will ensure against any economic disadvantage.

I am also prepared to offer to the same nations assistance in arranging for spent fuel storage in the U.S. or elsewhere, in anticipation of the IAEA storage regime.

Finally, I reiterate my pledge that any country accepting responsible restraints on its nuclear power program can rely on the United States as an assured supplier of nuclear fuel. To this end, I have directed the Secretary of State to offer to negotiate binding letters of intent for the supply of nuclear fuel, to be fulfilled by either new U. S. Government capacity or by private U. S. suppliers, at U. S. discretion.

These steps will contribute to lessening the pressures for national reprocessing while the world decides on the wisdom of reprocessing. In addition it is necessary to show whether we can develop a system in which all nations share in the benefits of an assured supply of nuclear fuel, even though the number and location of facilities is limited to meet non-proliferation goals.

The appropriate agencies of the U. S. Government have been studying proposals for such a system.

I have specifically directed consultations be undertaken with Canada, Japan, and the nations of Europe to develop a prototype for such multilateral institutions.



Finally, the United States will continue to work with other nations to seek to develop nonnuclear sources of power. In particular, we are prepared to assist in the analysis of energy development strategies. We would place special emphasis on providing technological assistance in developing indigenous fossil fuel resources as an alternative to nuclear power.

Our third task in assessing the wisdom of plutonium reprocessing is a technological one. We need the technological foundation on which we can erect a structure of international controls and assured fuel supply.

I will propose to Congress in my budget next January, the details of the program to achieve these goals.



I do not underestimate the scope and complexity of the program I have just put forward. It is technically difficult and expensive. More important, its success depends on an extraordinary coordination of the policies of all nations toward the common good. The U.S. is prepared to lead, but we cannot succeed alone.

No nation should underestimate the gravity of the problem. World order, perhaps even our survival, is at stake. This is not a time for narrow vision, half-hearted attempts, or national or partisan advantage. We must move boldly, and together, for our common interest.

