

The original documents are located in Box 31, folder “NSSM 209 - Future Uranium Enrichment in the U.S. (4)” of the NSC Institutional Files at the Gerald R. Ford Presidential Library.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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December 31, 1974

MEMORANDUM FOR:

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Director, Office of Management and Budget
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Director, Arms Control and Disarmament Agency
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chairman, Atomic Energy Commission
The Executive Director, Council on International
Economic Policy

SUBJECT: Future Uranium Enrichment Capacity: NSSM 209

For purposes of clarification, the progress report on recent initiatives by the Uranium Enrichment Associates circulated on December 23, 1974 was prepared by OMB and not by the ad hoc study group, and is for informational purposes. Your comments and recommendations on the NSSM 209 study response are requested on or about January 2, 1975.


Jeanne W. Davis
Staff Secretary

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DO	<input checked="" type="checkbox"/>
INIT	_____
DATE	JAN 02 1975
ORIG	NSC
NO	1
PAGE	_____
WHICH	_____
FILE	<input checked="" type="checkbox"/>

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HR 1017104



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SECRET GDS

December 23, 1974

MEMORANDUM FOR:

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Director, Office of Management and Budget
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Director, Arms Control and Disarmament
Agency
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chairman, Atomic Energy Commission
The Executive Director, Council on International
Economic Policy

SUBJECT: NSSM 209: Future Uranium Enrichment Capacity

Attached for your information is a progress report by OMB on recent initiatives by the Uranium Enrichment Associates on uranium enrichment in the private sector. The new initiatives ~~[may satisfy the concerns that prompted NSSM 209, and therefore]~~ should be given serious consideration when preparing your comments and recommendations on the NSSM 209 study.

Jeanne W. Davis
Jeanne W. Davis
Staff Secretary

Attachment



SECRET GDS

HR 1017104

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019159

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Form

TITLE NSC Distribution Requirements: Profile
& Record

CREATION DATE 12/31/1974

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/09/2004

WITHDRAWING ARCHIVIST HJR

open with portions exempted
HJR 11/9/04

MEMO/LETTER: SUBJECT: Add-on Future Uranium Enrichment Capacity: NSSM 209

CLASSIFICATION: TS S C LOU (NO DIS)
 (Circle one) (CABLES ONLY: FROM: _____ TO: _____)

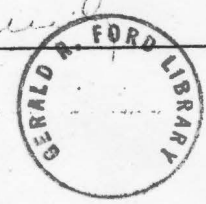
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DEPUTY SEC. OF STATE (room-7241)	1	12/31	12:10	Mr. Pensabene
SECRETARY OF DEFENSE	1	12/31	13:30	Randy F. Hall
DEPUTY SEC. OF DEFENSE	_____	_____	_____	_____
CHAIRMAN, JCS	1	12/31	13:30	Randy F. Hall
DIRECTOR, CIA	1	12/31/74	14:35	[REDACTED]
Sec. of Treasury Attn: Mr. Nensel room 4330-Main Treasury	1	12/31	1:15	Elaine T. McElroy
Sec. of Commerce room 5854-14th St.	1	12/31	1:05	(Mrs) Jan Sutton
Director of OMB	1	_____	_____	_____
Director, ACDA	1	12/31	12:16	J. J. Hirsch
Chairman, AEC room 1154-1717 H St.	1	12/31	12:30	W. C. H. Herbert
Exec. Dir. - CIEP	1	_____	_____	_____
Administrator, FEA room 3400-12th & PA. NW	1	12/31	12:45	D. L. Lind



MEMO/LETTER: SUBJECT: Add-on Future Uranium Enrichment Capacity: NSSM 209

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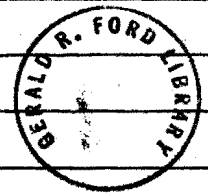
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Director, ACDA	1			
Chairman, AEC room 1154-1717 H St.	1			
Exec. Dir. - CIEP Administrator, FEA room 3400-12th & PA. NW	1	12/31/74	1209	<i>J. Nensel</i>



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SECRET GDS

December 23, 1974

MEMORANDUM FOR

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Director, Office of Management and Budget
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Director, Arms Control and Disarmament
Agency
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chairman, Atomic Energy Commission
The Executive Director, Council on International
Economic Policy

SUBJECT: NSSM 209: Future Uranium Enrichment Capacity

OMB has prepared a status report regarding the activities of Uranium Enrichment Associates, and requests that it be circulated to those now considering the NSSM 209 study.

Jeanne W. Davis
Staff Secretary

SECRET GDS

HR 1017104



~~SECRET~~

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 20 1974

MEMORANDUM FOR MAJOR GENERAL BRENT SCOWCROFT

FROM: FRANK G. ZARB *FZ*

Subject: NSSM 209 on uranium enrichment

Within the last several days there have been additional developments on uranium enrichment in the private sector which appear to us to be rather significant for the issues addressed in NSSM 209 and for the Report recently completed by the Study Group which is now being circulated to the interested agency heads for their recommendations.

I refer to the current activities of the Bechtel Corporation, prime mover in Uranium Enrichment Associates. Attached is a progress report, prepared largely by AEC staff, on Bechtel/UEA's recent activities and discussions with its potential customers, both foreign and domestic.

On the basis of a further conversation with Mr. Jerome Komes and his associates of Bechtel/UEA as recently as December 19, we at OMB believe that the Bechtel/UEA effort is an aggressive and extremely serious one and that it may well be able to satisfy the concerns which prompted the NSSM 209 study.

I should appreciate your circulating this memo and the attached summary to the members of the NSSM 209 Study Group for their information and with the request that it be made available to their principals in their consideration of the Report of the Study Group.

Attachment

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E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/93, STATE DEPT. GUIDELINES

BY *HR*, NARA, DATE 10/27/04

~~SECRET~~



Progress Report on UEA Initiative as of 12-18-74

1. UEA has recently completed another round of negotiations in Japan, Iran and several countries of Western Europe; these negotiations are expected to lead to financial participation as well as purchase of enrichment services.

2. Prospects are that these foreign nations will provide up to 60% of the financing of UEA and take a corresponding share of the capacity of the plant.

3. UEA has identified five areas of Government assistance and assurance which it believes will be necessary to make a final commitment possible. These have been discussed with AEC and OMB.

4. Three of the five areas appear to present no problem for AEC and OMB. The other two involve (a) a Government guarantee to complete the plant in the event of UEA's failure to do so and (b) purchase of up to 18 million SWUs by AEC/ERDA. The feasibility of a plant completion guarantee is being further explored, and AEC has suggested a purchase commitment in the range of 5 million SWUs. An effort is being made to resolve these matters. For example, UEA is planning an insurance arrangement which would protect the U.S. Government, at least in part, against the cost of completing the plant, if this should prove necessary.

5. UEA on December 18 met again with officials of the Edison Electric Institute (EEI) and several major electric utilities and subsequently reported to AEC and OMB that encouraging progress was made. Several utilities indicated a readiness to sign a letter of intent if some fair portion of the Government assistance measures identified by UEA could be realized.

6. The EEI executive committee will consider the UEA initiative further on January 15 (based on what is expected to be a favorable report by the group with which UEA met on December 18) and may release a public statement of support at that time.

7. UEA will meet again before the end of this month with a potential corporate partner with a view to reestablishing UEA as a multi-firm consortium.

8. At its meeting with AEC staff following its meeting with EEI, UEA estimated that partners, financing and agreements with customers could by June 30, 1975, be brought to a stage which would assure that the project would go forward.

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BY SP-6 JCS/STC

BR

10/7/04

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NATIONAL SECURITY COUNCIL

December 23, 1974

NOTE TO JEANNE DAVIS

Frank Zarb has asked that the attached be circulated to those preparing agency comments and recommendations regarding the NSSM 209 study.

D. E.

David Elliott



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File the attached package in:

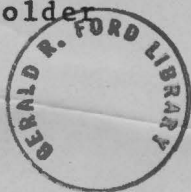
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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December 19, 1974


MEMORANDUM FOR:

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Director, Office of Management and Budget
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Director, Arms Control and Disarmament
Agency
The Chairman, Joint Chiefs of Staff ✓
The Director of Central Intelligence
The Chairman, Atomic Energy Commission ✓
The Executive Director, Council on International
Economic Policy

SUBJECT: Study of Future Uranium Enrichment Capacity:
NSSM 209

Attached is a study on U.S. Policy on Enriched Uranium, prepared by an ad hoc working group in response to NSSM 209. It includes a delineation of alternative approaches for the expansion of U.S. uranium enrichment capacity, government organizational options consistent with these approaches, and domestic and international criteria to be considered in selecting an approach.

In order that the report may be prepared for the President's consideration, your comments and recommendations are requested by January 2, 1975.


Jeanne W. Davis
Staff Secretary



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NR 1017104

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

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REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Form

TITLE NSC Distribution Requirements: Profile
& Record

CREATION DATE 12/19/1974

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/09/2004

WITHDRAWING ARCHIVIST HJR

open with portions exempted
12/11/04

MEMO/LETTER: SUBJECT: NSSM 209 Response

CLASSIFICATION: TS (NO DIS)
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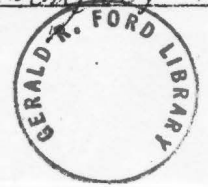
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DEPUTY SEC. OF STATE Rm. 7141	1	12/20/74	12:35	Smith
SECRETARY OF DEFENSE	1	12/23/74	0907	U. Swan
DEPUTY SEC. OF DEFENSE				
CHAIRMAN, JCS	1	12/23/74	0907	U. Swan
DIRECTOR, CIA	1	21 Dec 74	10:30	[Redacted]
Sec. of Treasury Attn: Mr. Nensel Rm. 4330 Main Treas.	1	26 Dec 74	11:07	C. J. [Redacted]
Sec. of Commerce rm. 5854-14th St. between Constit. & E	1	12/20/74	11:00	P. Cohen
Dir. OMB	1			
Dir. ACDA	1	12/20/74	11:40	Patricia [Redacted]
Chairman, AEC rm. 1154-1717 H	1	12/20/74		Sylvester Gilchrist
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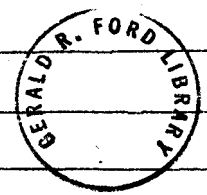
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Sec. of Commerce rm. 5854-14th St. between Constit. & E	1			
Dir. OMB	1	12/20	11:25	Randall
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2d-1

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
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WITHDRAWAL ID 019176

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Report

CREATOR'S NAME Ad Hoc Working Group

TITLE Report of the NSSM 209 Study Group -
U.S. Policy on Enriched Uranium

CREATION DATE 12/1974

VOLUME 22 pages

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

2d-2

CONFIDENTIAL/GDS

September 5, 1974

National Security Study Memorandum 209

TO: The Secretary of Defense
 The Director, Office of Management and Budget
 The Deputy Secretary of State
 The Director of Central Intelligence
 The Chairman, Atomic Energy Commission
 The Executive Director, Council on International Economic Policy

SUBJECT: Policy on the Development of Future Uranium
 Enrichment Capacity

The President has directed that the issues associated with a shift to private ownership of part of our future uranium enrichment capacity be reexamined. The study should consider but not be limited to the following:

- 1. What is the outlook for private sector assumption of the enrichment business with present and prospective technologies?
- 2. What are the prospects for adequate production resources being developed to meet the long-term projected increasing demand for uranium enrichment facilities?
- 3. What governmental actions (and associated costs) would be required to facilitate private entry and to ensure future supply?
- 4. What would be the implications of private control of enrichment for U.S. foreign policy, trade and energy policies, domestic and international nuclear safeguards, and non-proliferation?
- 5. What are the costs and implications of the U.S. governmental commitments to worldwide supply, assurance of timely availability, and nondiscriminatory access? How can it be ensured that the private sector would meet and sustain such commitments, and what would be the foreign policy implications if these commitments were not met?

174 SEP 6 PM 2:47
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 AUTHORITY: NSC Staff Report 5/9/98
 DATE: 10/11/04

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What are the prospects and implications (for example, for trade benefits and proliferation) if private activity were to result in business arrangements abroad through which enriching technology becomes subject to transfer, sale or licensing?

Can satisfactory oversight of private industry be established and adequate mechanisms developed to facilitate the planning and long-range actions necessary to maintain the appropriate U.S. stockpile of enriched uranium?

What are the organizational alternatives to private assumption of enriching services? (Each alternative should include discussion of its legislative, cost, and budget implications, probable Congressional and utility reaction, and impact on the nuclear industry.)

Based on the above analysis and other relevant factors, the study should outline the policy options open to the President and their advantages and disadvantages.

This study should be carried out by an Ad Hoc Group comprised of representatives of the addressees and the NSC staff and chaired by the representative of the Atomic Energy Commission. The study should be conducted on a close-hold basis. It should be forwarded to the President for his consideration no later than October 1, 1974.



Henry A. Kissinger

cc: The Secretary of the Treasury
The Secretary of Commerce
Counsellor to the President for Economic Policy
The Administrator, Federal Energy Administration
The Chairman, Joint Chiefs of Staff

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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
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REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Letter

CREATOR'S TITLE Chairman

RECEIVER'S NAME Edward J. Bauser

RECEIVER'S TITLE Executive Director, Joint Committee on
Atomic Energy

DESCRIPTION draft AEC comments submitted to OMB for
clearance

CREATION DATE 12/1974

VOLUME 4 pages

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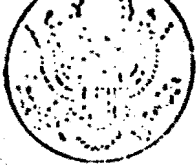
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BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR



Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Ash:

The Department of State has been requested by your office to comment on H.R. 17322, a bill "To amend the Atomic Energy Act of 1954, as amended, to establish the U.S. Enrichment Corporation, and for other purposes."

The Executive and Legislative branches of the Government have been engaged in intensive discussions for at least the past three years on how the United States should assure itself that it will have sufficient uranium enrichment capacity in the future to meet the fuel needs of the burgeoning number of nuclear power plants scheduled to come into operation. The Department of State has played an active role in the Executive branch discussions, wishing to make certain that our foreign policy interests were preserved. We are particularly concerned that the United States remain a reliable supplier of uranium enrichment services to other nations. We thereby may be able to reduce the uncontrolled spread of sensitive enrichment technology that can be used to produce highly enriched uranium for weapons purposes, and we may be also able to require the imposition of international safeguards on the slightly enriched uranium and nuclear power plants using this material that the U.S. furnishes to other nations.

Furthermore, the United States gains substantial revenues from abroad in the sale of enrichment services and from the sale of U.S.-type nuclear power plants. Our international position in this market has deteriorated markedly during the past few years, and an increasing amount of enrichment sales, of potential significant dollar value, are being lost to European enrichment organizations and to the USSR. This adverse situation

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E.O. 12958, SEC. 3.5 *State Review*

STATE DEPT. GUIDELINES

BY HR NARA, DATE 10/7/04

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is due not only to the desire of our customers to seek alternative sources of supply but also--and more importantly--to their distrust of the United States as a reliable future supplier, engendered by the changes adopted by the AEC in its Uranium Enrichment Criteria and contracting practices. Foreign suspicions have been heightened in recent months by the suspension of further contracting for enrichment services by the AEC and by the delay that is being experienced in attracting private industry in the U.S. to invest in a fourth enrichment plant.

Because of our foreign policy concerns in this field, as well as concerns about private entry and the need to assure domestic supplies of enriched uranium, the President directed, through NSSM 209, that an inter-agency study of the matter be made. The study has not been completed. The National Security Council is now obtaining on an urgent basis independent agency views in order to complete the study for the President as soon as possible. We believe that the Executive branch should not take a position on the Hosmer Bill until this study has been completed and reviewed by the President.

We believe that consideration might be given to resorting to further U.S. Government involvement in the construction of new enrichment capacity, if private entry does not occur within a reasonable time frame. One alternative under study is the establishment of a Government Corporation, whether the approach presented in the Hosmer Bill or another approach. On the assumption that the President will wish to examine all feasible options generated by the final NSSM 209 report, we are not in a position to make a firm recommendation for or against H.R. 17322 at this time. However, we do believe that if a decision by private interests to construct the next enrichment plant does not materialize soon, our foreign policy objectives will deteriorate still further, and that suitable contingency plans should be available in that event. The Government Corporation approach, which entails a considerable time delay for the passage of legislation and subsequent organizational arrangements, would not provide the short-term remedy required to overcome foreign policy concerns, whatever the long-term merits of this approach.



If the Administration should decide to support the bill, we believe that certain amendments should be made to it to insure that our foreign policy responsibilities are protected. The changes proposed are as follows:

1. Sec. 301, line 8, page 2. Insert "foreign policy of the United States," between "with" and "the".
2. Sec. 302(i) and Sec. 308(j), pages 5 and 15. Rather than denying the right to the Corporation to construct new capacity or to add to existing capacity without amendment of the Act, these sections would be more in our interest if the President were explicitly authorized to permit the Corporation to increase its enrichment capacity through construction of additional facilities upon a finding that the increase was necessary because of a compelling foreign policy reason, a national emergency or for national security reasons. If financial assistance from the U.S. Government were required to carry out the Presidential directive, then the budget process and normal legislative oversight would insure the involvement of the Congress.
3. Sec. 304(d), line 5, page 4. Insert "foreign policy of the United States," between "with" and "the".
4. Sec. 304(d), line 11, page 4. Insert "on a nondiscriminatory basis as between foreign and domestic customers," between "fuel" and "as".
5. Sec. 308(d), line 19, page 10. Add the following after "States.": "and Provided Further, That the Corporation shall offer such services to foreign and domestic customers alike on a nondiscriminatory basis."
6. Sec. 307, line 18, page 8. In title, change "COMMITTEE" to "COMMITTEES". Line 19: Insert "(a)" before "There". Add new subsection (b) following existing Section 307 as follows:
"There shall be an 'Interagency Committee on Uranium Enrichment' to advise the Corporation. This Committee shall consist of senior representatives of the Administrator of ERDA, the



Chairman of the NRC, the Secretary of State, the Secretary of Defense, the Director of the Arms Control and Disarmament Agency, and of such other officers of the United States Government as the President shall designate. The Committee shall meet periodically and shall review the activities and policies of the Corporation and provide advice on matters of domestic and foreign policy concerning the business of the Corporation. The Committee shall prepare an annual report for the President analyzing the domestic and foreign policy consequences of the activities and plans of the Corporation and making recommendations on matters of domestic and foreign policy concern."

7. Sec. 308(a), line 12, page 9. Remove the phrase "To the extent it deems necessary,".
8. Sec. 319(a), page 45. We are concerned that the exemption granted to the Corporation may be too broad, in that the Corporation does not appear to be an appropriate body to be vested with the authority to make national and international security determinations on the import and export of source and special nuclear materials and should be therefore subject to the licensing authority of the appropriate Federal agency, presumably NRC. We defer to the Atomic Energy Commission for its views on how safeguards and physical security requirements would be established and regulated for the Corporation's activities. We note also that the reference to section 18 of the Atomic Energy Act appears to be in error, since the Act contains no such section.
9. Sec. 321, page 45. Add new Sec. 321(b) as follows: "The Chairman shall consult on a regular basis with the NRC, ERDA, State, DOD and ACDA, and other Federal departments and agencies on corporate matters affecting the responsibilities of the respective departments and agencies and shall conduct its international activities under the general foreign policy guidance of the Secretary of State." Renumber present Sec. 321 (b) as (c)



and make the following changes: Line 21: Delete "shall" and insert "may". Line 20: Insert ~~the~~ "commission" before "is adverse" the words "or any other federal department or agency". Line 18: Change "(b)" to "(c)".

Cordially,

Linwood Holton
Assistant Secretary
for Congressional Relations

Drafted by:
OES/SCI/AB:JIBloom:fe *JIB*
11/20/74 (Ext. 22432)

Clearances: D - Mr. Ingersoll
OES/SCI - Mr. Sievering
S/P - Mr. Kahan
L/OES - Mr. Burton
PH/NPO - Mr. Oplinger



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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019162

REASON FOR WITHDRAWAL National security restriction
TYPE OF MATERIAL Letter
RECEIVER'S NAME Melvin Price
RECEIVER'S TITLE Chairman, Joint Committee on Atomic
Energy
DESCRIPTION draft DOJ comments submitted to OMB for
clearance
CREATION DATE 12/1974
VOLUME 4 pages
COLLECTION/SERIES/FOLDER ID . 039800391
COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS
BOX NUMBER 31
FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)
DATE WITHDRAWN 11/10/2004
WITHDRAWING ARCHIVIST HJR

MEMORANDUM

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

~~SECRET~~

January 22, 1975

FOR: David D. Elliott

FROM: Gus Weiss *Gus Weiss*

SUBJECT: CIEP Response to NSSM 209

CIEP favors private entry (option 1) but questions its likelihood, given economic conditions facing the electric utilities, the technical risk, and long pay out. The Council believes that some more time should be allowed UEA, since this appears to be the last chance for private entry and budget savings. But this time should be limited, and the USG should prepare its contingency plan for publicly owned enrichment. Also, the new energy proposals calling for 200 power reactors by 1985 were made as NSSM 209 was nearing completion; CIEP recommends that the enrichment decision be made with this long-term national goal as a consideration, and by this is meant some expedition in winding up the enrichment decision.

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DECLASSIFIED

E.O. 13526, 13527, 13528

DECLASSIFIED BY *HR* DATE *10/17/04*

CLASSIFIED BY *Gus Weiss*
EXEMPT FROM GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
EXEMPTION CATEGORY
AUTOMATICALLY DECLASSIFIED ON *Indefinite*
determine



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019163

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Letter

CREATOR'S NAME Dixie Lee Ray

CREATOR'S TITLE Chairman

RECEIVER'S NAME Henry A. Kissinger

RECEIVER'S TITLE Assistant to the President for National
Security Affairs

CREATION DATE 01/16/1975

VOLUME 2 pages

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

50 Beale Street
San Francisco, California
94105

December 23, 1974

OFFICE OF THE SECRETARY

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RECEIVED

Dr. Dixy Lee Ray
Chairman
U.S. Atomic Energy Commission
Washington, D. C. 20545

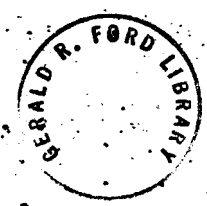
Dear Chairman Ray:

We are most appreciative of the continuing interest which has been shown by the Atomic Energy Commission in the development of Uranium Enrichment Associates with respect to the first privately owned enrichment facility to be built in the United States. Our efforts have been devoted to develop this enterprise in a manner consistent with sound business practices; acceptable to the utility customers both foreign and domestic; responsive to the requirements of the financial community; attractive to the potential investors and compatible with the expressed position of the United States Government which has committed this country to be a continuing and reliable source of enrichment services.

We are confident this project can be carried out in a fashion consistent with the aims of providing uranium enrichment facilities developed, owned and operated in accordance with private industry practices. As we visualize the development of this project, we foresee that a substantial portion of the capacity of the plant (60% as now foreseen) is contracted to foreign reactor needs. These foreign reactors are light water reactors built in accordance with U.S. technology as a part of U.S. industry sales abroad. In order to avoid the problems of political change, currency variations and other possible modifying events, the contracts will require that the foreign customer finance on a firm basis the portion of capital investment consistent with its percentage

To PA for preparation of
reply signature block omitted

Copy of incoming to Chairman Ray + PA 2 J



of the plant output. This financing will be required to come from the customer's own sources of capital and will include participation in equity as well as debt. We have explained this to prospective foreign customers who find it acceptable and who also understand that the voting control will be retained in United States hands.

The financing of the portion of the plant developed to United States utilities needs will be done on the basis of equity supplied by United States investors drawn from substantial industrial concerns and with the debt secured by firm take-or-pay contracts from the U. S. utility purchasers of the enrichment services. Obviously, the equity position, including return on equity, would be the first line of assurance against any unanticipated events which might affect the operation of the plant and servicing of the debt.

UEA is proposing to establish a reserve fund to be built up from the cost of separative work. The amounts accrued in this fund will be held in trust to provide for servicing the debt. It is anticipated that the accrued funds, plus earnings in the funds, will develop an amount which, after about 16 years of operation, will be sufficient to permit the retirement of the balance of the debt. At that point, the cost of separative work units would be reduced by elimination of charges for the reserve fund and charges for debt services. The reserve fund is intended to provide protection in the event of a defaulting U. S. utility or other unforeseen financial risk during the operation of the enrichment facility.

In furtherance of its efforts to place UEA on a commercial basis, an insurance program has been developed which promises to afford substantial protection against physical damage, business interruption and liability. This will be a carefully integrated program of insurance and bonding which will provide maximum protection possible to the customers, the sources of debt financing and the guarantors of the operation.

However, there are two matters of primary concern to the United States utilities, the foreign customers and the financial interests. The first of these arises because of the fact that to date enrichment



has been wholly a Government enterprise maintained in secrecy because of the sensitive security aspect, with no stockpile or reserve in private hands. Despite the most excellent record of the existing gaseous diffusion plants and despite the inherent simplicity of the process, it is pointed out to us that very few people have been able to make independent analysis of the operation of such plants and the first private plant will be dependent upon Government supplied key components, Government developed processes and Government knowhow. This is compounded by the knowledge that the new plant will incorporate improvements, such as CIP and CUP, which have not yet been tested in full-scale operation in the existing Government plants. Hence, we suggest to you that Government cooperation will be needed to allay these concerns and permit the transition to a new private industry, one which already has been declared by you to be in the national interest and which will allow the United States to honor its commitments to provide enriched fuel.

The second concern is coupled with the present economic situation which has been particularly difficult for the United States utilities. These utilities find themselves in the untenable position of facing virtually uncontrollable cost increases for fuel, interest rates, cost of plant, and the like, while on the other hand their sales price is held under regulation and increases in rates have been slower and not sufficient to cover all the financial obligations they now face. This condition makes it very difficult for the utilities to accept the further obligations inherent in long-term, take-or-pay contracts for enrichment services. In turn, the financial houses, aware of the utilities' current difficulties, tend to look beyond them for some means of assurance that the new plant will operate as planned, that it will be completed and that the financial obligations will be secure.

Based upon our studies of these conditions done in close cooperation with the utilities and the financial institutions, it is our best judgment that under the present economic conditions, the following actions by the appropriate federal agencies will permit the project to go forward. While we are mentioning specific actions, we



recognize that there may be alternative approaches which may satisfy the principle of these requirements, and we wish to assure you that we are able and quite willing to entertain other alternatives which may accomplish the same long-term goal. Your letter of September 13, which offered general support of UEA, anticipated several of these requirements, but we have repeated these in this list with the firm belief that Government help in the areas indicated is necessary to meet the conditions of private entry into the field of uranium enrichment.

- A. 1. The sale by the AEC to UEA at reasonable charges, of certain essential mechanical components of the plant, such as barriers and seals, which for security reasons are presently manufactured only by the AEC.
2. The provision, at reasonable charges, of technical assistance and knowhow on the installation and operation of the AEC's diffusion process.
3. An assurance that the plant containing AEC manufactured items and process technology will operate as expected, and an undertaking by the AEC to complete or cause completion of the plant if UEA is unable to do so and to meet UEA's non-deferrable obligations until plant completion and satisfactory operation. Expenditures made by the AEC or costs incurred by the AEC in performing its completion agreement and meeting UEA's obligations during that period would be claims against UEA senior to any return on equity. In addition, we would expect that such costs will be defrayed by UEA insurance, and by its customers pursuant to the terms of their contracts for enrichment services.

UEA will agree to permit AEC representatives to inspect and audit all aspects of design, construction operation and, if UEA cannot complete the plant successfully; to permit AEC representatives to take charge of construction and start-up.



- B. 1. The startup of the plant, even if on schedule, will not match precisely the needs of the customers for fuel loadings of their reactors. In order to meet those needs and cushion against possible start-up delays, there should be access to the AEC stockpile and the purchase or lease by UEA during the early years of the project of enriched uranium for delivery to UEA's firm customers to the extent that UEA's then current capacity is insufficient to meet customer needs.
2. A firm commitment from the AEC to purchase a substantial quantity of separative work units from UEA over the first three to five years of operation. For our planning purposes, we have assumed a figure between five and ten million separative work units.
3. An arrangement to terminate long-term contracts between the U.S. AEC and utilities, generally on the basis of last signed, first terminated, sufficient to assure UEA that its plant would be effectively sold out.
4. A form of last resort guarantee, by which the financial investors can be assured that should any of the utility customers default on their obligation and after recourse to other means of covering the default are exhausted, the AEC will carry the obligation. A form of commitment to take over the enriching service contracted for by any defaulting customer could be a means of providing for this.
5. For the assurance of the financing institutions, the obligation assumed by AEC should have the full faith and commitment of the U.S. Government.

These requirements, if met by the U.S. Government, would meet the stated problems of the U.S. utilities and would, therefore, provide a solid basis for UEA to proceed to obtain Letters of Intent



leading to firm contracts with both domestic and foreign utilities. All commitments would be on the basis of securing a minimum of approximately 75% of the plant output currently scheduled for nine million separative work units per year. Should we fall short of that figure, the Letters of Intent would be void as would any commitment by the U.S. Government to UEA.

Based on our best estimates, we might anticipate contracts for enrichment services in the amount of 2 million SWU per year from Japan commencing in 1984; 1 million SWU per year each from France and the Federal Republic of Germany; and 1 - 2 million SWU per year from the conditional contracts offered by the U.S. AEC. Our target is to obtain 1.5 million SWU per year orders from U.S. utilities commencing in 1983 growing to 3.5 million SWU by the early 1990s. In addition to these commitments, we would anticipate a block of enrichment services to be purchased by the U.S. AEC as indicated above.

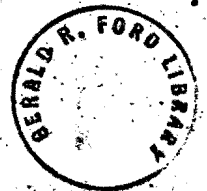
We wish to express our appreciation for the excellent support given UEA by the staff of the AEC and other Government agencies. We are prepared to meet at your early convenience with appropriate representatives of the Government to advance the cause of private enterprise in uranium enrichment.

Very truly yours,


J. W. Komies

JWK:mp

cc: Robert Seamans
Frank Zarb
Roy Ash



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019164

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Memorandum

CREATOR'S NAME W. P. Clement, Jr.

CREATOR'S TITLE Deputy Secretary

RECEIVER'S NAME [Henry A. Kissinger]

RECEIVER'S TITLE Assistant to the President for National
Security Affairs

DESCRIPTION re NSSM 209

CREATION DATE 01/10/1975

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

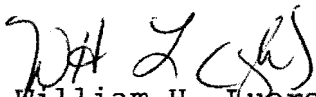
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~~SECRET~~ Attachment

January 8, 1975

Mrs. Jeanne Davis
Staff Secretary
National Security Council

Attached for your handling is a letter to the Secretary from Secretary Simon dated January 6. It was delivered to the Department in error since it is addressed to him in his capacity as Assistant to the President.



William H. Luers
Deputy Executive Secretary

Attachment:

As stated.

~~SECRET~~ Attachment



76

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019165

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Letter

CREATOR'S NAME William E. Simon

CREATOR'S TITLE Secretary

RECEIVER'S NAME Henry A. Kissinger

DESCRIPTION re NSSM 209

CREATION DATE 01/06/1975

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

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S/S 7500404

THE DEPUTY SECRETARY OF STATE
WASHINGTON

January 8, 1975

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MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

Subject: Department of State Position on NSSM 209
(Uranium Enrichment Capacity)

The Department of State has reviewed the study prepared by an interagency working group in response to NSSM 209, transmitted for comments by the NSC staff on December 19, 1974. Our recommended position on U.S. enrichment policy, presented below, is based primarily on foreign policy considerations, but we have also taken domestic concerns into account.

Discussion

U.S. enriched uranium supply policy influences our overall political relations with major countries and specifically affects our non-proliferation and energy cooperation efforts as well as our balance of payments position. All of these concerns have suffered during the past year due to the uncertainty over whether, when, and how new enrichment capacity would be built, and because of the particularly acute damage caused by the "contracting gap" which began last summer and which continues to exacerbate our foreign policy problems in the areas noted. Indeed, this created the situation which led the Department of State to request an interagency study of U.S. enrichment policy.

Last August, the President publicly affirmed the intention of the United States to remain a reliable source of enriched uranium fuel for foreign as well as domestic users. To support this declaration, prompt action is now needed to restore the credibility of the

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U.S. as a world supplier of enriched uranium services -- not only a firm decision to commit a fourth enrichment plant and begin contracting, but also the development of a credible long-term program for achieving the additional capacity to serve foreign and domestic markets on a non-discriminatory basis under competitive price and contract terms. This is as much a political and psychological matter, involving perceptions and attitudes, as it is a technical question of actually being in a position to supply fuel when needed.

It is equally important that our enrichment programs remain highly responsive to U.S. Government policy in the critical and dynamic fields of energy cooperation and nuclear non-proliferation. The right decision at this time would complement and reinforce our international energy policy actions and strengthen our negotiating position with other oil consumers as we prepare for a producer-consumer dialogue. American proposals for enhanced cooperation in nuclear fuel supply among members of the International Energy Agency, which can show OPEC that the industrialized nations intend to diminish their dependency on oil, must be supported by an active U.S. uranium enrichment effort carefully shaped by policy-making authorities. Given the renewed risks of proliferation, there is a need to assure that our international enriched uranium position adequately supports national and multilateral attempts to prevent the further spread of nuclear weapons, both by providing the vehicle for instituting safeguards over foreign power programs and by creating leverage through foreign dependence on U.S. fuel supply.

Demand projections based upon domestic needs indicate that a commitment to construct the fourth gaseous diffusion plant should be made no later than mid-1975 in order for the plant to provide fuel by 1982. An additional six-month delay in resuming contracting would compound our international problems, and any subsequent delay would have severely deleterious consequences for U.S. foreign policy interests through extension of the "contract gap" for an intolerably long period. Entirely apart from foreign policy, our domestic energy objectives argue for the early need

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to establish a clear plan to provide enrichment capacity. Stabilizing this vital component of the fuel cycle would materially assist U.S. utilities to move forward with nuclear power plant projects on schedule.

The status and prospects of the UEA private industry effort aimed at building a fourth gaseous diffusion plant remain highly uncertain. Despite its loss of partners, Bechtel continues to persevere in this endeavor, but it has thus far failed to induce electrical utilities in the U.S. and abroad to invest in the plant or to negotiate final fuel contracts -- partly because of the stringent terms that UEA has demanded and partly because of the difficult financial position of many domestic utilities. This situation has led to consideration of expanded programs of U.S. Government assistance and assurance to UEA in an effort to make a private commitment possible. However, it is far from certain that a feasible "closure package" could be agreed upon to ensure a timely and positive UEA decision, particularly if crucial elements of this assistance package require new legislation and major government commitments.

The perceived benefits of establishing the private entry policy in 1971 were obviously persuasive to U.S. decision makers at that time and many arguments for continuing this policy can be made. However, given the delays and difficulties experienced in seeking to transfer responsibility for the next increments of enrichment capacity to the private sector, it would seem reasonable at this stage to question the advisability of the "privatization" policy as currently conceived. Four issues warrant special consideration:

1. Although there is no guarantee of success, if we persevere in seeking private entry, we might be able to achieve a UEA commitment by the end of June to build a fourth gaseous diffusion plant. While this may be soon enough to avoid a supply gap, the continued inability to resume contracting promptly would, as

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indicated, further damage our foreign policy interests and weaken the ability of the U.S. to maintain a sizeable share of the foreign enrichment market. The immediate resumption of government contracting above present plant capacity, pending UEA's decision and with termination of these contracts in favor of a private plant when committed, has been suggested as a means of ending the "contracting gap." However, even if this step were approved by Congress, we share AEC's assessment that it would undercut prospects for private entry by removing the incentive for utilities to sign contracts with UEA, since the government would be seen as committed to provide new capacity. Moreover, even if initial private entry is achieved, it is unclear, given technological, financial, and marketing uncertainties, whether the process could be repeated with other firms using different technology (e.g., centrifuge) to provide the succession of new facilities needed to support our foreign and domestic enrichment objectives over the coming decades. In any event, whatever our domestic plans and programs, most foreign customers would at this point be expected to doubt the long-term reliability of a U.S. private entry policy.

2. The assumption that the enrichment business is conducive to private ownership, at least in the near term, should be reviewed in light of recent experience. The proposal to offer major assistance to facilitate UEA's commitment raises the prospect of a government-subsidized and federally-supported industry with few of the characteristics of competitive free enterprise. In any case, progress in centrifuge technology suggests that there may not be room for private competition in diffusion plants beyond the next increment. Yet the prospect of early private commitments to large centrifuge plants is uncertain, since the AEC's centrifuge demonstration program implies that substantial government assistance in the form of jointly funded pilot-scale facilities will be necessary to ensure that commercial-scale plants are built to meet future demand.

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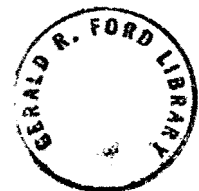
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-5-

Despite the fact that other elements of the nuclear fuel cycle in the United States are in private hands, enrichment technology, financing, and planning present unique problems. As in the case of nuclear waste disposal (and as might well be the case in fuel reprocessing), the enrichment function at this juncture might best be accomplished through a government entity. Of course, under any form of government responsibility, private industry would continue to play a major role in the enrichment field through research and development activities, component manufacturing responsibilities, and plant construction and facility operations under government contracts.

3. The strongest argument favoring a policy of turning to the private sector to provide enrichment services is that it would avoid the necessity of making a substantial investment of government funds over the next decade -- which would not yield off-setting revenues until the 1990s. However, it is possible to avoid this problem through the establishment of a government corporation to assume responsibility for developing new capacity and operating the three existing plants -- while holding open a future ownership role for the private sector in building additional elements of capacity. Funding such a corporation would not necessarily involve Congressional appropriations or direct federal outlays; self-financing could be accomplished by borrowing from the private money market or from the U.S. Treasury which would issue bonds. While the net expenditures of such a corporation would be included under the federal debt ceiling, such expenditures would not contribute to the federal budget deficit -- as would be the case if ERDA built new plants. Also, a government corporation would be structured to permit the investment of foreign capital. Some foreign countries would welcome the opportunity to invest in return for the increased assurance they would gain regarding supplies of reactor fuel (and of course for a share of the net revenues or bond interest).

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4. In terms of responsiveness to foreign policy requirements, successful private ownership may be acceptable, but either direct government ownership or a properly-designed government corporation are clearly preferable. In the energy field, government planning is necessary to integrate multilateral initiatives abroad with capacity increases at home; our ability to initiate multilateral enrichment programs has already been inhibited by our private entry policy. While industry would be subject to government safeguard agreements and national export controls, the formulation and implementation of new non-proliferation policies could be complicated by the existence of diverse U.S. enrichment firms committed to corporate goals. In addition, flexibility in offering enrichment services under special terms to particular countries for diplomatic purposes or as preferential treatment to NPT parties would be diminished under private ownership. As a general point, although American industry would be motivated to remain competitive on price and contract requirements in the world market, it should be recognized that the U.S. is competing internationally with enrichment organizations in which foreign governments play major roles.

Recommendation

The Department of State recommends that an immediate decision be made to establish a policy-responsive government corporation to assume the responsibility for managing existing enrichment plants and building new increments of capacity, holding open the prospect of ultimately transferring to the private sector some or all of the responsibility for constructing additional facilities. In terms of the options presented in the NSSM 209 report, our recommendation would fall between alternative B, which explicitly defers private entry until after the fourth and fifth plants are built, and alternative C, which forms a government corporation to assume complete and indefinite responsibility for enrichment.

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In brief, our recommendation rests upon the following judgments:

-- Short-term and long-term foreign policy interests would be extremely well served through a government corporation which would not only permit a rapid removal of the present "contracting gap", but would also provide a policy and management framework to assure the orderly introduction of new capacity, scaled to meet foreign as well as domestic needs. Establishment of such a corporation would permit the smooth integration of plants utilizing advanced technologies presently being developed.

-- A decision to move forward decisively in assuring future nuclear fuel supply under a government corporation would strengthen efforts to utilize alternative energy sources in the United States, and help support similar efforts on the part of industrialized nations abroad. It would demonstrate to OPEC as well as to major consumers our determination to respond to the current crisis.

-- In contrast with direct ERDA ownership, our recommended course of action would avoid contributing to federal budget deficits. At the same time, a carefully designed corporation could remain highly responsive to government policy and would be more responsive than private ownership. Safeguards initiatives could be carefully managed, foreign participation in U.S.-based enriched plants could be encouraged, and multilateral facilities located abroad could be supported by such a corporation. Efficient operations and timely capacity decisions, moreover, could help ensure that the U.S. would capture an appreciable fraction of the foreign enrichment market, thus yielding financial as well as policy benefits.

-- Under the recommended policy, private industry would remain active in enrichment efforts through R & D, manufacturing, and plant construction and operations. With this continued experience, and as a consequence of technical assistance naturally

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provided by the corporation as a U.S. Government instrument, private industry could, at some future time, reach the position where it would be both desirable and feasible for certain companies to finance, build, and own specific increments of enrichment capacity (perhaps a series of small-scale centrifuge plants) within an overall supply program and policy framework. Whether this would result in private and corporation plants operating side by side or ultimately involve transferring all new enrichment capacity to the private sector need not be resolved at this stage.

The scenario associated with our recommendation would include the following steps:

(1) An announcement by the President in February 1975 that, due to factors largely beyond the control of the firms involved, the effort to achieve private entry into the enrichment field has been unsuccessful, and that the Administration would shortly introduce legislation to establish a government corporation to build and operate enrichment plants, until such time as conditions warranted transfer of some or part of this responsibility to the private sector.

(2) Subject to approval by the Joint Committee on Atomic Energy, an immediate resumption of contracting by ERDA (preferably through an Enrichment Directorate), associated with a Presidential decision to request initial plant construction funds in ERDA's FY 77 authorization.

(3) An urgent and comprehensive interagency study of the preferred structure of a policy-responsive government corporation to be formed within a year to assume responsibility for U.S. enrichment efforts, consistent with foreign and domestic objectives and recognizing the goal of selective ownership opportunities for private industry in the future.

(4) Informing UEA of the President's decision as soon as possible, noting that, with its unique

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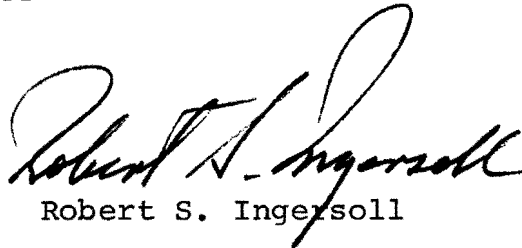


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-9-

experience as the only industrial entity to have studied the question of building a new diffusion plant in the U.S., Bechtel would be in an excellent position to seek the contract to construct and operate a new plant but could not be assured a preferred status.

(5) A plan to discuss the rationale and objectives of the President's decision at high levels with officials of electric utilities and nuclear companies, as well as with prominent public figures and foreign representatives, in an attempt to obtain constructive support at home and abroad.


Robert S. Ingersoll

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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019166

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Memorandum

CREATOR'S NAME Frank G. Zarb

CREATOR'S TITLE Administrator

RECEIVER'S NAME [Brent Scowcroft]

RECEIVER'S TITLE Deputy Assistant to the President for
National Security Affairs

DESCRIPTION re MSSM 209 Study

CREATION DATE 01/1975

VOLUME 3 pages

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

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*Staff
copy back up
6225* 10

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON

January 3, 1975

OFFICE OF
THE DIRECTOR

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

SUBJECT: ACDA Recommendations on U.S. Enrichment Policy

ACDA was requested by an NSC Memorandum dated December 19 to submit its comments and recommendations on the interagency study U.S. Policy on Enriched Uranium prepared in response to NSSM 209 and on the earlier drafts submitted by AEC and State. This study, in contrast to earlier drafts, does reflect a heightened awareness of the foreign policy, non-proliferation, balance of payments, and international energy aspects of the decisions facing the U.S. in the area of future enrichment policy. The discussions and the range of options now proposed for consideration should provide an adequate basis for a decision on this important problem.

ACDA's views on the serious impact on our non-proliferation efforts of our past enrichment policy as well as the consequences of further delay in the U.S. commitment to the 4th and 5th major increments of enrichment capacity were outlined in our Memorandum to you of November 25. In view of the urgent need to resolve at an early date the present uncertainty surrounding the U.S. enrichment policy, ACDA believes that the non-proliferation interests of the United States would be best served by a modified version of option "b", proposed in the interagency's study, i.e.

"Defer private entry and obtain authorization for government construction of, at least, the next two enrichment plants."

The decision on the timing and technologies to be used should be based on a comprehensive and updated review by AEC of the projected supply and demand for enriched uranium. ACDA does not believe that a decision on the ultimate role

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of private ownership need necessarily be made at this time so long as our ability to continue international cooperation in uranium enrichment is not forced to await that decision.

This recommendation would permit the U.S. Government to take at the earliest possible time those actions necessary to assure both domestic and foreign customers of a reliable and continuous supply of enriched uranium. Most important, it would be fully responsive to our foreign policy requirements. For example, it would permit prompt implementation of the currently stalled NSDM 255 recommendation to initiate consultations aimed at encouraging, where appropriate, the construction of multi-national reprocessing and enrichment plants. Furthermore, it would be possible to apply the recommendations of the NSSM 202 study, if approved, to strengthen the NPT by implementation of the preferential treatment feature of Article IV of the Treaty. The ability of the U.S. to influence the application of effective safeguards and to control the spread of enrichment technologies among the non-nuclear weapon states would be significantly enhanced.

The U.S. efforts to influence enrichment developments abroad by encouraging multi-national enrichment plants, effective export agreements, improved safeguards, and controlled sharing of enrichment technology will continue to erode unless the United States is prepared in the near future to build the next major increment of enrichment capacity.

Fred C. Ikle

Fred C. Ikle

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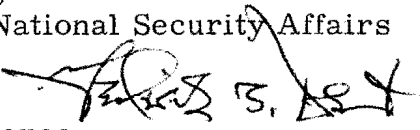




6225-11
THE SECRETARY OF COMMERCE
Washington, D.C. 20230

JAN 3 1975

MEMORANDUM FOR Major General Brent Scowcroft
Deputy Assistant to the President
for National Security Affairs

FROM: Frederick B. Dent 
Secretary of Commerce

SUBJECT: NSSM 209 -- Future Uranium Enrichment Supply

We have reviewed the Report of the NSSM 209 Study Group forwarded by your Staff Secretary under cover of a memorandum dated December 19, 1974. We consider it does an excellent job of setting out the issues as to next steps involved with respect to ensuring an adequate future supply of enriched uranium from United States sources.

The Department of Commerce strongly supports continuing the present policy of seeking private entry. We trust the AEC/ERDA will do everything possible to secure this end, and would like to offer our services of assisting in this respect. In particular, we would like to participate in future discussions between the AEC and UEA. We were particularly interested in the copy of the memorandum dated December 20 to you from Frank Zarb, and hope that negotiations will be successful.

The parties involved in UEA have expended a great deal of effort in coming as far as they have, and every chance should be afforded them to be successful. We need to break the dam on getting the private sector into uranium enrichment and avoid additional Federal budget outlays in this respect.



If by the end of June UEA or any other private group has not succeeded in putting together a viable private effort, we should be prepared to execute an alternative option. We would not wish to commit ourselves at this juncture to having ERDA develop new capacity, but we should develop the details of alternatives by that time. I recommend that the interagency group prepare such details, in particular appropriate Articles for a policy responsive government corporation to run the next diffusion plant and draft legislation for an ERDA revolving fund. In order to assure a rapid decision-making process this summer, we would suggest a 30-day period commencing July 1 to arrive at a decision.



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 019167

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Letter

CREATOR'S NAME Dixie Lee Ray

CREATOR'S TITLE Chairman

RECEIVER'S NAME Brent Scowcroft

RECEIVER'S TITLE Deputy Assistant to the President for
National Security Affairs

DESCRIPTION re NSSM 209

CREATION DATE 01/02/1975

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 2 1975

MEMORANDUM FOR DR. HENRY KISSINGER

FROM: ROY L. ASH

SUBJECT: NSSM 209 on uranium enrichment

This is in response to the NSC memo of December 19 requesting comments and recommendations on the study report which has been prepared in response to NSSM 209, subject "Policy on the Development of Future Uranium Enrichment Capacity."

In communicating the views of the agencies to the President on this important matter, I should like to have OMB recorded strongly in favor of Alternative A, which is to persevere in the present objective of private entry, at least until July 1, 1975.

I favor Alternative A for the following reasons:

- Under appropriate Government regulation, there appears to be no reason why uranium enrichment should continue to be a Government monopoly; and a competitive private industry could very effectively meet both domestic and foreign needs.

- Construction of additional enrichment plants by the Government would have an adverse front-end effect upon the Federal budget for the next 8-10 years.

- The private sector has been responsive to the challenge of the Executive Branch to take on the responsibility for construction of additional capacity, despite substantial difficulties. I recognize that none of the initiatives is yet a reality and that some additional Government assistance will probably be necessary to make these initiatives a reality. Nevertheless, I believe that the present industrial efforts are serious and aggressive ones and that the leading initiative (which has substantial international characteristics) may well become a reality within a few months.

- In light of the industrial efforts which have been and are being made, and in view of the fact that Alternative A contemplates that a private commitment would be expected to be made by July 1, 1975, it would be premature and inappropriate to abandon the objective of private entry on what may be the eve of the birth of a competitive industry.

DECLASSIFIED

E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/04, SECRET OF STATE, 10/7/04

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10/7/04

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- There appears in any event to be no need for a Government commitment to another plant prior to the 1977 budget.

- Abandonment of the private entry objective now with a renewed effort to stimulate private initiatives later may be unrealistic, because it is doubtful whether private interest could be kindled again in the aftermath of a reversal of Government position.

With respect to the organizational options for the continuing responsibilities for uranium enrichment activities within the Federal Government, I favor Option 2, the Uranium Enrichment Directorate within ERDA.

I understand that you plan to prepare a summary report for consideration by the President and that this paper may be coordinated within the Executive Office of the President. We would be glad to participate in such an effort.



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MEMORANDUM

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ADD-ON

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

~~SECRET~~

December 30, 1974

FOR: David D. Elliott, NSC

FROM: Gus Weiss *Gus Weiss*

SUBJECT: CIEP Comments on NSSM 209 (U. S. Policy on the Development of Future Uranium Capacity, draft of December 16, 1974)

CIEP could agree with alternative A (i. e. , ". . . that private entry remains a desirable and viable objective and that this goal can and should be pursued through June 1975, at which time, if not achieved, another approach will be required. ") Alternative B says further delay in taking "positive actions" to assure new increments in capacity would be unwise. CIEP could also associate itself with this view. The problem is, for us, the failure of the draft paper to spell out what would be lost in U. S. sales of enrichment services under alternative A. Our concern rests in loss of world market position, a superiority which could gain much payments revenue. The U. S. is in danger of temporizing itself out of this superiority.

Early on I suggested that the study group work out a "market strategy" to prevent loss of market. No such strategy seems to have come out in the draft. Most noticeable is the absence of an analysis of demand for enrichment services. It may be that efforts by domestic utilities to get out materials contracts could release sufficient capacity for the U. S. to again contract with foreign customers. We have no treatment of this approach in the draft.

Accordingly, if alternative A is to be adopted and we again temporize the decision, CIEP recommends that a formulation be drawn up to prevent loss of foreign enrichment customers. I would further suggest that AEC/ERDA ask the Congress for authority to simply begin to write contracts, whether or not the physical capacity still exists. This would -- in a stroke -- remove the uncertainty plaguing foreign customers, the uncertainty that prompted NSSM 209.

On the points raised by Frank G. Zarb in his memorandum of 20 December 1974 to General Scowcroft, CIEP supports in principle foreign investment in a U. S. enrichment plant. In reviewing the terms as outlined, we would question the wisdom of having the U. S. commit itself for 18 million separative work units.

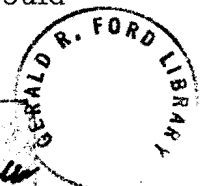
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E.O. 12052, SEC. 3.5

NOVEMBER 1984
KR 10/7/04

CLASSIFIED BY *Gus Weiss*
EXEMPT FROM GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
EXEMPTION CATEGORY
AUTOMATICALLY DECLASSIFIED ON

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~SECRET~~ GDS

December 23, 1974

MEMORANDUM FOR:

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Director, Office of Management and Budget
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Director, Arms Control and Disarmament
Agency
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chairman, Atomic Energy Commission
The Executive Director, Council on International
Economic Policy

SUBJECT: NSSM 209: Future Uranium Enrichment Capacity

Attached for your information is a progress report by OMB on recent initiatives by the Uranium Enrichment Associates on uranium enrichment in the private sector. The new initiatives may satisfy the concerns that prompted NSSM 209, and therefore should be given serious consideration when preparing your comments and recommendations on the NSSM 209 study.

James Barnum
Jeanne W. Davis
Staff Secretary *JW*

Attachment



~~SECRET~~ GDS

HR 10/7/04

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 20 1974

MEMORANDUM FOR MAJOR GENERAL BRENT SCOWCROFT

FROM: FRANK G. ZARB *FZ*

Subject: NSSM 209 on uranium enrichment

Within the last several days there have been additional developments on uranium enrichment in the private sector which appear to us to be rather significant for the issues addressed in NSSM 209 and for the Report recently completed by the Study Group which is now being circulated to the interested agency heads for their recommendations.

I refer to the current activities of the Bechtel Corporation, prime mover in Uranium Enrichment Associates. Attached is a progress report, prepared largely by AEC staff, on Bechtel/UEA's recent activities and discussions with its potential customers, both foreign and domestic.

On the basis of a further conversation with Mr. Jerome Komes and his associates of Bechtel/UEA as recently as December 19, we at OMB believe that the Bechtel/UEA effort is an aggressive and extremely serious one and that it may well be able to satisfy the concerns which prompted the NSSM 209 study.

I should appreciate your circulating this memo and the attached summary to the members of the NSSM 209 Study Group for their information and with the request that it be made available to their principals in their consideration of the Report of the Study Group.

Attachment



DECLASSIFIED

E.O. 12958, SEC. 3.5

NBC MEMO, 11/24/00, STATE DEPT. CONFIDENTIAL
BY *KJR*, NADA, DATE *10/17/04*

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~~CONFIDENTIAL~~

17

Progress Report on UEA Initiative as of 12-18-74

1. UEA has recently completed another round of negotiations in Japan, Iran and several countries of Western Europe; these negotiations are expected to lead to financial participation as well as purchase of enrichment services.

2. Prospects are that these foreign nations will provide up to 60% of the financing of UEA and take a corresponding share of the capacity of the plant.

3. UEA has identified five areas of Government assistance and assurance which it believes will be necessary to make a final commitment possible. These have been discussed with AEC and OMB.

4. Three of the five areas appear to present no problem for AEC and OMB. The other two involve (a) a Government guarantee to complete the plant in the event of UEA's failure to do so and (b) purchase of up to 18 million SWUs by AEC/ERDA. The feasibility of a plant completion guarantee is being further explored, and AEC has suggested a purchase commitment in the range of 5 million SWUs. An effort is being made to resolve these matters. For example, UEA is planning an insurance arrangement which would protect the U.S. Government, at least in part, against the cost of completing the plant, if this should prove necessary.

5. UEA on December 18 met again with officials of the Edison Electric Institute (EEI) and several major electric utilities and subsequently reported to AEC and OMB that encouraging progress was made. Several utilities indicated a readiness to sign a letter of intent if some fair portion of the Government assistance measures identified by UEA could be realized.

6. The EEI executive committee will consider the UEA initiative further on January 15 (based on what is expected to be a favorable report by the group with which UEA met on December 18) and may release a public statement of support at that time.

7. UEA will meet again before the end of this month with a potential corporate partner with a view to reestablishing UEA as a multi-firm consortium.

8. At its meeting with AEC staff following its meeting with EEI, UEA estimated that partners, financing and agreements with customers could by June 30, 1975, be brought to a stage which would assure that the project would go forward.

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NOV 19 1974

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REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Form

TITLE NSC Distribution Requirements: Profile
& Record

CREATION DATE 12/23/1974

VOLUME 1 page

COLLECTION/SERIES/FOLDER ID . 039800391

COLLECTION TITLE U.S. NATIONAL SECURITY COUNCIL
INSTITUTIONAL RECORDS

BOX NUMBER 31

FOLDER TITLE NSSM 209 - Future Uranium Enrichment in
the U.S. (4)

DATE WITHDRAWN 11/10/2004

WITHDRAWING ARCHIVIST HJR

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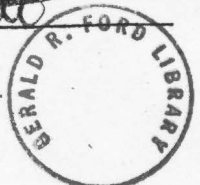
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SUBJECT: Transmitt Study of Future Uranium Enrichment Capacity (NSSM 309)

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STAFF SECRETARY				MEMO FOR PRES
FAR EAST				REPLY FOR
SUB-SAHARAN AFRICA				APPROPRIATE ACTION
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EUROPE / CANADA				RECOMMENDATIONS
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ECONOMIC				ANY ACTION NECESSARY?
SCIENTIFIC				CONCURRENCE
PROGRAM ANALYSIS				DUE DATE:
NSC PLANNING				COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
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OCEANS POLICY				
INTELLIGENCE				

close per Barrum (3-4-75)

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
10/23			D	Davis Legd Memo to Agencies	
		M/R		See Legd D Sheet Attached	
12/24				JOINED BY 7406280	
12/30				Recd CIEP input	Davis, Kennell, Elliott, Lohde
01/02				Recd OMB comments	Same
01/06				Recd Commerce comments	Same
1/7				Recd ACDIA Comments	Same
01/07				Recd FEA comments	Same
01/08				Recd Treasury Comments	Same
1/08				Recd State Comments 750404	Same
1/13				Recd DoD Comments	Same
1/15				PENDING CIA/SCS RESPONSE	
1/16				DOD mcls JCS/pu Barrum.	
1/17				Recd addl AEC input	Same
1/22				Recd addl CIEP input	Same
3/5			C	NSSDM being prepared	

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