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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1 la. Memo lb. Memo	<u>Donna to Mr. Marsh 9/15/76</u> Draft Memo to the President (22 pp.) Draft Memo to the President (36 pp.)	9/3/75 9/3/75	A A

FILE LOCATION

Marsh Files
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 Nuclear Policy Statement (1)

Box 26

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WHM, 1/22/86

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WHM 1/6/86

September 15

THE WHITE HOUSE
WASHINGTON

Mr. Marsh:

They would like the
attached this evening
so that it can go in
to the President first
thing tomorrow.

You will recall Schleede's
previous memo on this
(attached), giving advanced
warning of the staffing
action.

Donna

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

SEP 15 1976

Date: September 14, 1976

Time:

Dec: 9/15

FOR ACTION:

Phil Buchen
Jack Marsh
Max Friedersdorf

cc (for information):

Bob Hartmann
Alan Greenspan
Bill Seidman

3:00

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, September 15

Time: 3 P.M.

SUBJECT:

Proposed Presidential Memorandum to the President from Messrs. Scowcroft, Lynn and Cannon regarding Nuclear Policy

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

Prefer but for att #2 settle att #3



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

9/14/76

MEMORANDUM FOR:

FROM:

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, on energy and economic objectives.
- . The chances of changing significantly the course of events worldwide moving ahead with reprocessing 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 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:
 - 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 demonstration (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.

- 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.
- o Principal arguments against this alternative are:
 - Industry (other than utilities) may regard it as a reversal of position on reprocessing thus adding to current nuclear industry uncertainties (but they may accept it as inevitable in the current atmosphere of concern over reprocessing and consider the demonstration and planning activities to be a good way of preventing further delays if and when reprocessing is approved).
 - Industry will withhold further investment in reprocessing.
 - Adds uncertainty to the viability of the breeder, but a decision on breeder commercialization will not be made until 1986.

- 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 foreswearing 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.
- This would signal antipathy toward a plutonium economy and the breeder might have to be dropped as a long term energy option.

- Government costs for developing alternative technologies may be as great or greater than those for demonstrating reprocessing under Alt. #2 and #3.

RECOMMENDATIONS AND DECISION ON MAJOR POLICY DIRECTION ON REPROCESSING

- _____ Alt. #1 - Continue current policy of resisting spread of reprocessing abroad; Continue current policy on domestic reprocessing.

- _____ Alt. #2 - Significantly strengthen efforts to control reprocessing abroad; Continue assuming and encouraging domestic reprocessing, including the provision of Federal demonstration assistance.

- _____ Alt. #3 - Take stand that reprocessing should to ahead domestically and abroad only if safety, safeguards and economic benefits can be demonstrated clearly. Strengthen efforts to control reprocessing spread abroad. Assist in domestic commercial scale reprocessing demonstration.

- _____ Alt. #4 - Strongly oppose the use of reprocessing here and abroad. Mount major program to develop alternative technologies.

THE WHITE HOUSE
WASHINGTON

SEP 4 1976

September 4, 1976

MEMORANDUM FOR:

ALAN GREENSPAN
JACK MARSH
DOUG SMITH
CHARLIE LEPPERT
ROGER PORTER
BARRY ROTH

FROM:

GLENN SCHLEEDE *Glenn*

SUBJECT:

NUCLEAR POLICY REVIEW

Attached is a copy of a report from the Bob Fri Nuclear Policy Review Group and an early draft of a decision paper.

We expect the final version of the decision paper early next week -- perhaps on Monday. We expect the paper to move very quickly next week. Thus, the attached paper will give you a head start.

Attachments



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