Energy cc A. Duguid

WM 11/7

CHIEF SECRETARY TO THE TREASURY

PRIME MINISTER

FAST REACTOR COLLABORATION

I have seen a copy of David Howell's minute of 3 July in which he reports the position on the discussions about fast reactor collaboration.

2. I recognise the reasons why it has not proved possible to produce the full evaluation of the three main fast breeder options which was agreed at E(80)46th Meeting, ie collaboration with the Europeans or with the Americans or taking a holding position to keep a core team to act as informed purchasers of fast reactor technology when the UK needed it. But I hope that further discussion of fast reactor policy will not be delayed too long. The Atomic Energy Authority is spending over £100 million a year on fast reactor research and depending on our decisions, some of this expenditure could be wasted. Decisions ought therefore in my view to be taken as quickly as possible.

3. I am copying this minute to the members of E Committee, Sir Robert Armstrong and Robin Ibbs.

L.B

LEON BRITTAN

10/7/81

jfh

Energy

6 July 1981

The Prime Minister was grateful for your Secretary of State's minute of 3 July reporting the progress on fast reactor collaboration. She notes that your Secretary of State will be reporting more fully to colleagues later in the year.

WSFR

Julian West, Esq.,
Department of Energy.

k

Prime Minister 2

not much progress, but probably inevitable given the undefined state of French and US nuclear policy. MT 3/7

Prime Minister

MT.

cc. A. Duguid

FAST REACTOR COLLABORATION

When this matter was discussed at E Committee (E(80)46th meeting) I was authorised to continue discussions on a non-committal basis with prospective parties in international collaborative deals. Colleagues may like to have a brief progress report.

At the time of our discussions it was clear that the Europeans (i.e. the consortium led by the French and Germans) were prepared to enter into substantive negotiations with us. We agreed, however, that it would be sensible to explore the possibility of collaboration with the Americans when the attitude of the Reagan administration to the fast reactor was known.

Following a visit which I paid to the US early last month a team of my officials, assisted by representatives of the Atomic Energy Authority, had exploratory discussions with the US Department of Energy. The Americans showed interest in the possibilities for collaboration between our respective nuclear industries. However, their thinking about their own fast reactor policy is still at the formative stage, and it will probably be the autumn before we can begin substantive dialogue.

Equally, before we can make a further judgement of the merits of a deal with the Europeans we need to know more about the new French Administration's views on nuclear policy.

My Department will be keeping in close touch with the position as it develops. I will aim to report fully to colleagues later in the year in the light of further discussions with the Americans, and developments in Europe.

I am copying this minute to the Members of E Committee, Sir Robert Armstrong and Robin Ibbs.

NG.

Secretary of State for Energy
3 July 1981

MG

File.

Prime Minister.

May Sir Robert Armstrong have the work with you and his claim he seems?

Ref. A04687

PRIME MINISTER

You will remember that, at your lunch at Chequers on 30 December, you had some conversation with Dr Walter Marshall about the possibility of Anglo-American co-operation on the fast reactor. He said he believed that the American utilities would be urging such co-operation upon the President, and briefing him to propose it when you visited Washington. You encouraged Dr Marshall to keep in touch with developments.

2. Dr Marshall came to tell me on 13 February how things had gone since then. I attach a fuller account herewith; but the gist of it is that the American utilities very much want to resume a fast reactor programme, have rejected co-operation with the French, have rejected going alone, and wish to proceed in partnership with us. When you see the President next week, he will have been briefed by the utilities and by his Secretary for Energy, Mr Edwards, to express a positive and constructive interest in the possibility of Anglo-United States co-operation. If we want to pursue this, you could urge early follow-up, in the form of discussions between the United States utilities and the United Kingdom Atomic Energy Authority (UKAEA) and between the two Governments. If such discussions are to achieve and maintain momentum, it will be important for the discussions between the US utilities and the UKAEA to start soon and proceed in parallel with discussions between Governments: they should not be allowed to wait until intergovernmental agreement has been reached - which could take six months or a year. It would be as well if Dr Marshall himself were to be put in charge on our side.

3. There are certain aspects of this on which I should like to amplify orally, if I may.

I arranged for 0915 on Friday 20 February after discussing Cabinet business.

RTA

ROBERT ARMSTRONG

17 February 1981

ANNEX

Fast Reactor Programme: Possible Anglo-United States Co-operation

Note of a Conversation with Dr Walter Marshall on 13 February 1981

Dr Marshall said that the United States utilities had met on 7 January 1981 to review plans for resuming a fast reactor programme. They had considered and indeed tried co-operation with the French, but the complexity of the arrangements into which they were asked to enter and the French insistence on a purely licensing arrangement had led to the breakdown of negotiations. The United States utilities rejected the idea of proceeding with a fast reactor programme on their own. They favoured partnership with the United Kingdom. This was not only the preferred option; it was being put forward as the only one. They would brief the President accordingly, and request him to raise the possibility with the Prime Minister when she visits Washington. They would themselves undertake to lobby in support of the resumption of the programme in partnership with the United Kingdom, in Congress and elsewhere, and were confident of success.

2. The United States utilities had then been asked to make a presentation to Mr Le Gassy of the United States Department of Energy. They invited Dr Marshall to take part. The United Kingdom Department of Energy was at first reluctant to countenance any contacts ahead of the Prime Minister's visit to Washington, but eventually agreed that Dr Marshall should attend the presentation to Mr Le Gassy, in a strictly personal capacity and not in any way representing the British Government.

3. At about this time Sir Nicholas Henderson saw the United States Secretary for Energy, and told him that the Prime Minister would raise the question of fast reactor co-operation with the President.

4. In their presentation to Mr Le Gassy, attended by Dr Marshall, the utilities explained why they had rejected co-operation with the French, why they rejected going it alone, and why they favoured partnership with the United Kingdom. They made it clear that they did not envisage that this partnership needed to be exclusive. They thought that, once it had been securely agreed and established, the United Kingdom and the United States should approach

Japan, with a view to her being associated with or a member of the partnership. There could well be association or licensing agreements with other countries. There would be no objection to our negotiating with the French for exchange of technical information. If a successful partnership between the United Kingdom, the United States and Japan was established, it might then be appropriate to approach the French with a view to a joint arrangement of some kind with them. The utilities had emphasised, to the evident relief of the United States Department of Energy, that no hardware commitment and no budgetary expenditure would be required in the current or immediately coming fiscal year.

5. Dr. Marshall was then invited to pay a courtesy call on the Secretary for Energy, Mr. Edwards. This was only a short meeting, but Mr. Edwards had made it clear that the new United States Administration shared the view of the utilities that the United States wanted and needed to pursue the fast reactor programme in partnership with the United Kingdom, and believed that it would be possible to get Congressional approval. He asked what the Prime Minister would say when she met the President on this subject, and how the President should respond. Dr. Marshall said that the Prime Minister would say that she would like the United Kingdom and United States Administrations to explore the possibility of collaboration on development of the fast reactor. Mr. Edwards said that the President would agree enthusiastically. The Prime Minister should not expect the President to be briefed to go into technical or industrial detail; but was there anything else that needed to be discussed between the Prime Minister and the President? Dr. Marshall said that he thought it important both for the Prime Minister and the President to establish between them the fact that agreement to explore collaboration would not involve any hardware commitment or additional budgetary commitment in the next year or two. Both countries wanted to develop the fast reactor, but neither needed a crash programme. The President would however need to convince the Prime Minister of the genuineness of the United States commitment. The French were interested in the possibility of collaboration with the United Kingdom. If the Prime Minister were to turn away from co-operation with France in order to pursue collaboration with the United States, and then the negotiations with the United States were to break down and she was obliged to turn back to the French, that

would put her in a politically intolerable position. She would need therefore to be assured of a very positive intention on the part of the United States to conclude an agreement; and this would need to be demonstrated in the form of early follow-up to her discussions with the President. There would need to be discussions between the utilities and the Atomic Energy Authority, and also between the two Governments. It would be important to develop common attitudes in relation to the use of plutonium, non-proliferation and the possibility of licensing agreements with other countries.

6. Dr Marshall said that the United States utilities had made representations not only to the Secretary for Energy but to the Secretary of State, Mr Haig, and he understood that the Secretary of State was also advising the President to respond positively and constructively to proposals for exploring the possibility of United Kingdom-United States collaboration in this field.

RCA

ROBERT ARMSTRONG

17 February 1981

Energy

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

TR
Mr

CONFIDENTIAL

Leon Brittan Esq QC MP
Chief Secretary
Treasury
LONDON
SW1

4 February 1981

Dear Leon

DEPARTMENT OF ENERGY EXPENDITURE: FAST REACTOR on Part 5

Thank you for your letter of 26 July. I entirely agree that we must look for any possible savings in the fast reactor programme in the light of the 18 December E Committee discussion and I had already asked the Authority, with the NNC, to review their programme with a view to minimising expenditure in the immediate future.

This must, as you say, be subject to maintaining our credibility as prospective partners in international collaboration. Also, I have made it clear to the Authority that while we have not yet ruled out the option of a UK designed CDFR at some time in the future, they should now be thinking more in terms of keeping the option open with mimimum expenditure and on a much longer timescale than the start of construction in 1985/86 which they had put forward at an earlier stage.

I also have it in mind that the review by the Authority and the NNC may enable them to redeploy some staff onto the PWR to which, as you know, I attach a high priority.

I hope to hear from the Authority in the next few weeks and I will be writing to you again when I have been able to assess their response.

I am copying this letter to the recipients of yours.

Yours ever

Dave

D A R HOWELL

Energy

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D A R HOWELL

Energy

Ref. A03825

PRIME MINISTER

Fast Reactor Policy

(E(80)143)

BACKGROUND

When the Committee last discussed fast reactors on 1 July (E(80) 23rd Meeting, Item 3) they declined to take long-term policy decisions. They had doubts about particular aspects of possible collaboration with other countries and were unwilling to contemplate paying a heavy entry fee. It was nevertheless agreed that the Secretary of State for Energy was free to probe the possibilities of collaboration with the French, Germans, Italians and Americans, provided that he did so without commitment. The Committee refused to authorise a public statement about fast reactor policy.

2. The Secretary of State for Energy has now had further discussions and, in E(80) 143, he makes proposals for moving forward. He starts from the assumption that we cannot afford to develop fast reactor technology independently of other countries and should therefore go for collaboration. From his discussions with the French and the Germans he sees strong attractions in collaboration with the Europeans (his paragraph 5). He proposes that his Department should now enter into substantive negotiations with the French and Germans on the lines set out in his paragraph 8 and his Annex B. This would involve willingness to reach agreement provided the terms were right though with no commitment to building a commercial demonstration fast reactor in the United Kingdom at any particular time.

3. He recognises the need to enter into discussions with the new United States Administration (paragraphs 6 and 7), but he does not want to defer discussions with the Europeans until it is possible to negotiate with the Americans. He fears that to stall now could weaken our chances with the Europeans and that at the end of the day the Americans might prefer to deal with Europe as a whole and the French in particular. He believes further discussions with Europe could be such as not to preclude development of a United States alternative in due course if this seemed more fruitful.

4. He does not propose any public statements until negotiations have been successfully concluded.

5. He proposes that the Atomic Energy Authority and the National Nuclear Corporation should be invited to review their R & D effort in the light of this approach and bearing in mind the high priority attached to progress with the PWR.

HANDLING

6. After the Secretary of State for Energy has introduced his paper you will wish to ask, in particular, the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary (who may want to expand on the European significance of collaboration with France and Germany), the Secretaries of State for Industry and for Scotland and to Mr. Ibbs to comment.

7. The first question is whether, if it is accepted that the United Kingdom cannot develop its own technology independently, collaboration is the right course. The main alternative - which would recognise the doubts over timing and the costs of collaboration - would be to go in for licensing arrangements. Should this possibility be further explored?

8. If it is accepted that the right way forward is by collaboration, the Committee will wish to consider the tactics and the options of pressing ahead with the Europeans now or waiting until it is possible to talk to the Americans. In particular you will wish to press the Secretary of State for Energy on:-

(i) How real is the risk that the Europeans will turn their backs on us if we do not start serious talks with them now?

(ii) How real are the risks that by moving now we could become enmeshed in practice with the Europeans and so find it very difficult to pursue the American alternative?

(iii) What are the views of Walter Marshall, the Chairman elect of the AEA who takes up office in the New Year?

(iv) Is there a risk that the United States will offer us collaboration as a means of weakening their European competition?

9. If there is any question of an entry fee for a collaborative arrangement, either sooner or later, you may wish to explore how far this could be contained within existing financial provisions.

CONCLUSIONS

10. In the light of the discussion you will wish to record conclusions on whether the Secretary of State for Energy should be authorised to press ahead with negotiations with the French and Germans now.

11. If so you will wish to record detailed conclusions with reference to the four points listed in his paragraph 12.

12. If not you will wish to record conclusions on the next step - possibly biding our time until we can talk with the Americans - and commissioning any further work on alternatives - eg licensing as against collaborative ventures.

RCA

ROBERT ARMSTRONG

17th December 1980

CONFIDENTIAL

Qa 05029

To: MR LANKESTER

From: J R IBBS

Fast Reactor Policy

1. In E(80)143 the Secretary of State for Energy seeks agreement that he should enter into substantive negotiations with the French and Germans on collaboration.

2. When this matter was considered in July (E(80) 23rd Meeting) it was decided that, because there were doubts about collaboration which might offset its advantages, decisions on fast reactor policy should be deferred, but that the Secretary of State for Energy was free to probe without commitment the possibility of collaboration. His present note confirms that following a meeting he has had with the French Industry Minister and contacts with the Germans, the door is open for us to collaborate with the Europeans.

3. The CPRS believes that it is important to avoid drifting into a European collaboration without first consciously reviewing and taking specific decisions on the alternatives even though after such a review, European collaboration may turn out to be the best course. The principal additional options include:

(i) going-it alone and building our own commercial scale domestic reactor;

(ii) taking a holding position which would entail keeping a core team to act as informed purchasers of fast reactor technology when the United Kingdom needs it; and

(iii) collaboration with the Americans; this was regarded in July as a real alternative if Mr Reagan won the Election.

The information in the paper currently before the Committee does not provide an adequate basis for assessing these alternatives.

4. With regard to the first two of these options, the CPRS would endorse Mr Howell's arguments that the United Kingdom cannot afford the financial and technological risks of developing its own fast reactor technology. However, the holding option does seem to offer a more feasible policy alternative to collaboration and appears worth exploring. Although probably not reducing expenditure much below current levels, it would avoid the possibility of the United Kingdom becoming committed quite quickly to substantial additional expenditure as a result of a collaborative deal. It would enable us to choose the best technology available, on the best terms, be it European or American, when the need arose.

5. Although the Secretary of State proposes to keep open the option of collaboration with the US it would be very easy for 'substantive negotiations' with the Europeans to reach the point where pursuit of the American alternative (or indeed one of the non-collaborative options) would entail a serious breach with the French including charges of bad faith; there may be more to lose from pulling out of the substantive negotiations which were initiated by us than in not starting them at all. We therefore doubt the wisdom of extending the 'probing' previously agreed by E Committee into 'substantive negotiations' until the Committee has reviewed all the options and until the new American administration has been in office long enough for the possibility of collaboration with them to be properly explored.

6. If it is argued that there is only a short period available for pursuing negotiations with the Europeans on a favourable basis for us, the reasons for this need to be clearly established. Even if this were the case, the importance of the questions raised by fast breeder reactors and the potentially very large sums of money involved are such that proper review of the alternatives should take place first.

7. I am sending a copy of this minute to Sir Robert Armstrong.

JR

17 December 1980