

[8/24/79-Not Submitted-DF]

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ID 793550

THE WHITE HOUSE

WASHINGTON

DATE: 24 AUG 79

FOR ACTION: SECRETARY VANCE *nc*

GUS SPETH *attached*

STU EIZENSTAT

FRANK MOORE (J. COPELAND) *attached*

ZBIG BRZEZINSKI

JIM MCINTYRE *- wed 9/5*

FRANK PRESS *attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN (FRANCIS)

Being held

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL SCHLESINGER MEMO RE
THE BREEDER PROGRAM AND THE ENERGY SECURITY FUND

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 27 AUG 79 +
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ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	FOR APPROPRIATE HANDLING
<input type="checkbox"/>	LAST DAY FOR ACTION

<input checked="" type="checkbox"/>	ADMIN CONFID
<input checked="" type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

ACTION
FYI

<input checked="" type="checkbox"/>	VICE PRESIDENT
<input checked="" type="checkbox"/>	JORDAN <i>les</i>
<input type="checkbox"/>	CUTLER
<input type="checkbox"/>	DONOVAN
<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	MCDONALD
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WEXLER
<input checked="" type="checkbox"/>	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
<input type="checkbox"/>	SCHULTZE
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<input type="checkbox"/>	ANDRUS
<input type="checkbox"/>	ASKEW
<input type="checkbox"/>	BERGLAND
<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CIVILETTI
<input type="checkbox"/>	DUNCAN
<input type="checkbox"/>	GOLDSCHMIDT
<input type="checkbox"/>	HARRIS
<input type="checkbox"/>	KREPS
<input type="checkbox"/>	LANDRIEU
<input type="checkbox"/>	MARSHALL

<input checked="" type="checkbox"/>	MILLER
<input checked="" type="checkbox"/>	VANCE <i>VIA NSC</i>
<input type="checkbox"/>	
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CAMPBELL
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	FRANCIS
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HERTZBERG
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	KAHN
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MARTIN
<input type="checkbox"/>	MILLER
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input checked="" type="checkbox"/>	PRESS
<input checked="" type="checkbox"/>	SANDERS
<input checked="" type="checkbox"/>	SPETH - <i>clear w/ DPS</i>
<input checked="" type="checkbox"/>	STRAUSS <i>before sending</i>
<input checked="" type="checkbox"/>	TORRES
<input checked="" type="checkbox"/>	VOORDE
<input type="checkbox"/>	WISE



U.S. Department of Energy
Washington, D.C. 20585

August 23, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM SCHLESINGER 
SUBJECT: The Breeder Program and The
Energy Security Fund

This memorandum proposes a change in the Administration position on construction of a new breeder R&D plant to strengthen support for our breeder policy and quite possibly increase support for the windfall profits tax.

BACKGROUND

In April of this year you decided on a strategy for the U.S. fast breeder program and termination of the Clinch River Breeder Reactor (CRBR). The central elements of this strategy are:

- o Termination of the out-dated CRBR demonstration plant as inconsistent with the anticipated date and technical requirements for commercial deployment.
- o Maintenance of a strong breeder research and development program including a Conceptual Design Study (CDS) leading to a decision (without commitment) to build a new Liquid Metal Fast Breeder Reactor (LMFBR) plant in March of 1981.

Despite an intensive Administration-wide effort (resulting in a favorable vote in the Senate Energy Committee but an unfavorable vote on the Fuqua/Brown Amendment to the FY 80 Authorization Bill), it appears likely that Congress will, once again, vote for the continuation of the CRBR project. The result is (1) a less effective and more expensive nuclear development program

than our proposal, (2) no resolution of the CRBR controversy which stands in the way of making much needed progress on conventional light water reactor technology, e.g., safety and radioactive waste management; and (3) continued opposition by the utility and nuclear industry.

At the same time you have stressed the relationship of the windfall profits tax to new energy initiatives designed to reduce our dependence on imported oil and improve domestic energy supply and conservation. Moreover we have tied the windfall profits tax and the Energy Security Fund (ESF) to expenditures on new energy supply initiatives, e.g., synthetic fuels, in part as a means of gaining support for the tax. We will need all possible support to assure passage of a significant tax which is estimated to yield revenues between \$150/200b.

THE PROPOSAL

In light of recent Congressional action on the breeder along with developments on the windfall profits tax/ESF, it is an appropriate time to review our breeder position.

Consequently, I suggest that you be prepared to announce or indicate a willingness to accept a commitment to build an improved breeder R&D plant in the 600-900 MWe range, beginning in 1983-1984 to be funded from the ESF with windfall profits tax revenues. Such an announcement would be predicated upon agreement from the major utilities and the nuclear vendors to (a) support the termination of the CRBR and (b) support the windfall profits tax and ESF.

This step would resolve the CRBR impasse and may be required if we are to be successful in our efforts to pass a windfall profit tax and establish an ESF. Many pro-breeder members of Congress, e.g., Church, Jackson, McClure, Fuqua, McCormack, Wydler, will be unwilling to accept an ESF that funds a major new energy technology program that does not include a breeder commitment. Thus you should expect that pro-breeder Members of Congress, utilities, and industry will view a new breeder R&D plant as the price of their support for a strong windfall profits tax.

Acceptance of such a proposal would resolve the CRBR impasse and likely help gain support for the windfall profits tax/ESF.

However, some anti-breeder and marginal supporters of the ESF might be moved to opposition by this step and it would be necessary to review the political implications including checking with our prior supporters, for example, Dale Bumpers and George Brown.

As you will recall, in the April decision memo, Frank Moore, Stu Eizenstat, DOE and State favored a commitment to build because it afforded the best chance of resolving the CRBR issue; NSC, OMB, CEQ, and OSTP argued against any commitment. I believe that circumstances have shown the need to go further than the original proposal to resolve the CRBR issue. The timing of such a commitment (1983-1984) would mesh better than the CRBR with our understanding of the requirements and the technology introduction date for commercial breeders, around 2020, and would be consonant with our nonproliferation initiatives. The new breeder R&D plant should have the same priority as many projects proposed for the ESF or the Energy Security Corporation.

In sum, this proposal would lead to a strong U. S. breeder option more aligned with our nonproliferation policy and strengthen Congressional and industry support for the windfall profits tax. Indeed, pro-breeder Members of Congress and industry are likely to link these two issues.

cc: Charles Duncan

DATE: 24 AUG 79

FOR ACTION: SECRETARY VANCE

GUS SPETH

STU EITZENSTAT

FRANK MOORE (J. COPELAND)

ZBIG BRZEZINSKI

JIM MCINTYRE

FRANK PRESS

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN (FRANCIS)

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL SCHLESINGER MEMO RE
THE BREEDER PROGRAM AND THE ENERGY SECURITY FUND

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 27 AUG 79 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

The technical arguments against a commitment to commence construction of a breeder in 1983-1984 are unchanged since April. Moreover, the surfacing of the proposal by the Administration at this time would undercut to some extent the arguments we have been making against proceeding with the CRBR. Nonetheless, if the proposal would enhance the prospects for passage of a significant windfall profits tax, it may be an attractive compromise. The decision is a political one and requires a careful assessment of the Congress.

Frank Press
August 27, 1979

WASHINGTON

DATE: 24 AUG 79

FOR ACTION: SECRETARY VANCE

GUS SPETH

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*I thoroughly went over the CRBR head count and see
no way we could have gotten the votes to adopt the
Brown-Fuzna amendments - we do have more than enough
support to vote & sustain that vote - but without a
deauthorization a vote does not stop CRBR. But, with
the administration getting so far out front on conventional nuclear reactors I feel
we should stand our ground on CRBR as one issue we've not changed on & also to keep the
Binghams, Udalls, Browns & Fuzna's from thinking we deserted them after they fought for us for 3 yrs.
I disagree with Congressional linkage on CRBR & windfall profits tax - two issues - two concerns.
Too change our position on CRBR could run Udall & others away from supporting EMB*

*HL ✓
SL
Romana
FM*

JF.



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cc: Charles Duncan

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

September 4, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: GUS SPETH 
SUBJECT: Schlesinger Memorandum on "Breeder Program and the Energy Security Fund"

In his August 23 memorandum to you, Secretary Schlesinger urged that (1) you reverse the longstanding Administration policy against early construction of a large liquid metal fast breeder reactor (LMFBR) and (2) that this large LMFBR be funded from the windfall profits tax/ Energy Security Fund.

For reasons stated below, I strongly recommend against this course. However, if you do want to give detailed consideration to the points presented in the Schlesinger memorandum, I believe you would be best served by the preparation of a formal decision memorandum such as that prepared for you on this issue in March 1979.

On March 26, you expressly rejected the proposal which Jim Schlesinger is raising again. The key points made then against the Schlesinger proposal are still valid:

- ° it commits to building a costly (approximately \$2.5 billion) major project considerably earlier in the 1980's than is warranted by our best estimates of uranium resource availability, nuclear power demand, and cost;
- ° it could cost us the support of Members of Congress, environmental organizations, and others;
- ° there is uncertainty whether the nuclear industry and their supporters in the Congress would accept it and it could harden industry support for the CRBR; and
- ° it could damage our nuclear non-proliferation posture abroad.

After considering these points you noted in March that you "would rather go down swinging" if necessary. (This note was leaked to the press by the White House communications office and was widely reported.)

The Schlesinger memorandum now under consideration assumes both that we will lose the CRBR fight in Congress and that tying LMFBR construction to the windfall profits tax/Energy Security Fund will strengthen support for the tax. I think both these propositions are open to doubt and certainly need to be investigated more thoroughly before they are accepted. It seems quite possible, for example, that bringing nuclear power/LMFBR issues into the Energy Security Fund debate could lose us as much or more support as it gains and, generally, could confuse already difficult issues. Should we, for example, establish the precedent of spending Energy Security Fund monies on an R&D activity for a technology which cannot have commercial impacts until after 2020?

Moreover, the Schlesinger memorandum neglects entirely the points made in the March decision memorandum and the additional damage that would be done with our supporters in Congress and private groups by changing so longstanding a policy in midstream.