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THE WHITE HOUSE
WASHINGTON

DATE: 24 AUG 79

FOR ACTION: SECRETARY VANCE, GUS SPETH attached
STU EIZENSTAT
ZBIG BRZEZINSKI
FRANK PRESS attached
GUS SPETH attached

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN (FRANCIS)

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL SCHLESINGER MEMORANDUM
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:
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FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY
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:

- Termination of the out-dated CRBR demonstration plant as inconsistent with the anticipated date and technical requirements for commercial deployment.
- 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 VAN
SECRETARY
STU EISENSTAT FRED ROES (I. COPELAND)
ZBIG BRZEZINSKI TIM MCINTYRE
GUS SPETH
INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN (FRANCIS)

SUBJECT: ADMINISTRATIVELY CONFIDENTIAL SCHLESINGER MEMO RE
ADMINISTRATIVE
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
DATE: 24 AUG 79
FOR ACTION: SECRETARY VANCE

GUS SPETH

STU EIZENSTAT

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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PLEASE NOTE OTHER COMMENTS BELOW:

I thoroughly went over the CBFR headcount and see no way we could have gotten the votes to adopt the Brown-Tuzman amended plans. We do have more than enough support to veto the set plans but without a deauthorization孩子们的反对，我支持。But with the administration getting as far and front on conventional nuclear reactors I feel we should stand our ground on CBFR as an issue we've not charged on. Allow to keep the Bingham nutsall, Brown & Tuzman's from thinking we caved in them after they fought for us. I disagree with Congressional linkage on CBFR windfall profit tax. -taxes - tax income. Too change on position in CBFR could ruin Udall's entire away from supporting EMP

J7.
August 23, 1979

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

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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
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.