

# 10 DOWNING STREET

THIS FILE MUST NOT GO OUTSIDE 10 DOWNING ST

JS  
206

FILE TITLE:

Supply of Highly Enriched  
Uranium

SERIES

DEFENCE

PART:

1

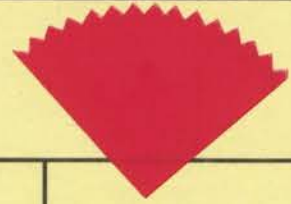
PART BEGINS:

July 1979

PART ENDS:

June 1982

CAB ONE:



Series closed

PREM 19/685

**SERIES**

**CLOSED**

TO BE RETAINED AS TOP ENCLOSURE

# Cabinet / Cabinet Committee Documents

Reference	Date
MISC 7 (79) 2 <sup>nd</sup> Meeting, Minutes	10.7.79
MISC 7 (82) 2	24.3.82
MISC 7 (82) 3	25.5.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *C Wayland*

Date *24 January 2012*

PREM Records Team



cc HO   
FEO HMT  
   
 DIN  
CO

Defence? da  
E

10 DOWNING STREET

From the Principal Private Secretary

16 June 1982

No 10 A.R. 49

Dear David,

Special Nuclear Materials (MISC 7(82)3)

The Prime Minister has read your Secretary of State's paper on the supply of Special Nuclear Materials for the Defence Programme (MISC 7(82)3). She has also seen the Chancellor of the Exchequer's minute of 2 June, the Foreign and Commonwealth Secretary's minute FCS/82/78 and the Secretary of State for Energy's letter of 5 June.

The Prime Minister agrees with the recommendations in paragraph 12 of Mr. Nott's paper, subject to his acceptance of the points made by the Chancellor of the Exchequer in his minute of 2 June. She is content for him, in consultation with the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and the Secretary of State for Energy, to announce the cancellation of Destiny and the new arrangements for purchasing plutonium and Low Enriched Uranium from BNFL.

I am sending copies of this letter to the Private Secretaries to the other members of MISC 7, to Julian West (Department of Energy) and to David Wright (Cabinet Office).

Yours sincerely,

David Omand

David Omand, Esq.,  
Ministry of Defence.

No 10 A.F. 48 Prime Minister (1) 5/

Ref: A08661

SECRET - ATOMIC

Agree to proceed

as recommended in para 7

MR. WHITMORE

Yes not

of Sir R Armstrongs minute?

MCS 14/6

Special Nuclear Materials (SNM) for the Defence Programme  
(MISC 7(82) 3)

The Secretary of State for Defence has circulated this memorandum on which he is seeking the agreement of his colleagues out of Committee.

2. With the decision to acquire a 4-boat Trident force, the defence programme requires:-

*Passage deleted and retained under Section 3(u).*

*Wayland*

*18 September 2012*

3. In his earlier paper, MISC 7(82) 2, the Secretary of State for Defence proposed to purchase all the SNM (except some tritium for existing warheads up to 1995 at least) from the United States. He now proposes to purchase 1 1/4 tonnes of plutonium from British Nuclear Fuels Limited (BNFL) (which is as much as is practicable), and to acquire HEU for both propulsion and weapon requirements from Low Enriched Uranium (LEU) produced in the United Kingdom in a new plant whose capital cost would be funded by BNFL, and the LEU being then shipped to the United States for final enrichment to HEU. The Destiny project for producing HEU in the United Kingdom for propulsion only would be cancelled, but employment in BNFL (at Capenhurst in Cheshire) would be safeguarded by the new LEU plant: 60 per cent of the total work involved in producing the HEU would be given to BNFL.



SECRET - ATOMIC

4. These new proposals have the advantage of preserving our domestic capability and employment in the production of LEU and affirming our commitment to the URENCO gas centrifuge enrichment project (in which we are collaborating with the Germans and the Dutch), while relieving the defence budget of the capital costs of the Destiny project.

5. The original purpose of the Destiny project when it was approved in July 1979 was to reduce our dependence on the Americans. We had been unable to obtain a long-term guarantee of supply from the Carter Administration. Last year President Reagan informed you that the United States would be willing to meet our SNM needs, subject only to the requirements of the United States defence programme, and to amend the 1958 United States/United Kingdom Defence Agreement to authorise supplies until 1995, without precluding at a later date a further extension beyond 1995. Under the Secretary of State for Defence's new proposals we should remain dependent on the United States for nearly half our plutonium, all our HEU and some tritium. We have, however, always relied on the United States for most of our SNM. Of warhead material, only tritium decays significantly and that is why we shall retain domestic production to keep our existing warheads going, despite its extra cost. HEU for warheads does not decay, though HEU for propulsion is used up. As the Secretary of State for Defence pointed out in MISC 7(82) 2, if the Americans denied us supplies of SNM at some future date we could revive domestic production, at a price.

6. The Secretary of State for Defence's new proposals have been worked out in consultation with Treasury and Department of Energy officials; the Chancellor of the Exchequer, in his minute of 2nd June to the Prime Minister, has recorded his agreement subject to certain conditions, which I understand are acceptable to the Secretary of State for Defence. The Foreign and Commonwealth Secretary (his minute of 7th June) and the Secretary of State for Energy (his minute of 5th June) are content. I understand also that the Home Secretary is content. That being so, if the Prime Minister agrees, no meeting of MISC 7 will be necessary.



SECRET - ATOMIC

7. I recommend that the Prime Minister agrees with the Secretary of State for Defence's recommendations in paragraph 12 of MISC 7(82) 3, subject to his acceptance of the Chancellor of the Exchequer's conditions as set out in his minute of 2nd June; and authorises him, in consultation with the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and the Secretary of State for Energy, to announce the cancellation of Destiny and the new arrangements for purchasing plutonium and LEU from BNFL.

Robert Armstrong

CONQUEROR

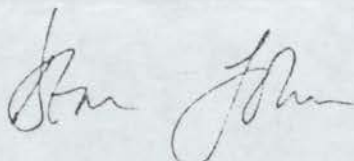
14th June 1982

01 211 6402

SECRET

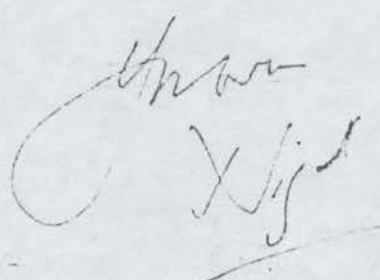
The Rt Hon John Nott MP  
Secretary of State for Defence  
Ministry of Defence  
Whitehall  
LONDON SW1

5 June 1982



SPECIAL NUCLEAR MATERIALS

I have seen your Memorandum of 25 May on this subject. I welcome your revised proposals for procuring a much larger proportion of these materials from BNFL. Subject to the conclusion of satisfactory contractual terms between BNFL and MOD, I agree with the recommendations you have made, including the cancellation of Destiny.



NIGEL LAWSON -





5-6-82  
AD 5/6

SECRET ATOMIC

COPY NO 3 OF 8 COPIES

49

No. 10 A.R. 47

FCS/82/78

SECRETARY OF STATE FOR DEFENCE

Special Nuclear Material

1. Thank you for sending me a copy of your Memorandum MISC 7 (82) 3 of 25 May. I confirm that I am content with the revised proposals for procurement of special nuclear materials, and have no objection to their being approved out of Committee.
2. Since an announcement was made in 1979 of the proposed naval fuel plant at Capenhurst, it will presumably be necessary at some time to inform Parliament of the revised proposal. In that case, I hope we can ensure, as a courtesy to our URENCO partners, that they are informed of the change of plan shortly before any statement is made to Parliament or in any other public forum.
3. I am copying this to all members of MISC 7, Secretary of State for Energy and Sir Robert Armstrong.

7/11

(FRANCIS PYM)

Foreign and Commonwealth Office

SECRET ATOMIC

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

SPECIAL NUCLEAR MATERIALS

I have seen the new proposals for the procurement of special nuclear materials set out in John Nott's paper MISC7(82)3. They show significant improvements in economic terms over the previous UK options, and seem to have met in full the valuable competitive challenge represented by the options of full procurement from the US. I am content with them, and see no need for collective discussion.

2. My agreement is given on condition that the Destiny project is immediately cancelled with minimum further expenditure, and that my officials are given an opportunity to comment in good time on the provisions in the contracts with BNFL. In particular, the Treasury will want to be satisfied, on plutonium,

(1) that the price negotiated keeps the total cost to MOD in line with the US option;

(2) that decommissioning and associated costs are adequately dealt with, and

(3) that there is a reasonable settlement on liability in the event of cancellation;

and for HEU,

(1) that the price negotiated is reasonable, and

CONFIDENTIAL



(2) allows MOD some flexibility as to quantities without price penalties;

(3) that the arrangements for fixed prices on the contract are satisfactory;

(4) that the variation of price clause excludes the possibility of significant real price increases over the prices agreed, and

(5) that any capital indemnity clause represents a reasonable settlement.

3. Copies of this minute go to John Nott, Francis Pym, Willie Whitelaw, Nigel Lawson, and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a stylized, cursive 'G' followed by a horizontal line and a small flourish.

(G.H.)

2 June 1982

~~SECRET~~



File AM <sup>47</sup>  
ccs HO Defence  
FCO  
Tsy  
Energy  
CO<sub>c</sub>

10 DOWNING STREET

From the Principal Private Secretary

8 April 1982

Dear Sami,

SPECIAL NUCLEAR MATERIALS

The Prime Minister has seen your Secretary of State's minute of 1 April 1982 about special nuclear materials and she agrees that the discussion in MISC 7 should be postponed until officials have been able to assess BNFL's new proposals.

I am sending copies of this letter to the Private Secretaries to other members of MISC 7, to Julian West (Department of Energy) and to David Wright (Cabinet Office).

Yours sincerely,

Alvin Shinnon

David Omand Esq.,  
Ministry of Defence.

~~SECRET~~

SC



Prime Minister

Defence

MO 18/1/1

In view of these developments  
it is obviously sensible to propose  
discussions. Agree?

PRIME MINISTER

Yes

RW

JW

SPECIAL NUCLEAR MATERIALS

In my paper for MISC 7 on Special Nuclear Materials (SNM), I recommended that all our weapons SNM needs be met from the US (bar some tritium) and that, for highly enriched uranium (HEU) for naval nuclear propulsion, DESTINY should be cancelled in favour of US procurement. Following circulation of that paper, British Nuclear Fuels (BNFL) have come forward with revised proposals.

2. On uranium \* ~~~~~ \* BNFL have produced an outline proposal to create facilities to produce low enriched uranium (LEU - the first step towards HEU) for sale to us at competitive prices. This LEU would then be enriched to the higher level in the US. Since the low enrichment process accounts for some 60% of the total work involved in producing HEU, this would provide BNFL with an acceptable share of the work while avoiding the high capital costs of DESTINY (which was intended to produce HEU). It could also be seen to reduce our dependence on the Americans. On the face of it this seems a promising, if tardy, proposal. It does represent a new departure however, and the feasibility and costs must be very carefully examined before we commit ourselves.

3. On plutonium for weapons, BNFL have suggested that they may be able to supply us at a price lower than that originally quoted - using some marginal cost scheme rather than the normal full shared cost basis. But BNFL would have to reach agreement with other existing customers - notably the CEGB - before they could offer us such a marginal pricing arrangement. This is being explored urgently.

1

SECRET

\* ~ \* Passage deleted  
and retained under  
Section 3(4). @Wayland  
18 September 2012



4. I would like to suggest therefore that we postpone discussion of special nuclear materials until officials have been able to assess BNFL's new proposals on uranium and plutonium. In the meantime we are taking steps with BNFL to minimise expenditure on DESTINY.

5. I am copying this to other members of MISC 7, to the Secretary of State for Energy and to Sir Robert Armstrong.

CONQUEROR

SW

Ministry of Defence

1st April 1982

~~SECRET~~



*File A4*  
*ces mod*  
*CO*

10 DOWNING STREET

*From the Principal Private Secretary*

15 February 1982

*Dear Francis,*

US/UK CO-OPERATION ON SPECIAL NUCLEAR MATERIALS

Thank you for your letter of 11 February 1982 about President Reagan's letter to the Prime Minister conveying the willingness of the United States to supply us with Special Nuclear Materials.

The Prime Minister has now signed the enclosed reply to President Reagan, and I should be grateful if you would arrange for this to be delivered in Washington.

The Prime Minister's letter varies in a number of small ways from the draft which you sent me with your letter of 11 February, and these changes have been cleared with the Ministry of Defence.

I am sending copies of this letter together with copies of the Prime Minister's letter to President Reagan to David Omand (Ministry of Defence) and David Wright (Cabinet Office).

*Yours sincerely,*

*David Whitmore.*

Francis Richards Esq.,  
Foreign and Commonwealth Office.

~~SECRET~~  
~~SECRET~~

SECRET

**SECRET**

43



**PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 29/82**

**SUBJECT.**

10 DOWNING STREET

THE PRIME MINISTER

15 February 1982

*Dear Mr. President,*

*cc. Master set  
DT.*

Thank you very much for your letter re-affirming the willingness of the United States, in principle, to supply special nuclear materials for the United Kingdom nuclear weapon programme subject, of course, to your ability to satisfy the needs of your own defence programmes.

I welcome the discussions between the representatives of the United States Department of Energy and the United Kingdom Ministry of Defence, and I am glad that they will be able to consider the question of amending the 1958 Agreement between the United Kingdom and United States Governments for Co-operation in the Uses of Atomic Energy for Mutual Defense Purposes. I am very grateful to you for your willingness to assist us in this important aspect of the United Kingdom nuclear weapon programme, and I agree that this further strengthens existing exchange programmes on nuclear matters which are mutually beneficial to our respective governments.

*Yours sincerely  
Margaret Thatcher*

The President of the United States of America

SECRET

**SECRET**





10 DOWNING STREET

Prime Minister.

The address of the FCO  
and MOD is in the letter  
immediately below that to the  
President.

The President's own letter  
is on page 'A'.

AW

12 ii

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

11 February 1982

*Dear Clive,*

US/UK Cooperation on Special Nuclear Materials (SNMs)

With my letter of 1 February I enclosed the original of President Reagan's letter to the Prime Minister about the United States' willingness in principle to supply SNMs for the UK's nuclear weapon programme.

I now enclose a draft letter from the Prime Minister to President Reagan in acknowledgment of the Presidential message. The draft has been prepared by the MOD. The view of the FCO and MOD is that the Prime Minister need only acknowledge the President's message in general terms at this stage, pending the outcome of the current review, and subsequent Ministerial decisions, on the UK's future procurement policy for SNMs.

Although the Embassy in Washington had it impressed upon them when the President's message was handed over that he was only expressing agreement in principle, this, we believe, is understandable and acceptable at the present juncture. We have not yet been able to refine specifications of quantities of SNMs which we might need, and the Americans have still to take certain decisions about their own strategic systems and their SNM production programme.

I am copying this letter, with enclosure, to the PS to the Secretary of State for Defence and Sir R Armstrong.

*Yours ever,*  
*F N Richards*

(F N Richards)  
Private Secretary

Clive Whitmore Esq  
10 Downing Street

SECRET

STREET ADDRESS ONLY (PLEASE PRINT)

CITY, STATE, ZIP



11 FEB 1982

11 FEB 1982



*file type for use  
from min's  
response*

DRAFT REPLY

~~Dear Mr President~~

1. Thank you <sup>very much</sup> for your letter <sup>reaffirming</sup> regarding your reaffirmation of the willingness of the US, in principle, to supply special nuclear materials for the United Kingdom nuclear weapon programme subject, of course, to your <sup>ability</sup> ~~capability~~ to satisfy the needs of <sup>the</sup> ~~the~~ United States Defense Programmes.

2. I welcome the discussions between the <sup>UK</sup> representatives of the United States Department of Energy and the Ministry of Defence and <sup>I am glad that they can be taken to consider the question of amending</sup> ~~consideration of the appropriate amendment of the~~ 1958 Agreement between the United Kingdom and United States Governments for Co-operation in the Uses of Atomic Energy for Mutual Defense Purposes. I am very <sup>grateful to you for</sup> ~~appreciative of~~ your willingness to assist <sup>us</sup> in this important aspect of the United Kingdom nuclear weapon programme and I agree that this further strengthens existing exchange programmes on nuclear matters which are mutually beneficial to our respective governments.

(Prime Minister)

S E C R E T

41



Foreign and Commonwealth Office

London SW1A 2AH

1 February 1982

*Defence*

*Dear Clive,*

*p-a.  
MR 1/2.*

US/UK Cooperation on Special Nuclear Materials

You will have seen Washington telegram No 238 of 27 January, which contained the text of a message to the Prime Minister from President Reagan confirming United States willingness in principle to supply special nuclear materials for our nuclear weapon programme.

/ I now enclose the original of the President's letter.

*Yours over,*

(F N Richards)  
Private Secretary

Clive Whitmore Esq  
No 10 Downing Street

S E C R E T

*Mr Whitmore  
NO D.S*

GR 200

SECRET

*revision papers please.*

D E D I P

*A.S.C. 28/1*

SECRET

FM WASHINGTON 271716Z JAN 82  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 237 OF 27 JANUARY

Prime Minister

*Trans. M*

*A.S.C. 28/1*

FOLLOWING FOR PATRICK WRIGHT  
US/UK COOPERATION ON SPECIAL NUCLEAR MATERIALS (SNM)

*h.a. M 1/2*

*see 10/9/81*

1. THE PRESIDENT HAS NOW REPLIED TO THE PRIME MINISTER'S LETTER OF 14 SEPTEMBER, INDICATING WILLINGNESS IN PRINCIPLE TO SUPPLY US WITH SNM, SUBJECT TO US CAPABILITY TO SPECIFY THE NEEDS OF THEIR OWN DEFENCE PROGRAMMES. TEXT OF PRESIDENT REAGAN'S LETTER DATED 26 JANUARY IN M.I.F.T. ORIGINAL FOLLOWS BY BAG).

2. IN PASSING THE LETTER TO US, NSC STAFF EMPHASISED HIS POINT IN THE FIRST PARAGRAPH THAT THIS AGREEMENT IS IN PRINCIPLE AND THAT AN EVENTUAL DEAL WILL HAVE TO TAKE ACCOUNT OF THE ACTUAL STATE OF US SUPPLIES IN RELATION TO THE TIMING OF OUR NEEDS.

HENDERSON

LIMITED  
HD/DEF D  
HD/NED  
PS  
PS /pus  
MR WRIGHT  
MR GILLMORE

COPIES TO:-  
NO 10 (MR WHITMORE) ✓  
MR WADE-GERY CABINET OFFICE  
MR HASTIE-SMITH MOD

SECRET

GR 300

SECRET

*Mr Whitmore  
No 10 D.S*

D E D I P

SECRET

FM WASHINGTON 271725Z  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 238 OF 27 JANUARY

FOLLOWING FOR PATRICK WRIGHT  
M.I.P.T: US/UK COOPERATION ON SPECIAL NUCLEAR MATERIALS (SNM)

1. FOLLOWING IS TEXT OF PRESIDENT REAGAN'S LETTER:

DEAR MADAME PRIME MINISTER:

I AM PLEASED TO REAFFIRM TO YOU THE WILLINGNESS OF THE UNITED STATES, IN PRINCIPLE, TO SUPPLY SPECIAL NUCLEAR MATERIALS FOR THE UNITED KINGDOM'S NUCLEAR WEAPON PROGRAM. THE US WILL MAKE EVERY EFFORT TO SUPPORT YOUR MATERIALS REQUIREMENTS, SUBJECT TO OUR CAPABILITY TO SATISFY THE NEEDS OF THE US DEFENSE PROGRAMS.

I UNDERSTAND THAT DISCUSSIONS HAVE BEEN INITIATED IN THIS MATTER BETWEEN REPRESENTATIVES OF THE UNITED KINGDOM'S MINISTRY OF DEFENSE AND THE UNITED STATES' DEPARTMENT OF ENERGY. THESE DISCUSSIONS SHOULD EXPLORE THE DETAILS OF YOUR NEEDS AND OUR ABILITY TO MEET THEM. IN ADDITION THE DISCUSSIONS SHOULD CONSIDER HOW BEST TO AMEND THE 1958 AGREEMENT BETWEEN THE UNITED KINGDOM AND UNITED STATES GOVERNMENTS FOR COOPERATION IN THE USES OF ATOMIC ENERGY FOR MUTUAL DEFENSE PURPOSES.

WE VIEW THIS AS STRENGTHENING EXISTING EXCHANGE PROGRAMS ON NUCLEAR MATTERS WHICH ARE MUTUALLY BENEFICIAL TO OUR RESPECTIVE GOVERNMENTS.

SINCERELY,

RONALD REAGAN

HENDERSON

LIMITED  
HD/DEF D  
HD/NED  
PS  
PS/PUS  
MR WRIGHT  
MR GILLMORE

COPIES TO:-  
NO 10 (MR WHITMORE) ✓  
MR WADE-GERY (CABINET OFFICE)  
MR HASTIE-SMITH (MOD)

SECRET

**SECRET**

**SENSITIVE 40**

*SUBJECT*

*cc Thatcher  
Ops*

THE WHITE HOUSE

WASHINGTON

January 26, 1982

**PRIME MINISTER'S  
PERSONAL MESSAGE**

**SERIAL No. T 16A/82**

Dear Madame Prime Minister:

I am pleased to reaffirm to you the willingness of the United States, in principle, to supply special nuclear materials for the United Kingdom's nuclear weapon program. The US will make every effort to support your materials requirements, subject to our capability to satisfy the needs of the US defense programs.

I understand that discussions have been initiated in this matter between representatives of the United Kingdom's Ministry of Defense and the United States' Department of Energy. These discussions should explore the details of your needs and our ability to meet them. In addition the discussions should consider how best to amend the 1958 Agreement between the United Kingdom and United States Governments for Cooperation in the Uses of Atomic Energy for Mutual Defense Purposes.

We view this as strengthening existing exchange programs on nuclear matters which are mutually beneficial to our respective Governments.

Sincerely,

*Ronald Reagan*

The Right Honorable  
Margaret Thatcher, M.P.  
Prime Minister  
London

**SECRET**

**SENSITIVE**



CONFIDENTIAL



10 DOWNING STREET

File AH  
cc FCO Defence  
Tsy  
MOD  
CO

From the Principal Private Secretary

25 January 1982

Dear David,

EXPORT OF PLUTONIUM TO FRANCE

I have shown the Prime Minister your letter of 21 January 1982 to Willie Rickett, and she has noted that BNFL will not now be leasing plutonium to the CEA and that if the French were to renew their request for plutonium, Ministers would be able to consider it afresh in the light of reactions to the proposal to export plutonium to the United States.

I am sending copies of this letter to Francis Richards (Foreign and Commonwealth Office), Peter Jenkins (Treasury), Nick Evans (Ministry of Defence) and David Wright (Cabinet Office).

Yours sincerely,

David Lumley

David Lumley Esq.,  
Department of Energy.

CONFIDENTIAL

CONFIDENTIAL



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

01-211 6402

2.  
Prime Minister.

HL  
22 1 82

W F S Rickett Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

21 January 1982

*HL*

Dear Willie

EXPORT OF PLUTONIUM TO FRANCE

In your letter to Francis Richards of 17 August 1981, you confirmed that the Prime Minister was willing to let the export of plutonium by BNFL to the CEA to go ahead. I am writing to let you know that this deal has not gone through. BNFL were informed recently by the CEA that they do not now wish to lease this plutonium. The reason given was that a re-examination of the Superphenix fuel fabrication programme had shown that the CEA no longer needed to lease any plutonium.

This proposed export of plutonium has not yet been announced, and there have been no reports or rumours about it either. There is therefore no need for anything to be said about the deal falling through. We have, however, written to the Company informing them that the approval in principle to lease plutonium to the CEA has been withdrawn, and that if the CEA wish to renew their request the matter will have to be referred to Ministers afresh. It seemed desirable to do this in view of the concern expressed recently in Parliament and in the media about the export of plutonium to the US. We would wish to be able to say, if asked about the export of plutonium to France, that there is no commitment to sell or lease plutonium to the CEA.

If the request is renewed Ministers will be able to consider it again in the light of the reactions to the proposal to export plutonium to the US. That proposal is, as you know, being kept as low key as possible, both by us and the US Government.

I am copying this letter to Francis Richards (FCO), Brian Norbury (Defence), Peter Jenkins (Treasury) and David Wright (Cabinet Office).

Yours ever  
*David Lumley*  
DAVID LUMLEY  
Private Secretary

22 JAN 1982



COMMUNICATIONS



COVERING SECRET



39  
Defence

10 DOWNING STREET

*From the Principal Private Secretary*

10 September 1981

Special Nuclear Materials

I should be grateful if you would arrange for the attached letter from the Prime Minister to President Reagan about the supply of special nuclear materials for the United Kingdom deterrent programme to be transmitted to the White House.

I am sending a copy of this letter and of the Prime Minister's letter to the President to John Kerr (HM Treasury), Julian West (Department of Energy) and David Wright (Cabinet Office) + *M.O. Defence*

C. A. WHITMORE

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

SECRET

38



SUBJECT

10 DOWNING STREET

THE PRIME MINISTER

10 September 1981

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

**SERIAL No. T126/81**

*Dear Mr. President,*

During the 1980 exchanges on the modernisation of the nuclear deterrent capability of the United Kingdom, your predecessor assured me that the United States was willing, in principle, to supply special nuclear materials for the United Kingdom deterrent programme. Since that time, studies have been undertaken on the United Kingdom's future requirements for such materials and the potential needs have been discussed with Secretary Weinberger, Secretary Edwards and their staffs.

The point has been reached where it is certain that the United Kingdom will need to procure significant quantities of highly enriched uranium, weapons grade plutonium and tritium from the US Department of Energy, at various rates from about 1985 for some ten years, in order to implement our future nuclear deterrent proposals. Additionally, there may be a requirement for a relatively modest quantity of low enriched uranium. While the details of the procurement have not yet been finalised in terms either of the United Kingdom programme or of the Department of Energy's capacity to meet it, I would be grateful if you would authorise the Department of Energy, with the support of the Department of Defense, to undertake the necessary procurement planning which must precede the implementation of the special nuclear materials production programmes as may eventually be agreed between us. I would also value your assurance that the 1958 Agreement between the United States and United Kingdom Governments for Co-operation in the Uses of

/Atomic

SECRET

SECRET

- 2 -

Atomic Energy for Mutual Defence Purposes would be amended, as we may jointly agree, so that the necessary procurement of special nuclear materials by the United Kingdom from the United States can proceed over the duration of the United Kingdom programme.

Yours sincerely

Margaret Thatcher .

---

The President of the United States of America

SECRET



10 DOWNING STREET

Prime Minister.

As approved by you  
in days.

HW

Six

Seen  
Foreign and Commonwealth Office

London SW1A 2AH

7 September 1981

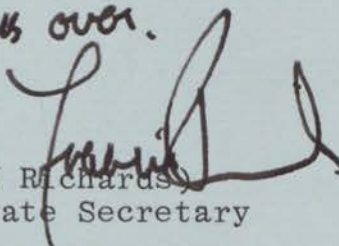
Dear Michael,

Special Nuclear Materials

The Secretary of State has seen Mr Nott's minute to the Prime Minister of 1 September, and your letter to me of 3 September. He is content that the Prime Minister should write to President Reagan in the general terms proposed by Mr Nott, on the understanding that a decision on precise quantities will be taken in the light of further studies, inter alia of the future of the Destiny project.

His officials will be in touch with Mr Nott's about the work to be put in hand concerning the international implications of the Destiny project.

I am sending copies of this letter to the Private Secretaries to the Secretary of State for Defence, the Chancellor of the Exchequer, the Secretary of State for Energy and Sir R Armstrong.

Yours over.  
  
(F N Richards)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON  
SW1



Ref: B06275

MR WHITMORE

c Sir Robert Armstrong o/r

Special Nuclear Materials

In his minute of 1st September, the Defence Secretary invites the Prime Minister to send President Reagan a letter designed to elicit the President's support for a programme of special nuclear materials procurement from the United States, in quantities to be agreed later. The Prime Minister's agreement, in principle, to do this at the appropriate time was conveyed in your minute of 4th August to Mr Norbury.

2. The letter needs to be sent now (rather than, for example, when decisions on quantities have been taken) because of the timing of internal United States procedures. It is designed to make it easier for our friends in the United States Administration to be as helpful as they would like to be. Its specific purpose is not simply to impale President Reagan on the hook which we got President Carter to take last year (a copy of the Carter undertaking was attached to Sir Robert Armstrong's minute to you of 6th August); indeed one could argue that asking for reconfirmation suggests an undesirable lack of faith in the undertaking we already have. What we are now seeking is

- a. to remove the qualification 'beyond your own capacity to provide' in President Carter's letter, which reflected the Americans' insistence at the time that we should do as much for ourselves as possible;
- b. an assurance that the 1958 Agreement between the United States and United Kingdom Governments for Co-operation in the Uses of Atomic Energy for Mutual Defence Purposes will be extended for some 10 years beyond its present expiry date of 31st December 1984. The Agreement, which has been renewed periodically with the approval of the United States Congress (but for only 5 years on the last occasion), governs the provision of materials, components and technical assistance for our defence nuclear programme.

Prime Minister. 36

Mr Nott in his minute of 1st Sept  
wishes you to write to President  
Reagan in terms of the draft of 1st Sept.  
I have checked with Lord Carrington  
is content. The Cabinet Office's advice is that  
you should write as Mr Nott proposes.

Agree to do so?

Agreed not. tell  
Fig 8.



If we succeed we shall have a much more copper-bottomed guarantee of long term supply than the Carter Administration was ever willing to give us. You may recall that it was our inability to obtain long term guarantees which led to our 1979 decision to proceed with Project DESTINY (for the production of highly enriched uranium for submarine propulsion) and to leave open the possibility that further such projects would need to be launched for the production of other materials.

3. As Mr Nott's minute and the draft letter to the President make clear, decisions on quantities will be taken later in the light of Ministers' conclusions on how best to meet our requirement and of the United States Department of Energy's capacity to meet them. It has been the case all along that we would need to procure some of each of the main materials from the United States; the question for decision when Mr Nott circulates the costed options will be how much of each would we want or need to produce in the United Kingdom. So sending the letter now will not prejudice the outstanding Ministerial disagreement about the future of DESTINY, which the Foreign Secretary would be reluctant to see cancelled as the Defence Secretary is likely to suggest (Lord Carrington's minute to the Prime Minister of 24th August and Mr Nott's of 31st July). Neither the Foreign Secretary nor the Secretary of State for Energy (who shares Lord Carrington's concerns over the future of DESTINY) are expected to raise any objection to sending the letter as proposed. Nor is the Chancellor of the Exchequer.

4. Action to extend the 1958 Agreement beyond the end of 1984 would not normally be set in hand until late 1983 or early 1984. But provided President Reagan is content to give the assurance sought, that the Agreement will be renewed for a 10 year period, the renewal process might usefully be brought forward by a year or 18 months - which would keep it clear of the run up to the next United States presidential election. This would still leave an interval of a year or more between the time when Ministers will need to take decisions on the pattern of special nuclear materials procurement and the time when the Agreement will be renewed. But past experience suggests



that this need not be a cause for anxiety; if the Administration make us a promise in a matter of this sort, the Congress would be most unlikely to frustrate it.

5. I therefore recommend that the Prime Minister should write to President Reagan as proposed by the Defence Secretary.

A handwritten signature in blue ink, appearing to read 'R L Wade-Gery'. The signature is stylized and written in a cursive hand.

4th September 1981

R L WADE-GERY

SECRET



File AH  
35

10 DOWNING STREET

*From the Principal Private Secretary*

MR WRIGHT  
CABINET OFFICE

SPECIAL NUCLEAR MATERIALS

Mr Facer provided advice in his minute of 28 August 1981 to Mr Rickett on the Foreign and Commonwealth Secretary's minute of 24 August about the procurement of special nuclear materials.

We have now consulted the Prime Minister, and she agrees that we should plan on the assumption that this question will need to go to a meeting of MISC 7 in due course. In the meantime I have written to Mr Fall on the lines suggested by Mr Facer and I attach your copy of my letter.

JAW.

3 September 1981

SECRET

SECRET



File AH 34

ccs Tsy  
MOD  
Energy  
CO

10 DOWNING STREET

From the Principal Private Secretary

3 September 1981

Dear Bonni,

BF

Saipasa  
report to  
MUSC 7i  
Mars  
Dair  
Chase

SPECIAL NUCLEAR MATERIALS

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 24 August 1981 about the procurement of special nuclear materials.

She agrees that Ministers will need to consider all the implications of the proposals when the costed options which the Defence Secretary is preparing are available, and she hopes that Mr Nott will be able to put these forward soon.

I am sending copies of this letter to John Wiggins (Treasury), David Omand (Ministry of Defence), Julian West (Department of Energy) and David Wright (Cabinet Office).

Yours sincerely,

Anne Whitman.

SP

Brian Fall Esq.,  
Foreign and Commonwealth Office.

SECRET



MO 18/1/1

BF

M. W. ...

M.L.

PRIME MINISTERSPECIAL NUCLEAR MATERIALS

In my minute of 31st July 1981, I proposed that you should write to the US President regarding our requirements for special nuclear materials (SNM) to support our future defence nuclear programme and I said I would let you have a draft when we have the costed options. In advance of detailed figures, however, you should be aware of potential savings on the Defence Budget of up to £300M from these U.S. nuclear materials procurement options. I must emphasise that savings of this magnitude will be of major importance when we come to take decisions on the Trident programme to be adopted. Meanwhile, I have received a letter from the US Defense Secretary, saying he finds our approach to our SNM problems attractive and agreeable in principle, and you have received a minute from the Foreign and Commonwealth Secretary commenting on the international implications of one element (the procurement of highly enriched uranium for naval nuclear propulsion) of the total package which is now being prepared.

2. These preparations are not proceeding as rapidly as I had hoped because the US Department of Energy needs more time than was originally expected to assemble the information we have requested. Nevertheless, I am advised that the urgency attached to a letter from you to the President seeking his endorsement, in principle, of SNM cooperation has not diminished. For this letter to have maximum effect, it needs to be sent in early September to coincide with the timing of the US review and authorisation of their SNM procurement plans. To achieve this end, the letter does not need to be specific; it will suffice if it merely states that there is a positive UK requirement for



specified materials. To make such a statement does nothing to restrict our freedom of choice on the way in which we should ultimately satisfy our SNM requirements and in particular does not prejudice the outcome of the studies on how best to meet our HEU needs for nuclear propulsion. Whatever we do there is no doubt that we shall have to meet at least part of our requirement for HEU, PU and Tritium by US procurement.

3. I am already certain about our requirements to this extent and it is advantageous at this time not to be too specific while we work out where the balance of advantage lies between US and UK procurement, taking into account, inter alia, the points raised / by the Foreign Secretary on Destiny. I therefore attach a draft letter which should serve to elicit the desired Presidential support.

4. My Department, in consultation with the Foreign and Commonwealth Office, Treasury and Department of Energy as appropriate, is continuing to prepare a comprehensive paper on the Defence SNM issues for our consideration in the Autumn. This timing may prove to be particularly fortunate in that it should coincide with our wider deliberations on Trident.

5. I am sending copies of this minute to the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Secretary of State for Energy and to Sir Robert Armstrong.

J.N.

Ministry of Defence  
1st September 1981

DRAFT LETTER FROM PRIME MINISTER TO US PRESIDENT

During the 1980 exchanges on the modernisation of the nuclear deterrent capability of the United Kingdom, your predecessor assured me that the United States was willing, in principle, to supply special nuclear materials for the United Kingdom deterrent programme. Since that time, studies have been undertaken on the United Kingdom's future requirements for such materials and the potential needs have been discussed with Secretary Weinberger, Secretary Edwards and their staffs.

2. The point has been reached where it is certain that the United Kingdom will need to procure significant quantities of highly enriched uranium, weapons grade plutonium and tritium from the US Department of Energy, at various rates from about 1985 for some ten years, in order to implement our future nuclear deterrent proposals. Additionally, there may be a requirement for a relatively modest quantity of low enriched uranium. While the details of the procurement have not yet been finalised in terms either of the United Kingdom programme or of the Department of Energy's capacity to meet it, I would be grateful if you would authorise the Department of Energy, with the support of the Department of Defense, to undertake the necessary procurement planning which must precede the implementation of the special nuclear materials production programmes as may eventually be agreed between us. I would also value your





assurance that the 1958 Agreement between the United States and United Kingdom Governments for Cooperation in the Uses of Atomic Energy for Mutual Defence Purposes would be amended, as we may jointly agree, so that the necessary procurement of special nuclear materials by the United Kingdom from the United States can proceed over the duration of the United Kingdom programme.

*Agreed  
MS.*

Prime Minister

32

T/05591

Are you content to chair a meeting of NUSC7 to resolve this, if the ministers concerned cannot agree?

MR RICKETT

Yes

Copy to: Sir Robert Armstrong o/r

W  
28/8SPECIAL NUCLEAR MATERIALS

The Foreign and Commonwealth Secretary's minute of 24 August to the Prime Minister draws attention to the possible international repercussions of a decision to cancel Project DESTINY (the project for the supply from UK sources of highly enriched uranium for submarine propulsion), and reserves his position until all the implications have been considered. (at A)

2. As the Prime Minister will have noted from the Defence Secretary's minute of 31 July, Ministry of Defence officials are working with the United States Department of Energy (DOE) to produce costed options for collective Ministerial consideration. The options will cover all the special nuclear materials projects in the defence programme, not just Project DESTINY. This work has fallen a little behind schedule because the DOE have not yet provided the information which the Ministry of Defence needs. The meeting of officials referred to in paragraph 6 of Lord Carrington's minute has therefore been postponed. But it will be surprising if, in the case of Project DESTINY, the costings do not work in favour of procurement from the United States. (at B)

3. If Project DESTINY is cancelled, the effect on British Nuclear Fuels Ltd's (BNFL) civil enrichment programme will be to reduce its rate of return to a very low (possibly negative) level. The Chancellor of the Exchequer in his minute of 8 July to the Defence Secretary recorded his doubts about the wisdom of allowing BNFL to add to their financing burdens by keeping the civil enrichment programme going in the wake of the cancellation of Project DESTINY.

Handling

4. In the light of the views expressed by Lord Carrington, which are likely to be shared by the Secretary of State for Energy, collective consideration by Ministers will almost certainly be necessary both of Project DESTINY (and the other special nuclear materials projects) and of the future of BNFL's civil enrichment facilities.



5. MISC 7, to which the Secretary of State for Energy would need to be invited, would be the natural forum in which to consider the Defence Secretary's proposals. Although neither the Home Secretary nor the Chancellor of the Duchy, who are members of MISC 7, has a particular interest in the proposals, both were party (in Mr Pym's case as the then Defence Secretary) to MISC 7's original decision to go ahead with Project DESTINY.

6. The mid-September deadline referred to in paragraph 5 of Lord Carrington's minute relates to the expiry of current Treasury authority for expenditure on Project DESTINY. It will be for the Ministry of Defence to negotiate with the Treasury the extension which seems likely to be necessary. Meanwhile, Mr Nott has put work on DESTINY on a tickover basis. But I should be grateful for the Prime Minister's agreement that we can plan on the assumption that a meeting of MISC 7 will be required, possibly in three or four weeks' time. Subject to her agreement on this point, you may care to send a short letter to Lord Carrington's office as follows:

"The Prime Minister has seen your Secretary of State's minute of 24 August. She agrees that Ministers will need to consider all the implications of the proposals when the costed options being formulated by the Secretary of State for Defence are available and she hopes these will be put forward soon."

A handwritten signature in dark ink, appearing to read 'R L L Facer', written in a cursive style.

R L L FACER

28 August 1981

28 AUG 1981

0 11 12 4  
9 8 7 6 5  
3 2





Await CO advice

MAF 25/1/11

PM/81/40

PRIME MINISTER

Special Nuclear Materials

1. In his minute of 31 July, the Defence Secretary advised you of the result of recent contacts with the US Administration on the procurement of special nuclear materials, including the provision of Highly Enriched Uranium (HEU) fuel for the submarine fleet (the Destiny Project).
2. It is becoming increasingly clear that to obtain this fuel from the US, rather than, as we had previously agreed, from British Nuclear Fuels Limited (BNFL) could have important international political implications as well as serious domestic economic consequences, since it would seriously undermine the continued viability of BNFL's total enrichment programme.
3. Internationally this could in turn lead to our inability to meet our commitments under the Treaty of Almelo, and our consequent withdrawal from the URENCO partnership with the Netherlands and the Federal Republic of Germany. This would undermine our credibility not only with our European partners (incidentally feeding doubts about our commitment to Europe) but with other countries as well. It will reinforce the negative effect on the attitude of present potential collaborators produced by doubts we have raised, on financial, commercial

/and



and technical grounds, over other projects in which we are engaged.

4. Closure of BNFL's enrichment division would leave the UK wholly dependent not only for all its military but also for all its civil enrichment needs, including fuel for the PWR nuclear power stations on foreign suppliers. I believe we should think very hard before putting ourselves in this position.

5. I understand that no final decision will be taken without a full analysis of all the implications. But the Destiny Project is only a small part of the review currently being carried out by the Defence Secretary and it appears that decisions on a broad range of options, which would include de facto decisions on Destiny, are required by mid-September. I must reserve my position on the Destiny Project until all the international implications have been considered fully. If necessary, the project should be examined separately from the rest of the defence review.

6. I understand that officials are to meet on 28 August to carry consideration of this matter a stage further. I think that we should consider all the aspects of this problem after they have had a chance to report.

7. I am sending copies of this minute to the Secretary of State for Defence, the Chancellor of the Exchequer, the Secretary of State for Energy and to Sir Robert Armstrong.

  
(CARRINGTON)

Foreign and Commonwealth Office

24 August 1981

24 AUG 1981



SECRET



Re B3  
Defence

10 DOWNING STREET

*From the Private Secretary*

17 August 1981

Transfer of Plutonium to France

The Prime Minister has seen Michael Arthur's letter to me of 11 August.

She is willing to let the deal between BNFL and CEA go ahead, without insisting that the French accept IAEA Safeguards. She has, however, commented that since President Mitterand, as head of the French Government, will have to defend the deal, she would, in his position, wish to be informed about it. She considers however that the internal arrangements for advice and consent in France must be a matter for the French, and that it is for French officials to decide whether to consult President Mitterand and not for her.

I am copying this letter to Julian West (Department of Energy), Brian Norbury (Ministry of Defence), Peter Jenkins (HM Treasury) and David Wright (Cabinet Office).

W. F. S. RICKETT

Francis Richards, Esq.,  
Foreign and Commonwealth Office.

5



U0233

MR PATTISON

## EXPORT OF PLUTONIUM TO FRANCE

1. Mr Arthur's minute of 11 August to Mr Rickett conveys the FCO's answer to the question raised by the Prime Minister in Mr Whitmore's minute of 3 August. Since the answer is that we do not know for sure whether President Mitterand is aware of the proposed deal or of his officials' insistence that the plutonium should not be subject to IAEA safeguards, but suspect that he may well not be, the minute considers the possible courses of action open. These are broadly -

a. to take steps to ensure that President Mitterand knows about and approves the terms of the deal.

b. to take no such action, and allow the deal to go ahead.

2. Neither course is without its risks and, as Mr Arthur's minute implies, the choice between them is a matter of judgement. The risk with course a, is that the deal might fall through for one or other of the reasons given in the minute. The reference there to the CEA's attitude is relevant because this is the line they took in the original approach to the Department of Energy. But the FCO judge it unlikely that President Mitterand would wish to reverse the French position on IAEA safeguards. The risk with course b. is partly that we shall be criticised but nevertheless able to defend ourselves, (although this applies to course a. as well, provided the deal goes ahead without IAEA safeguards); and partly that President Mitterand and his Ministers would not have been associated with the deal, and might possibly be reluctant to join in defending it against any public criticism.

3. The FCO recommended course b. If the Prime Minister would prefer course a., but is uneasy about the risks of the deal falling through, it would be possible to reduce the risks, although not eliminate them entirely, by taking a slightly different line in the high level approach to the French. They

could be told that we are content for BNFL and CEA to sign a contract at once; that we assume that the French government have thought through the possible consequences of not placing the plutonium under IAEA safeguards; but that if they wish further time to consider the latter point, we would be happy to oblige.

4. I am submitting this minute in the absence on leave of Sir Robert Armstrong and Mr Wade-Gery. But I have consulted Mr Wade-Gery by telephone - in suitably guarded terms - and he is in general agreement with the points made above.

*CH O'D Alexander*

C H O'D ALEXANDER

13 August 1981

I am prepared to let the  
 arrangement between BNFL and CEA go  
 through but just as I am bound to  
 defend it, being the present gov. of the U.K. so  
 President Mitterand is bound to defend it, being the  
 present gov. of France. The internal arrangements  
 for admin control in France must be a matter  
 for the French. I should have been very angry  
 had this happened <sup>2</sup> without reference to me and I am

SECRET

sure the same would be so for Pres. Mitterand, but that is  
 for his officials or not for me. *CH*



10 DOWNING STREET

PRIME MINISTER

Plutonium for France

When I was in the Department of Energy, I was in on the initial discussions with the French on this deal. The French nuclear establishment feel strongly that there is no reason why they should accept IAEA safeguards on Super-Phenix, since France is a nuclear weapons state. They would advise President Mitterrand accordingly if we were to approach him. And if he were to insist on IAEA safeguards, the CEA would probably choose to use their own US origin material rather than BNFL's.

Agree with FCO that we should go ahead with the deal without insisting on IAEA safeguards? We can point out that France is a nuclear weapons state and has given us all the assurances required by its international obligations (nuclear weapons states are under no obligation to accept IAEA safeguards).

WFR

12 August 1981



Foreign and Commonwealth Office

London SW1A 2AH

11 August 1981

Dear Willie

## TRANSFER OF PLUTONIUM TO FRANCE AND US

In his letter of 3 August to Julian West, Clive Whitmore asked whether President Mitterrand was aware of French insistence that the proposed loan of plutonium from the UK should not be subject to IAEA safeguards.

We have consulted the Embassy in Paris and British Nuclear Fuels Limited (BNFL). We have no direct evidence to show whether or not President Mitterrand is aware of the terms of the proposed loan. Paris telno 671 attached reports (para 1) circumstantial evidence that he may well not be. The Embassy have also told us that if we were to seek the President's views, a major exercise would have to be mounted before the papers reached M. Mitterrand, and, with many people on leave, this would be bound to take a considerable time. According to paragraph 4 of the telegram, indications that France will continue to guard the independence of her nuclear deterrent, imply that the Government will continue to resist the application of IAEA safeguards. The French told us earlier this year that they had not ruled out the possibility of placing Super-Phenix under IAEA safeguards in future, but were not willing to do so as part of a deal with BNFL.

There appear to be two main options. First we might say to the French at a very senior level that we can agree that the loan can go ahead on the terms discussed, and in particular that the material would not be placed under IAEA safeguards. But we are concerned at the risk of criticism - of the French as well as the British Governments - if the deal went ahead on the terms at present proposed and therefore

/wondered

W Rickett Esq  
10 Downing Street



wondered whether the new Administration might not consider further whether IAEA safeguards might not be applied to the loan. If the French confirmed that the present terms did represent their final position we would have to accept this but Ministers would be able to say, if asked in Parliament, that they had consulted the new Administration. This option carries the risk that because of delay or through irritating the French the deal might fall through. If in the event, which we think unlikely, that President Mitterrand was not prepared to allow the material to remain outside the scope of IAEA safeguards, the CEA for their own part might then advise that it would be better (or cheaper) to use their own US obligated material than accept British material under IAEA safeguards. The deal might thus fall through for that reason.

The second option is to go ahead with the deal as proposed, and reply to any criticism by pointing to the fact that France is in a special category because she already possesses nuclear weapons (it is relevant that material made available by the Italian and German partners in Super-Phenix does not carry IAEA safeguards) and to the assurances which France is prepared to give on the British material, including the need for prior UK consent before the British plutonium can be transferred to a third country.

On balance we recommend the second option. There does appear to be some risk that if we seek to establish President Mitterrand's attitude the deal could fall through. Our assessment is that the French are not likely to change their position on safeguards and to press them to do so could leave the wrong impression.

BNFL are anxious to be able to indicate HMG's position on the proposed terms when the CEA next approach them, but we do not know when that will be.

I am copying this letter to Julian West (Energy), Brian Norbury (Defence), John Wiggins (Treasury) and to David Wright (Cabinet Office).

*Yours ever*

*Michael Arthur*

M A Arthur  
Private Secretary to the  
Lord Privy Seal

06/16/81 WD

PAFO 005/006

OO FCO DESKBY 061630Z

27A

RR MODUK (FOR FARLEY ACSA(N))

GRS 520

DESKBY 061630Z AUG 81

SECRET

FM PARIS 061551Z AUG 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 671 OF 6 AUGUST 1981

INFO ROUTINE MODUK (FOR FARLEY ACSA(N))

YOUR TELNO. 328: EXPORT OF PLUTONIUM TO FRANCE.

1. WE HAVE NO DIRECT EVIDENCE WHETHER OR NOT PRESIDENT MITTERRAND IS AWARE OF THE TERMS UNDER NEGOTIATION (WE ASSUME) BETWEEN BNFL AND CEA. FROM CIRCUMSTANTIAL EVIDENCE IT IS QUITE POSSIBLE THAT HE IS NOT. AS REPORTED IN PARIS TELNO. 117 SAVING, THE DECISIONS WHICH THE COUNCIL OF MINISTERS HAVE RECENTLY TAKEN ABOUT FRENCH NUCLEAR ENERGY POLICY HAVE NOT APPEARED TO COVER THE FAST BREEDER REACTOR. WE HAVE BEEN TOLD THAT THE QUESTION OF PLUTONIUM SUPPLY HAS NOT YET REACHED THE MATIGNON AND, IN VIEW OF M. MAUROY'S PERSONAL RESPONSIBILITIES FOR NUCLEAR QUESTIONS, THAT IS QUITE A STRONG REASON FOR ASSUMING THAT IT HAS NOT GONE TO THE ELYSEE EITHER.

2. AS REGARDS FRENCH FBR POLICY MORE GENERALLY, MEMBERS OF THE EMBASSY HAVE BEEN TOLD IN RECENT CONTACTS WITH THE CEA AND THE ENERGY DIRECTORATE OF THE MINISTRY OF INDUSTRY THAT NO DECISION HAS BEEN TAKEN ON THE FUTURE OF THE FBR PENDING THE GENERAL DEBATE ON ENERGY POLICY IN THE NATIONAL ASSEMBLY THIS AUTUMN (CF. PARIS TELNO. 117 SAVING), AND THAT IN THE MEANTIME THE GOVERNMENT'S POSITION REMAINS THAT WORK ON SUPER PHENIX WILL CONTINUE AND A DECISION ON WHETHER TO DEVELOP THE FBR COMMERCIALY WILL BE TAKEN WHEN THE NEED ARISES, PROBABLY IN 1982/83.

3. THERE IS NOT MUCH OTHER EVIDENCE FOR PRESIDENT MITTERRAND'S PERSONAL VIEWS. DESPITE THE IMPORTANCE OF THE DEBATE ON CIVIL NUCLEAR POWER DURING THE ELECTION CAMPAIGN, THE CANDIDATE MITTERRAND MADE NO REFERENCE TO THE FUTURE OF SUPER PHENIX. IN HIS BOOK "ICI ET MAINTENANT" PUBLISHED IN OCTOBER 1980, MONSIEUR MITTERRAND SAID THAT THE FBR WAS A "COSTLY, RISKY AND USELESS GAMBLE", THOUGH HE HAS NOT REPEATED THIS SINCE. WE HAVE BEEN TOLD BY THE ENERGY ADVISER AT THE MATIGNON THAT THE PRESIDENT AND MANY OF HIS SENIOR MINISTERS ARE MORE IN FAVOUR OF A MAJOR CIVIL NUCLEAR PROGRAMME THAN THEY FELT ABLE TO SUGGEST DURING THE ELECTION CAMPAIGN.

4. TURNING TO WIDER POLICY CONSIDERATIONS, FRENCH INSISTENCE ON THE FULLEST POSSIBLE SAFEGUARDS AS A CONDITION FOR REBUILDING THE DESTROYED TAMMUZ REACTOR IN IRAQ, AND M. CHEYSSON'S CLAIMS THAT FRANCE WILL IN FUTURE BE MORE SCRUPULOUS OVER THE EXPORT OF NUCLEAR TECHNOLOGY, SUGGEST THAT THE GOVERNMENT MAY ATTACH MORE IMPORTANCE TO THE APPLICATION OF INTERNATIONAL SAFEGUARDS THAN ITS PREDECESSOR DID. THE UNCHARACTERISTIC ANNOUNCEMENT IN PARIS ON 4 AUGUST THAT A NUCLEAR TEST HAD BEEN CARRIED OUT IN THE SOUTH PACIFIC THAT DAY FURTHER SUGGESTS THAT THE GOVERNMENT MAY BE MORE OPEN ABOUT ITS ACTIVITIES IN THE NUCLEAR SECTOR. AT THE SAME TIME, THE INDICATIONS ARE THAT FRANCE WILL CONTINUE JEALOUSLY TO GUARD THE INDEPENDENCE OF HER NUCLEAR DETERRENT. THE IMPLICATION IS THAT THE GOVERNMENT WILL CONTINUE TO RESIST THE APPLICATION WITHIN FRANCE OF IAEA SAFEGUARDS DESIGNED, IN FRENCH EYES, TO LIMIT THE PROLIFERATION OF WEAPON-MAKING TECHNOLOGY RATHER THAN TO GOVERN THE BEHAVIOUR OF RESPONSIBLE POWERS ALREADY IN POSSESSION OF THEIR OWN NUCLEAR ARMS.

5. I AM AFRAID THIS IS THE BEST ESTIMATE WE CAN MAKE IN THE TIME AVAILABLE AND IN THE ABSENCE OF MOST FRENCH OFFICIALS CONCERNED. MIFT REPORTS THE ARRANGEMENTS APPROVED BY YESTERDAY'S COUNCIL OF MINISTERS FOR MINISTERIAL RESPONSIBILITY AND MAKES SUGGESTIONS FOR FUTURE OFFICIAL CONTACTS WITH THE FRENCH ON FBR QUESTIONS.

PETRIE

NNNN

SENT/RECD 061635Z GDS/WD

SECRET

26 Defence

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

01 211 6402

Brian Norbury Esq  
PS/Secretary of State for  
Defence  
Ministry of Defence  
Main Building  
Whitehall  
London  
SW1A 2HB

M  
4/8

11 August 1981

Dear Brian,

EXPORT OF PLUTONIUM TO FRANCE AND THE UNITED STATES

Your Secretary of State's minute of 31 July to the Prime Minister raised two points on this subject.

We can confirm that the proposed arrangement with the French would not interfere with the supply by BNFL to the MOD of relatively small quantities of reactor grade plutonium to meet any immediate Defence Nuclear Programme requirements.

The officials concerned in drafting the note attached to my Secretary of State's minute of 28 July were conscious of the need to inform the Americans of any arrangements reached with the French at an appropriate time. They recommended that this should be not before agreement had been reached with the French. We understand this to mean after a contract has been signed but before deliveries commence. This seems consistent with your Secretary of State's view.

I am sending copies of this letter to Clive Whitmore (No 10); Brian Fall (Foreign and Commonwealth Office); John Wiggins (Treasury) and to David Wright (Cabinet Office).

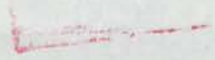
Yours ever,

*Julian West*

JULIAN WEST  
Private Secretary



11 AUG 1981



**SECRET**

Deane.

SIR ROBERT ARMSTRONGSpecial Nuclear Materials

The Prime Minister has seen and noted your minute of 6 August on the above subject (Ref A05399).

**J. P. LANKESTER**7 August, 1981**SECRET**

Prime Minister

2PK

Ref. A05399

MR WHITMORE

mo

To note.

R

6/8

Special Nuclear Materials

In your minute of 4 August to Mr Norbury you conveyed the Prime Minister's agreement, in principle, to write to President Reagan about the supply of special nuclear materials for the United Kingdom defence programme.

2. You may wish to note that the background against which she would be writing would not be quite as suggested in paragraph 2 of Mr Nott's <sup>31/7/81</sup> minute. Although at one stage in the preparations for the Trident decision it had been intended to include a request for assistance with special nuclear materials in the Prime Minister's published request for the supply of the Trident missile, and to include the response in the President's reply, the Americans preferred to keep the question of the supply of materials separate and confidential. The Americans did not seek a formal request from the Prime Minister. It was simply agreed that President Carter would send the Prime Minister a confidential side letter; I attach a copy. From this it is clear that we should be pushing at a door which is already half open: the key point to establish will not be whether the Americans are willing to supply, but whether they are prepared to drop their earlier insistence that we should do all we can to meet our own needs; as Mr Nott's minute of 31 July says, there are encouraging signs that this point can be won.

3. Ministry of Defence officials have been reminded of the background in my preceding paragraph, and will tailor their draft letter accordingly.

REA

ROBERT ARMSTRONG

6 August 1981

SECRET

THE WHITE HOUSE

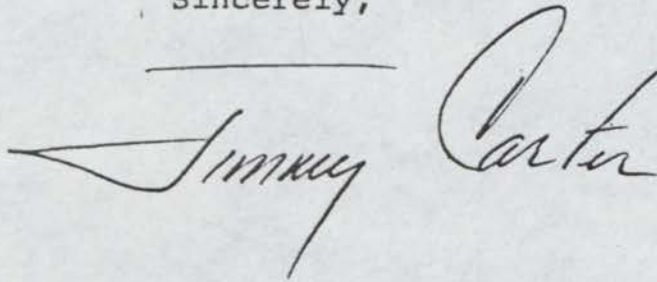
WASHINGTON

July 14, 1980

Dear Madame Prime Minister:

In connection with my letter to you today regarding modernization of the nuclear deterrent capability of the United Kingdom, I want to assure you that the United States is willing in principle to supply special nuclear materials to the United Kingdom deterrent program which were beyond your own capacity to provide, subject of course to the United States Government's ability to provide such materials in light of its own requirements and availability of supply.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Right Honorable  
Margaret R. Thatcher, M.P.  
Prime Minister  
London

SECRET

**SECRET**

US/UK EYES A



File AH 23  
ccs FCO  
Tsy  
D/energy  
CO  
Defence

10 DOWNING STREET

From the Principal Private Secretary

4 August 1981

B F 18-8-81

Dear Brian,

SPECIAL NUCLEAR MATERIALS

The Prime Minister has seen your Secretary of State's minute of 31 July 1981.

She is ready, in principle, to write to President Reagan about the procurement of special nuclear materials at the appropriate time. She looks forward to seeing a draft letter from Mr Nott in due course.

I am sending copies of this letter to Brian Fall (Foreign and Commonwealth Office), John Wiggins (Treasury), Julian West (Department of Energy) and David Wright (Cabinet Office).

Yours ever,

Shirley Williams

Brian Norbury Esq.,  
Ministry of Defence.

**SECRET**

US/UK EYES A

SECRET

File AB  
22



10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

EXPORT OF PLUTONIUM TO FRANCE  
AND THE UNITED STATES

The Prime Minister has seen your minute A05359 about the export of plutonium to France and the United States.

She has approved the proposals in the note by officials which Mr Howell submitted with his minute of 28 July, and I attach a copy of my letter to his Private Secretary conveying her agreement.

The Prime Minister agrees that we should inform the Americans about the deal with the French under the terms of the Mildenhall Agreement and she would be grateful if you would proceed as you propose.

AW.

3 August 1981

SECRET

Gr.

SECRET

File AB  
ccs FCO 2/  
Tsy  
Mod  
Co



10 DOWNING STREET

From the Principal Private Secretary

3 August 1981

BF 18-8-81

Dear Julian,

EXPORT OF PLUTONIUM TO FRANCE AND THE UNITED STATES

The Prime Minister has seen your Secretary of State's minute of 28 July 1981 with which he submitted a note by officials seeking approval for the loan of reactor grade plutonium to France and for the sale of the same sort of plutonium to the United States.

The Prime Minister has approved the recommendations set out in paragraph nineteen of the note by officials. She has, however, commented that she fears that we shall be criticised for agreeing that the IAEA safeguards should not be applied to the deal with the French. She understands that they are treating this as a make or break point for the loan, and she would like to know whether President Mitterrand is aware of this. I should be glad to have Brian Fall's comments on this point.

I am sending copies of this letter to Brian Fall (Foreign and Commonwealth Office), John Wiggins (Treasury), Brian Norbury (Ministry of Defence) and David Wright (Cabinet Office).

Yours sincerely,

John Wiggins

Julian West Esq.,  
Department of Energy.

SECRET

2

● Top papers with the  
Prime Minister

*Date*

NOT to pm

3/7



B  
20



Prime Minister

Agree in principle to write to

President Reagan?

Yes, not

MS

Materials?

3m

MO 18/1/1

PRIME MINISTER

SPECIAL NUCLEAR MATTERS (SNM)

att'd. -

The initial approach by my officials to the US Department of Defense (DOD) and the US Department of Energy (DOE) on increased US/UK collaboration on the procurement of SNM for our nuclear defence programmes was conspicuously successful. After a presentation on the lines I explained in my minute to you of 17th June, the Americans promptly agreed that there should be a rapid technical study of the available options for economising on SNM procurement (making no reference to the earlier political conditions of US assistance being dependent on our doing all we could to meet our own needs). The DOD and DOE reactions, which had clearly been co-ordinated in advance, represented a remarkable change of attitude from that previously encountered. My officials are now working urgently with DOE to produce costed options for our consideration.

2. American officials indicated that the processing, through their authorising machinery, of their SNM procurement programme, with such elements for meeting UK needs as we may decide, would be markedly facilitated if the basis of enhanced US/UK co-operation had been endorsed by the President. I would like to propose that you write to President Reagan to follow up your earlier advice to President Carter that we would need help with SNM procurement to implement the Trident decision. If you are content I will let you



have a draft when we have the costed options.

3. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Energy; and to Sir Robert Armstrong.

SN .

Ministry of Defence

31st July 1981

JUG 1981



Very respectfully,  
[Faint signature]

I am sending you the minutes of the meeting of the Council of the University of the West Indies, held on the 15th of June, 1981, at the University of the West Indies, St. Augustine, Trinidad.

Yours faithfully,  
[Faint signature]



Prime Minister

MW  
31/7

MO 18/1

PRIME MINISTER

EXPORT OF PLUTONIUM TO FRANCE  
AND THE UNITED STATES

David Howell sent me a copy of his minute to you of 28th July.

2. From the Defence point of view, it is important that there should be no political impediment to meeting the possible American request for reactor grade plutonium; the continuing United States' interest in this sale was confirmed to my officials as recently as 24th July. Political, as opposed to commercial, difficulties would sour the excellent relationships in the defence field we have built up with the US Department of Energy. If commercial problems arise, I would, however, need to examine very carefully indeed whether there was any justification for a Defence financial intervention on the lines referred to by officials.

3. As far as the proposed arrangement with the French is concerned, I am content, subject to an assurance that it would not interfere with the supply by BNFL to MOD to meet any immediate Defence Nuclear Programme requirements of relatively small quantities of reactor grade plutonium. In my view, we should tell the Americans of any arrangements we reach with the French before it is physically too late to amend them if the US unexpectedly raise strong objections. In other words, we should make our plans clear before any material is actually delivered to France.

4. I am sending copies of this minute to the Secretary of State for Energy; and to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer; and to Sir Robert Armstrong.

SW

Ministry of Defence  
31st July 1981



PM/81/39

PRIME MINISTER

Export of Plutonium to France and the United States

1. I agree with the recommendations in David Howell's minute to you of 28 July subject to two comments.
2. The first is that in order to encourage the universal acceptance of IAEA safeguards system for nuclear trade we would ideally have wished to see the Agency's safeguards apply to this loan to the French. The assurances which the French are prepared to offer fall short of this but the balance of British interests points to not insisting on them in this case.
3. Secondly, it is important to ensure that we maintain as even-handed an attitude to the two deals as the circumstances allow. Both sets of negotiations with the French and the United States should be monitored closely by officials, with instructions to report to us if there is any likelihood that either of the two deals could affect adversely our relationship with the other negotiating partner.
4. I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Defence and for Energy, and Robert Armstrong.

  
(CARRINGTON)

Foreign and Commonwealth Office

31 July 1981

131 JUL 1951

RECORDED  
SERIALIZED  
JUL 11 1951  
FBI - NEW YORK

SECRET

Prime Minister

head 17

PRIME MINISTER

Yes

Agree that the plutonium should be supplied, as proposed in para 19 of the Opinals paper (Flag D), that the Americans should be informed about the deal with France?

Export of Plutonium to France and the United States

And

Flag A. I believe we shall be criticised for not supplying up to 100% side hands

The Secretary of State for Energy's minute of 28th July, covering a note by officials prepared under Cabinet Office auspices, seeks approval for two prospective deals for the supply of plutonium to France and the United States.

2. The French want to build up their contribution of plutonium to the Super Phenix fast breeder programme, avoiding as far as possible the use of their material of United States origin which is obligated, i.e. subject to American conditions of supply. British Nuclear Fuels Limited (BNFL) are able to supply 500 kilogrammes of unobligated reactor grade plutonium by mid-1982 as required by the French, and are keen to do so for financial reasons and because this would help preserve their access free of charge to French reprocessing technology. The French want to borrow the material, for five years, rather than buy it outright; as the note by officials explains (paragraph 6), the French are likely to become self-sufficient in plutonium within a few years. Although BNFL would have preferred an outright sale, this is not acceptable to the Ministry of Defence because a defence requirement for the material might arise in due course.

3. The French are prepared to agree to the customary conditions of supply (paragraph 10 of the note by officials) except that they are not at present willing to place the material under International Atomic Energy Agency (IAEA) safeguards (see paragraph 11 of the note). We are not bound to insist on the application of IAEA safeguards. The French are treating this as a make or break point for the deal. The view of officials, which is endorsed by the Secretary of State for Energy, is that the balance of British interests lies in not insisting on IAEA safeguards. The Foreign and Commonwealth Secretary is expected to concur.

He has done so.

Flag C.

I assume that President Mitterand is aware of this? mt.

SECRET

4. The French have not disclosed to us what they intend to do with plutonium bred in Super Phenix. But it has to be assumed that they may use some of it in their nuclear weapons programme, and the quantities of material concerned could be significant. This does not mean that by supplying them with unobligated plutonium we should be making an indispensable contribution to that programme: it seems highly unlikely that the French nuclear weapons programme is dependent on British supplies of plutonium. Nevertheless, we clearly ought to inform the Americans about the deal under the terms of the

\* ~~~~~ \*

---

\* This consideration is alluded to in the second paragraph of the Secretary of State for Energy's minute and in paragraph 17 of the note by officials (in general terms only because the Treasury and the Department of Energy are not privy to \* ~~~~~ \* at official or Ministerial level). \* ~~~~~ \*

~~~~~ \*

5. As to timing, there is on the one hand no reason to suppose that the Americans would wish to object, but on the other there would be the risk of a damaging reaction from the French if the Americans were to object and the deal fell through. So it seems on balance preferable to tell the Americans after the French have signed a contract. We would use the direct link between my office and the United States official responsible for all the top-level Anglo-American defence nuclear understandings, \* ~~~~~ \*

6. The possible sale to the Americans of up to 5 tonnes of reactor grade plutonium raises none of the problems posed by the French request. The only problem is whether the Central Electricity Generating Board (CEGB) and the United States Department of Energy (USDOE) can negotiate a mutually



SECRET

satisfactory price, given that the Americans put a much lower value on plutonium than we do. If the CEGB were to refuse to accept what may well be a low bid from the Americans, not only would CEGB risk losing a valuable contract, but there is also some risk that the prospects of obtaining United States plutonium for defence use could be affected. It is too early to say how real the latter risk is, and whether the Ministry of Defence will need on these grounds to consider making resources available to the CEGB to enable them to lower their price. The recommendation therefore is that the CEGB should be authorised to negotiate with the USDOE on a commercial basis keeping our own Department of Energy closely informed so that if things go wrong the Ministry of Defence can consider their position.

7. None of your colleagues is expected to oppose either deal. Subject to this, I recommend that you should agree to both, in the terms proposed at paragraph 19 of the note by officials. I should also be grateful for authority to inform the Americans at the appropriate time about the loan to the French,

\* ~~~~~ \*

RTA

Robert Armstrong

31st July, 1981

\* ~ \* Passages deleted in paragraphs 4, 5 and 7 and retained under Section 3(4).

Wayland

18 September 2012

Agreement from M NOK has not arrived in the shape of his minute or reply.

010

A 16



SECRET

PRIME MINISTER

EXPORT OF PLUTONIUM TO FRANCE AND THE UNITED STATES

The attached note, recommending approval of two proposals to export plutonium to France and the United States, has been prepared by a group of officials from the Departments concerned (Energy, Ministry of Defence, Foreign and Commonwealth Office and Treasury) under Cabinet Office Chairmanship.

The first proposal is for a loan of 500 kg of plutonium from BNFL to the French CEA for use in the Superphenix fast reactor. The loan is commercially advantageous and worth several million pounds to BNFL. The plutonium will be returned at the end of 5 years when MOD may have a requirement for it. Officials believe that although the French nuclear weapons programme is most unlikely to depend on the supply of this plutonium the loan could be used indirectly to support that programme. They therefore recommend that the Americans should be informed about it.

The second proposal is for the sale of up to 5 tonnes of plutonium by the CEGB to the US Department of Energy for use in their fast reactor programme. The Americans are short of civil plutonium because of the delay in their reprocessing programme. The sale could be worth up to £50 million to the CEGB. The sale could also be helpful to MOD in negotiating the procurement of military plutonium from the US Department of Energy; but there would be no explicit link between the civil sale and the military purchase.

I am satisfied that both the loan to the French and the sale to the Americans are in the interests of the UK civil nuclear programme.



SECRET

I also believe that the inter-governmental conditions proposed for both these exports of plutonium are satisfactory.

I believe therefore that both proposals should be approved as recommended, and I should be grateful for confirmation that you agree. I am sending copies of this minute (and its attachment) to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Defence, who will no doubt let you know if they dissent; and to Sir Robert Armstrong.

Secretary of State for Energy

28 July 1981

B

SECRET

EXPORT OF PLUTONIUM TO FRANCE AND THE UNITED STATES

Note by Officials

\_\_\_\_\_

I. INTRODUCTION

The purpose of this note is to seek approval for the loan of reactor grade plutonium to France and to seek approval, in principle, for the sale of reactor grade plutonium to the United States. The French requirement, which arose before the election of President Mitterand, is for 1000 kilogrammes (kg) of plutonium for use by the Commissariat à l'Energie Atomique (CEA) in the Super Phenix fast reactor, of which 500 kg could be supplied by British Nuclear Fuels Limited (BNFL). The potential United States requirement is for up to 5000 kg (5 tonnes) of plutonium for their civil nuclear programme and could be supplied by the Central Electricity Generating Board (CEGB). The enquiry from the United States was made through Ministry of Defence (MOD) channels and has a relevance to the United Kingdom's requirement to procure weapons grade plutonium from the United States.

2. This note examines in sections II and III political, economic and defence issues which should influence the response to the French and the American enquiries respectively. The need for consistency of policy towards the United States and France in these matters is considered in Section IV. The note's conclusions and recommendations are in Section V.

II. FRANCE'S REQUIREMENT

3. There is an involved background to the current French request. The last transfer (in this case a sale) of United Kingdom plutonium to France, 95 kg of it, took place in 1974 under a contract signed in 1973. In mid-1974

SECRET

SECRET

it became the policy to exercise extreme caution in the supply of plutonium to France because of the contribution this might make to her nuclear weapons capability, and because of concern over French atmospheric testing of nuclear weapons, over her approach to NATO, and over her attitude towards non-proliferation. This policy discriminated in practice against France compared with our other Euratom partners. The basis of this policy had weakened considerably by mid-1976 with France's suspension of atmospheric nuclear testing and her decision to join the Nuclear Suppliers Group (NSG). But the opportunity to introduce a less restrictive policy was soon overtaken by the international controversy about the objections of President Carter's incoming administration to the use of plutonium in civil nuclear power programmes.

4. The CEA have made informal approaches to BNFL and the CEGB on a number of occasions in recent years (although, excepting the current approach, not in the lifetime of the present United Kingdom Government) about the supply of plutonium for their fast reactor programme. These approaches came to nothing because the French were not prepared to agree to our stipulation that they should place the material under International Atomic Energy Agency (IAEA) safeguards. Co-operation with the French has nevertheless been close in the past two years, a reflection of our common interest as the only commercial reprocessing countries (the United States having withdrawn from this field) in resisting President Carter's stance on reprocessing. A set of guidelines has been agreed with the French on the conditions for the return of plutonium by BNFL and the Compagnie Generale des Matieres Nucleaires (COGEMA) to their reprocessing customers; and a joint negotiating position has recently been worked out with the French (and the Germans) for the IAEA International Plutonium Storage scheme.

SECRET

SECRET

5. There has also been discussion with the French at both government and industry level on fast reactor co-operation. We want to keep open the options on co-operation with the French or with the Americans until a decision has been taken on which will serve our interests best. If the current French request can be met this can only improve the atmosphere of the talks with them. The appointment of Communist Ministers to the French Government has not altered the desirability of developing co-operation with them; and these appointments do not in the view of officials raise any new problems for the proposed loan.

6. MOD assess that the CEA have the capacity to produce enough plutonium for France's civil and military needs. Why then are they seeking supplies of British plutonium, and why do they want to borrow it rather than buy it outright? Part of the answer is that, while they have failed so far to achieve the planned throughput at the Cap de la Hague reprocessing plant, it may be no more than a further few years before they do in practice realise the plant's potential; so there is no need for an outright purchase. A further reason is that some of the plutonium being reprocessed and used in the Super Phenix programme is derived from material of US origin. This material is subject to US conditions of supply. The French wish to minimise the use of such US "obligated" material, because that would reduce the extent to which any US restrictions apply to the subsequent use, for defence or some civil purposes, of plutonium bred in Super Phenix. These restrictions might be made tougher when the Euratom/US safeguards agreement is renegotiated. The French have said that their aim is as far as possible to feed Super Phenix with "unobligated" plutonium which is what they are looking to BNFL to supply. While the supply of British plutonium for use in Super Phenix may therefore indirectly help the French nuclear weapons programme, it seems highly improbable that the programme itself is dependant on a loan from BNFL.

SECRET

SECRET

7. It is strongly in BNFL's interests to meet as much as possible of CEA's requirement, for the following reasons. Firstly, BNFL have no foreseeable use for their plutonium in the next few years. Secondly, the loan would produce income for the company, in the region of £2 $\frac{1}{2}$ -5 million. And thirdly, BNFL think it desirable to gain some credit with the CEA in order to make it easier to persuade the French to continue the BNFL/COGEMA co-operation agreement on reprocessing. The agreement is at present working to BNFL's advantage to an embarrassing degree in that COGEMA have made important advances in oxide reprocessing and vitrification techniques, and BNFL wish to preserve their access free of charge to this technology.

8. BNFL can meet from their present stocks 300 kg of the 500 kg they are able to offer but would need to spread delivery of the remaining 200 kg forward into 1982. They envisage that a total of 500 kg could be delivered by June 1982. This is acceptable to the CEA. BNFL would have preferred to sell the plutonium rather than lend it to the CEA, but MOD strongly oppose a sale because a defence requirement for the material might arise at some later date. BNFL have therefore pursued their enquiries with the CEA on the basis that the material should be returned at the end of 5 years. Under the agreement proposed, the CEA has an absolute obligation to return the equivalent amount of

SECRET

SECRET

plutonium to BNFL within 5 years of delivery of any consignment, but BNFL would have the option to extend the period to a maximum of 6 years.

Payment to BNFL for the loan would be based on monthly charges.

9. The original French request was for the loan of 1000 kg of material. BNFL could not supply the full amount in the required timescale. Any addition to the 500 kg now under consideration would be a matter for separate decision.

10. The French have offered us an exchange of letters covering the deal which would provide assurances that the material -

- a. will not be used for explosive testing
- b. will be subject to Euratom safeguards
- c. will be subject to the levels of physical protection required by the NSG Guidelines
- d. will not be transferred without our consent

These assurances are consistent with our commitments under the Euratom Treaty, the partial test ban Treaty, the nuclear non-proliferation Treaty and the NSG Guidelines.

11. As the plutonium is to be used in a civil facility, it would be preferable if the French also agreed to place it under IAEA safeguards in accordance with the guidelines which the French and ourselves have worked out for the

SECRET



SECRET

international transfer of plutonium. However, while the application of Euratom safeguards to Super Phenix cannot be avoided, the French agreement with the IAEA on the implementation of IAEA safeguards does not oblige them to accept Agency safeguards at this installation. The French position is that although they do not rule out putting Super Phenix under IAEA safeguards (which we accept at Dounreay), they wish to keep open the option of excluding the programme from their safeguards agreement with the Agency. In particular, they have made it clear that they are not prepared to accept the application of IAEA safeguards to plutonium transferred from BNFL as a condition of the deal. They have pointed out that none of the material contributed by the Germans and Italians to the Super Phenix programme is subject to Agency safeguards; nor is the small amount of French plutonium, mentioned at paragraph 6, which is derived from US material. If the deal goes ahead on the terms proposed by the French, the United Kingdom will run some risk of being criticised for not requiring the application of IAEA safeguards, and possibly for discriminating in that respect between nuclear and non-nuclear weapon states. The fact that Euratom safeguards will apply could reduce but probably not eliminate this criticism because Euratom safeguards are not considered by some to be as effective as those of the Agency. On the other hand, to stand out against the French position on IAEA safeguards would deprive BNFL of revenue, prejudice the continuation on the present highly satisfactory terms of the BNFL/COGEMA co-operation agreement, and sour the atmosphere of the Anglo-French talks on fast reactor co-operation. The balance of these points favours accepting the terms proposed by the French, and not insisting on IAEA safeguards.

### III. THE UNITED STATES' REQUIREMENT

12. During informal discussion between the MOD and the United States Department of Energy (USDOE) on the availability of United States plutonium for the United Kingdom's defence nuclear programme, the USDOE said

SECRET

SECRET

that they might be interested in acquiring up to about 5 tonnes of reactor grade plutonium between 1986 and 1992 for their civil nuclear programme. In the 1960s a similar quantity was exported to the United States under the provisions of the 1958 Defence Agreement. Although the Americans have produced large quantities of reactor grade plutonium, the vast majority of it is still in irradiated fuel elements which they have no ready useable capacity to reprocess.

13. When the possible United States requirement was first mentioned, the possibility was considered of a barter arrangement under which United States weapons grade would be exchanged for United Kingdom reactor grade plutonium. But the USDOE have concluded that they would not wish such procurement of reactor grade material for their civil programme to be linked to the supply of weapons grade material. Any explicit relationship between the two deals would complicate the USDOE's internal consideration and approval of them. There is of course an implicit connection in that, if the American requirement were confirmed but we refused on political grounds to try to meet it, their attitude to meeting the United Kingdom defence requirement - for which we are dependent on the Americans - could be adversely affected.

14. The CEEGB, who would be able to meet the American requirement, would wish to see their plutonium exported only for civil safeguarded use. As this is what the USDOE have in mind (unlike the French, they would accept the material under IAEA safeguards), the ~~CEEGB~~ Board would probably be willing to sell provided that agreement can be reached on the commercial aspects of the deal, notably price.

15. On price, difficulties might well arise because the United States value plutonium at only about one-third of the value assigned in the United Kingdom. The USDOE bid price for CEEGB plutonium would be likely therefore to be

SECRET

SECRET

unattractive to the CEGB who would be looking for the best possible price for a deal which, at United Kingdom prices, would be worth in the region of £50 million. The result might be that no bargain could be struck. This would not necessarily affect the prospects of obtaining United States plutonium for defence use, provided that it were clear to the Americans that no political obstacle had been placed in the way of the deal. A judgement cannot at this stage be made as to how the Americans would react if the negotiations were to fail for commercial reasons. It would be possible to avoid the risk of an adverse reaction by arranging for MOD resources to be made available to the CEGB to enable them to reduce their price. But this, if it were done at all, would better be done when in the judgement of the MOD they felt that it was the only way of maintaining access to American supplies of weapons grade plutonium. The CEGB should therefore be left and even encouraged to negotiate on a commercial basis.

#### IV. HANDLING OF THE TWO DEALS

16. Both deals, if they proceed, are likely to become public knowledge sooner or later, and thus whether or not positive steps are taken to inform each customer of our deal with the other, they will find out. It is therefore important for the sake of our relations with the two countries that they should be treated over political aspects of the transactions as nearly in the same way as the nature of the two deals makes possible. Within this general precept the presumption would have to be, for defence reasons, that the Americans should not be treated less favourably than the French. The arrangements envisaged in this note are consistent with this approach: for example, although the plutonium exported to the United States would be placed under IAEA safeguards and that to France would not, this point is not at issue with the Americans. As far as United States controls on Super Phenix are concerned, although United Kingdom supplied plutonium would reduce their impact, it seems unlikely that the Americans will react adversely.

SECRET

SECRET

17. There is one further point. The nature of our defence relationship in the nuclear field with the Americans is such that we should tell them formally about an export of plutonium to France which could contribute to the French nuclear weapons programme, even though that is not its purpose. It seems unlikely that the United States would have any objection to this export of plutonium to France; and there would be the risk of a damaging reaction from the French if, under pressure from the Americans, we withdrew from the deal with the French. These considerations point to informing the Americans after the deal with the French has been agreed.

V. CONCLUSIONS AND RECOMMENDATIONS

18. Officials conclude that -

a. The prospective transfers of reactor grade plutonium to France and to the United States, besides being commercially valuable, would contribute to a favourable climate for talks with each country about co-operation on fast reactors. The loan to France would help balance the advantages which BNFL enjoys under the co-operation agreement with COGEMA on reprocessing technology.

b. A refusal on political grounds to sanction either deal would reverse the position at a. above; and, in the case of the United States deal, could adversely affect the Americans' attitude to supplying weapons grade plutonium for the United Kingdom defence programme, which depends on these supplies.

SECRET

SECRET

c. There is a risk that we would be criticised for transferring plutonium to France for civil use without requiring the material to be placed under IAEA safeguards. But the balance of British interests in this transfer points to not insisting on IAEA safeguards.

d. Although the French nuclear weapons programme is most unlikely to depend on their obtaining supplies of unobligated plutonium from the United Kingdom, the prospective loan could be used, indirectly to support that programme. In view of the close Anglo-American relationship in the nuclear defence field, the Americans should be told about the loan, but not before agreement has been reached with the French.

e. Negotiations with the Americans, between the CEGB and the USDOE, should be conducted on a commercial basis. If the CEGB are unable to negotiate a satisfactory price, the MOD will need to consider whether the consequences for their access to supplies of weapons grade plutonium might make it worth their subsidising the CEGB price.

f. The political considerations envisaged for the two deals are as consistent as circumstances allow. The course of the two sets of negotiations will need to be monitored to ensure that this remains so, and, in the case of the CEGB/USDOE negotiations, to enable the point at e. above to be considered if necessary.

SECRET

D

SECRET

19. Ministers are invited to agree that -

a. The French should be informed that the United Kingdom Government is prepared to authorise the loan of up to 500 kg of reactor grade plutonium by BNFL to CEA for use in the Super Phenix reactor, on the conditions proposed by the French without, in this particular case, insisting on the application of IAEA safeguards.

b. BNFL should be authorised to negotiate with CEA the loan at a., for a period of up to five years and with a provision for extension by up to a further year at BNFL's discretion.

c. The Department of Energy should approach the CEGB Board to establish whether the Board would be prepared in principle to sell up to 5 tonnes of safeguarded reactor grade plutonium to the USDOE for civil use under IAEA safeguards.

d. The USDOE should be informed that the United Kingdom Government would be prepared to authorise the sale of up to 5 tonnes of reactor grade plutonium for civil use under IAEA safeguards, and that the CEGB stand ready to conduct the necessary contract negotiations.

e. CEGB should be authorised to negotiate accordingly with the USDOE, keeping the Department of Energy closely informed.

Cabinet Office

23 July 1981

SECRET

SECRET

2 pps 15c.



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~557 7022~~ 218 2111/3

MO 18/1/1

8th July 1981

NSM  
w.

Dear Julian,

SPECIAL NUCLEAR MATERIALS *underneath*

It seems from the Chancellor's letter to my Secretary of State of 8th July, that the advice I was given, that your Secretary of State did not copy to other colleagues his letter to mine of 25th June, was incorrect. It was because my Secretary of State thought that Mr Howell's letter had not been copied round that he did not copy his reply of 6th July. I now enclose a copy of his letter with this letter.

Copies go to Clive Whitmore (No 10), Brian Fall (FCO), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

*Yours sincerely*  
*Brian Norbury*

(B M NORBURY)

J D West Esq

SECRET



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

8 July 1981

The Rt. Hon. John Nott, M.P.,  
Secretary of State for Defence

NDEM  
NR

*Dear John*

SPECIAL NUCLEAR MATERIAL

I have seen David Howell's letter of 25 June to you about the consequences for the civil nuclear enrichment programme of any decision to cancel Destiny.

As you saw from my minute of 22 June, my instinct, like yours, is that maximising domestic production may not be the most cost-effective way of meeting national requirements for Special Nuclear Materials.

David's letter shows that BNFL are about to put a further proposal for the Destiny project to your Department which might make its financing easier to accommodate within the Defence Budget. A word of caution here. BNFL plan a large expansion programme for the 80s which will be financed almost entirely by money borrowed under Government guarantee. The Treasury has already expressed some doubt to the Department of Energy about the adequacy of the Company's profitability to support such a massive programme. As your minute of 17 June to the Prime Minister made clear, the capital costs of Destiny within the decade are massive. The Treasury would need very good reasons to be persuaded that it was right to transfer more of these costs to BNFL and so to add to their financing burden in the decade. I should be glad if both your officials and David Howell's could keep mine in touch with BNFL's proposals and consult the Treasury before decisions are reached.

I am sending a copy of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Energy Secretary and to Sir Robert Armstrong.

*y* — —  
*John*

GEOFFREY HOWE



148810001 1994



SECRET

~~SECRET~~ 15a



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALLING 01-218 2111/3

MO 18 / / /

6th July 1981

NSM  
L'

*Jean David*

SPECIAL NUCLEAR MATERIALS

Thank you for your letter of 25th June commenting on my minute to the Prime Minister of 17th June about the procurement of special nuclear materials for our defence nuclear programme.

It is, indeed, unfortunate that the pressures on the Defence Budget should coincide with the downturn in the demand from civil nuclear programmes for enrichment services. As you recognise, our Destiny project was conceived as an add-on to a self-standing BNFL civil centrifuge programme allowing us to take advantage of a technology and of facilities which were, in any case, to be created in the UK - not as an important, even possibly a crucial, element in the BNFL programme. Because of its cost, we had at the time some reservations about recommending Destiny, but considered that the policies then being followed by the US Administration justified an independent solution to our naval fuel supply problem. The change in the US Administration, together with our financial difficulties, suggests that we should now make a reassessment.

1

The Rt Hon David Howell MP

SECRET

SECRET



My officials have been in frequent discussion with the BNFL management on the Destiny project and prospects, and the Company have already made some proposals for varying the programme to ease the financial situation. These are now being studied in detail. BNFL has additionally sought to demonstrate that proceeding with Destiny would be as cost-effective overall as relying on US enrichment services. We think that this is unlikely to become true and, in any event, would be relevant only in the longer term; for the immediate future, there can, I think, be no dispute that the Destiny route is far more expensive.

This is not to say that I am unmindful of the wider repercussions of the decisions we shall have to take shortly. The next stage will be for my officials to hold discussions with the Americans in terms consistent with my minute to the Prime Minister. Thereafter, and before reaching a final decision, I will certainly consult you.

*Sum even  
John.*

John Nott

-9 JUL 1981



15 Defence

CH/EX REF. NO. C/EX(81)1COPY NO. 1 OF 7 COPIES

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

Kg  
P  
-

SPECIAL NUCLEAR MATERIALS

John Nott wrote to you on 17 June setting out a way forward on the procurement of special nuclear materials.

2. I heartily endorse all that he says, and especially the points he makes at the end of his third paragraph.

3. I would only add that even to keep Destiny "ticking over" may well cost some £15 million this year: the sooner we are in a position to decide whether or not to proceed with it, the better.

4. I am copying this letter to the Defence Secretary, the Foreign and Commonwealth Secretary, the Energy Secretary and to Sir Robert Armstrong.

(G.H.)

22 June 1981

THE UNIVERSITY OF CHICAGO  
CHICAGO, ILLINOIS

JUN 1987



CONFIDENTIAL

151  
100

FILE 14 VLS  
D. Bruce



Copy no 6 of 6 copies

cc FCO  
HMT  
D/N  
CO

10 DOWNING STREET

*From the Private Secretary*

22 June 1981

Special Nuclear Materials (SNM)

The Prime Minister has seen and taken note of the Defence Secretary's minute to her of 17 June on this subject.

I am sending copies of this letter to Brian Fall (Foreign and Commonwealth Office), John Wiggins (HM Treasury), Julian West (Department of Energy) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

B. M. Norbury, Esq.,  
Ministry of Defence.

52

Sept 13



Copy No 1 of 10 copies  
Page No 1 of 3 pages

MO 18/1/1

Prime Minister  
To note at this stage

PRIME MINISTER

MT Andy

SPECIAL NUCLEAR MATERIALS (SNM)

When my predecessor minuted you on 3rd July 1979 about supplies of highly enriched uranium (HEU), he undertook to put before Cabinet colleagues a comprehensive picture of the procurement capacity required to support our nuclear weapons policy. It was, however, agreed at that time that we should proceed with a facility (codename DESTINY) for the production of HEU for submarine propulsion.

2. A major argument for the DESTINY programme was the potential risk inherent in continued reliance on the United States in this key area. The same argument applies to a greater or lesser extent to the procurement of other special nuclear materials - plutonium, tritium and warhead HEU - where current UK facilities for domestic production are becoming obsolescent.

3. Ministry of Defence studies have identified the full programme of capital works which would be necessary for the UK to pursue a policy of maximum independence from the US for SNM procurement. The capital costs would be about £800M with the bulk falling in the period between now and 1990. Even with this level of investment we should not be able to manage without some further assistance from the Americans to enable us to meet the requirements of the Trident programme. I believe we need to consider the full circumstances very carefully before committing ourselves irrevocably to expenditure on this scale. Studies set in hand by my predecessor suggest that maximising domestic production may not





be the most cost-effective solution to our SNM requirements in either UK or wider Alliance terms. We should be duplicating US facilities - where there are grounds for believing some spare capacity exists. The costs would be a considerable drain on our already hard-pressed budget and could only be met by a reduction in our efforts elsewhere.

4. The issue of how far we can afford to accept dependence on the US for SNM is a difficult one. Our studies show however that the possible problems are no greater - and may well be less than - the degree of risk we have already accepted with Polaris in the decision to replace it with Trident, and under the present agreement for propulsion HEU. The risks could be reduced if we were to continue to maintain domestic tritium production and if we could during the latter part of the 1980s build up a stockpile of HEU for submarine propulsion thus reducing the period of dependence.

5. Under the previous US Administration, senior US Department of Energy officials advised us that American assistance with SNM would be dependent on our doing all we could to meet our own needs. The attitude of the present Administration on this issue remains something of an unknown quantity. They are, however, aware of the need to make the best use of Alliance resources and our relations in the nuclear weapons field have grown distinctly closer since the Trident decision. They may therefore be receptive to the argument that it would make sense for us to devote our resources to areas where they can be of most benefit to Alliance security policy across the board, rather than duplicating facilities in this specific area.

6. The first step must be to consult the Americans at official level to see what might be possible on SNM. I have therefore written to Caspar Weinberger setting our ideas in the context of the overall defence effort and asking him to raise the matter with James Edwards, the Energy Secretary, to forewarn him of our approach at official level. I will let you know the outcome. In the meantime, I have



put work on the DESTINY project on a tickover basis; I hope that we shall very soon be in a position to decide whether or not to proceed.

7. Copies of this minute go to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Energy; and to Sir Robert Armstrong.

CONFIDENTIAL Jw.

Ministry of Defence

17th June 1981

1861 JUNI 1811



COBLENZ



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: *Defence*

Your ref:

9 January 1980

*La  
Pant*

*Dear Norbury*

HIGHLY ENRICHED URANIUM FOR SUBMARINE PROPULSION

My Secretary of State is content with the general line of the draft Parliamentary Answer and Press Release attached to your letter of 14 December.

I should however point out one factual correction on the Press Release. Capenhurst is a licensed nuclear site and as such, approval for the discharge of waste would be required jointly from the Secretary of State for the Environment and the Minister of Agriculture, Fisheries and Food under the Radioactive Substances Act 1960. Lines 4 to 7 of the second paragraph of the Press Release should therefore read .... "the Secretary of State for the Environment and the Minister of Agriculture, Fisheries and Food before they are brought into operation".

I am copying this letter to the recipients of yours.

*Yours sincerely*  
*Jeff Jacobs*

J JACOBS  
Private Secretary



9 JAN 1980

CONFIDENTIAL



*Defence*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

21 December, 1979

*Dev Brin,*

*R-s  
Vandy*

HIGHLY ENRICHED URANIUM FOR SUBMARINE PROPULSION

Thank you for sending me a copy of your letter of 14th December to Clive Whitmore about an early public announcement about the new centrifuge plant for highly enriched uranium.

Recalling our agreement - your letter of 28th September to me - that all the costs of this project will be met from within Defence Budget ceilings, and recognising that this was re-confirmed by MOD officials last month, the Chancellor would not wish to object to the action now proposed.

I am copying this letter to the other recipients of yours.

*Yours,*

*MA Hall*

M. A. HALL  
(Private Secretary)

B. M. Norbury, Esq.,

CONFIDENTIAL

21 DEC 1979



CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

21 December 1979

HIGHLY ENRICHED URANIUM FOR SUBMARINE PROPULSION

The Prime Minister has seen your letter of 14 December to Clive Whitmore on this subject. The Prime Minister has approved the texts enclosed with your letter under reference and has agreed that the Defence Secretary should proceed as he proposes.

I am sending copies of this letter to the recipients of yours.

M. O'D. B. ALEXANDER

B.M. Norbury, Esq.,  
Ministry of Defence.

cc Tsy  
HD  
720  
D/M  
D/N  
M/A  
CO  
D/E

TS



CONFIDENTIAL



Foreign and Commonwealth Office

London S.W.1

20 December 1979

*Where is the reference?  
Below.*

*Dear Clive,*

Highly Enriched Uranium for Submarine Propulsion

Brian Norbury copied to me his letter of 14 December proposing that an announcement be made shortly of plans to build a centrifuge enrichment plant to produce highly enriched uranium for our nuclear submarines. We take it that the announcement will now take the form of a press release after Parliament goes into recess.

Lord Carrington is content with the proposed announcement. In view of the potential sensitivity of the issue with our Urenco partners he believes it important that the Netherlands and German Governments should be given two working days' notice of the announcement, and is grateful to Mr Pym for agreeing to this. Subject to the Prime Minister's approval of the text, appropriate arrangements will be made to inform senior officials in Bonn and The Hague accordingly.

I am sending copies of this letter to Brian Norbury (MOD) and to Martin Vile (Cabinet Office).

*Yours etc*

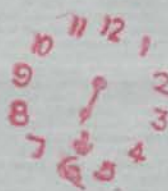
*Paul*

(P Lever)  
Private Secretary

C A Whitmore Esq  
10 Downing Street

CONFIDENTIAL

20 DEC 1979



London 2 101  
London 2 101

CONFIDENTIAL



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A01002

19th December, 1979

Dear Michael

Highly Enriched Uranium for Submarine Propulsion

Brian Norbury wrote to Clive Whitmore on 14th December on this subject. This proposal was discussed at a MISC 7 meeting on 10th July and in the absence of a copper-bottomed American assurance about the availability of long-term supplies of highly enriched uranium (HEU), the Prime Minister agreed to the suggestion in Mr. Pym's letter to her of 6th August that we should go ahead and build a plant of our own at Capenhurst.

The only difficulty which has arisen concerns the timing of an announcement of our intentions. We already share an enrichment plant for civil purposes with our URENCO partners, the Dutch and the West Germans, at Capenhurst. Formally we must tell them that we are now establishing a separate plant for defence purposes, albeit for propulsion rather than weaponry. We are perfectly entitled to do this under the Treaty of Almelo and the technology involved is largely our own in any case. But the Dutch Parliament has recently been difficult about the modernisation proposals for NATO's long-range nuclear theatre forces (LRNTF), and we already know that they are trying to use URENCO as a non-proliferation weapon. Hence the Foreign and Commonwealth Office has been advising the Ministry of Defence to delay an announcement about the new plant. The LRNTF decision has now been taken, and the need to get on with the new plant is becoming urgent. In these circumstances the Foreign and Commonwealth Office are likely to say that they are content that the announcement should go ahead particularly as the timing of it will now cause it to arrive with the Dutch after their Parliament is due to vote on the LRNTF issue on 20th December. Accordingly, once the Foreign and Commonwealth Office have said that they are content on the timing point, the Prime Minister might also agree to this proposal.

Yours ever  
Markie Vile

(M. J. Vile)  
Private Secretary

M. O'D. B. Alexander, Esq.

CONFIDENTIAL

PRIME MINISTER



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~3367825~~ 218 2111/3

Contact, subject to

the views of  
colleagues?

Yes

Cabinet Office advice is  
attached

MS

14th December 1979

17/xii

A letter from Foreign Commonwealth  
Secretary.

CONFIDENTIAL

MO 18/1

Dear Sir,

HIGHLY ENRICHED URANIUM FOR SUBMARINE PROPULSION

The Prime Minister agreed in August my Secretary of State's proposal that he should proceed with plans to build and operate a centrifuge enrichment plant to produce highly enriched uranium in this country for our nuclear submarines (Bryan Cartledge's letter to Roger Facer of 24th August in response to Mr Pym's to the Prime Minister of 6th August refers). We must now consult the relevant local authorities about planning clearance for the selected site at the Capenhurst Works of British Nuclear Fuels Ltd, and the plans, which are a matter of public interest, will thus become generally known. Mr Pym proposes to anticipate this by making a public announcement, and writing to local MPs in confidence shortly before the announcement.

The Foreign and Commonwealth Secretary will, we understand, wish to give our Urenco partners (the Netherlands and the Federal Republic of Germany) 48 hours advance notice in confidence of our intention to build a defence centrifuge plant. The purpose of the plant is to provide fuel for submarine reactors and not weapons material; the project is quite separate from the collaborative Urenco programme for the production of low enriched uranium for civil purposes; the construction in no way breaches any undertakings entered into with our Urenco partners (or anybody else); and it is entirely consistent with the Treaty of Almelo and our stance on non-proliferation.

/ We ...

C A Whitmore Esq  
10 Downing Street

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL



CONFIDENTIAL

2.

We have, however, on the advice of our Embassy in The Hague deferred an announcement beyond the NATO decision in Brussels on Wednesday on the modernisation of theatre nuclear forces in order to avoid having the subject drawn, however illogically, into Dutch consideration of this.

The timetable is already uncomfortably tight. My Secretary of State's minute of 3rd July explained that the available stock of highly enriched uranium for naval fuel is limited, and that we plan to fill the gap until 1984 by extending the US/UK agreement on toll enrichment. Because of various, unexpected, delays, we are several months behind schedule in letting the contract for the new plant; it is impossible to say how long planning clearance will take; and British Nuclear Fuels Ltd have to fit the work in with their civil commitments. Any project of this size carries the risk that an accumulation of unforeseen delays will prejudice the operational date. Subject to the agreement, therefore, of the Prime Minister, and of the Ministers to whose Private Secretaries I am copying this letter, my Secretary of State would like to make an early public announcement after confidential notification of our Urenco partners, local MPs and the planning authorities. If time allowed this would be by answer to a Parliamentary Question, but if not by Press Release. Drafts for both are attached.

I am copying this minute to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Foreign and Commonwealth Secretary, and the Secretaries of State for Employment, Energy and the Environment, the Minister of Agriculture; a copy also goes to Martin Vile (Cabinet Office).

*Yours truly,  
Bacon*

(B M NORBURY)

CONFIDENTIAL

CONFIDENTIAL

Q: To ask Secretary of State for Defence what arrangements are being made to procure supplies of nuclear materials for fuelling the Royal Navy's nuclear submarines in the 1980s and if he will make a statement

A: The Royal Navy has substantial long-term needs for fuel to be consumed in its nuclear propelled submarines. The development of gas centrifuge technology provides the opportunity to resume indigenous production of highly enriched uranium, obtained from the now outdated Capenhurst diffusion plant until 1963 and currently from the United States. Planning clearance is being sought from the relevant local authorities to provide modern facilities at Capenhurst. Subject to this, the Ministry of Defence will place a contract with British Nuclear Fuels Ltd with the aim of starting construction in 1980 and bringing the plant into service in the mid-1980s. The Ministry of Defence will pay for the project, which is separate from the collaborative programme with the Netherlands and the Federal Republic of Germany for the production of low enriched uranium for civil purposes.

As with all nuclear plants at Capenhurst, the safety and environmental aspects of the new facility will be assessed and approved, as appropriate, by the Nuclear Installation Inspectorate of the Health and Safety Executive and the relevant authorising Government Departments. Design, construction and operating procedures will be to the same high standards as have hitherto been applied to all nuclear sites to ensure that there will be no significant hazard to either the work force or the local community.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~ PRESS RELEASE

It is proposed to resume production of Highly Enriched Uranium in the United Kingdom for nuclear propulsion purposes for the Royal Navy. Subject to the granting of planning clearance by the Cheshire County Council and the Chester City Council following appropriate consultation, and to the agreement of terms, the Ministry of Defence will be placing a contract with British Nuclear Fuels Ltd. for the production of highly enriched uranium at the Company's Capenhurst Works. On the Ministry's behalf the Company will construct and operate a new enrichment facility to replace that which was operated at Capenhurst for defence purposes up until 1963. The plant will be totally funded by the Ministry of Defence and will be separate from the tripartite collaborative programme with the Netherlands and West Germany for the production of low enriched uranium for civil purposes. It is expected that construction work will start in 1980 and that the plant will become operational in the mid-1980s. Eventually the programme will provide about 200 permanent new jobs at Capenhurst in addition to the construction effort.

As with all existing nuclear plants at Capenhurst, the environmental and safety aspects of the new enrichment facilities will be monitored and subject to approval, as appropriate, by the Nuclear Installations Inspectorate of the Health and Safety Executive and by the Department of the Environment in collaboration, where appropriate, with the Ministry of Agriculture Fisheries and Food before they are brought into operation. These actions will provide assurances both for the workforce and the local community that the design, construction and operating procedures of the new facility will meet present high standards of health and safety at Capenhurst.

~~CONFIDENTIAL~~

17 DEC 1979





SECRET

12

*Defence*



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~230 2220~~ 218 2111/3

SECRET

MO 18/1

28th September 1979

*Dear Tony,*

*NABPA*

*Hand 1/4*

SUPPLIES OF HIGHLY ENRICHED URANIUM

In his letter to my Secretary of State of 31st August, the Chancellor of the Exchequer raised one or two points on his proposals for establishing a natural source of supply for highly enriched uranium.

Mr Pym has asked me to comment on his behalf on the Chancellor's letter, with apologies for not having done so earlier. Mr Pym confirms that he is prepared to meet all of the costs of this facility and to do so within the Defence Budget ceilings agreed for the relevant years; he is quite content for officials to discuss the details of the costs and contract terms before a contract with British Nuclear Fuels Limited is agreed.

As regards the need for a comprehensive report on the procurement capacity required for the Defence nuclear programme, my Secretary of State will, as he made clear in his minute to the Prime Minister of 17th September, be making recommendations about this in time for the decisions to be taken on options for strategic and theatre nuclear forces.

I am sending copies of this letter to the Private Secretaries to the Ministers who received copies of the Chancellor's, and to Martin Vile in the Cabinet Office.

*Yours and  
Ben Norbury*

(B M NORBURY)

A M W Battishill Esq  
HM Treasury

SECRET  
SECRET



- 1 OCT 1979



*Deferre* 11

Foreign and Commonwealth Office

London SW1A 2AH

7 September 1979

*NBPN*

*Ant - 10/5*

*Dear Roger,*

Supplies of Highly Enriched Uranium

The Foreign and Commonwealth Secretary has seen copies of your Secretary of State's letter of 6 August to the Prime Minister and of Bryan Cartledge's letter of 24 August. He understands that further discussion between British and American officials has confirmed that the US Administration see no way of obtaining Congressional agreement to a supply contract lasting long enough to give us the certainty we require. Lord Carrington agrees therefore that we should now go ahead with the proposed British plant.

I am sending copies of this letter to Michael Alexander (No 10), Martin Hall (Treasury), Bill Burroughs (Department of Energy), Martin Vile (Cabinet Office) and to Sir Robert Armstrong (Home Office).


*Yours etc*

*Paul*

Paul Lever

Roger Facer Esq  
 Private Secretary to the Secretary  
 of State for Defence  
 Ministry of Defence  
 Main Building  
 Whitehall SW1

7 SEP 1979



A circular red stamp with numbers 1 through 12 arranged in a circle. A central arrow points to the 10 o'clock position. The numbers are: 12 at the top, 1 at the top-right, 2 at the right, 3 at the bottom-right, 4 at the bottom, 5 at the bottom-left, 6 at the left, 7 at the top-left, 8 at the top, 9 at the top-right, and 10 at the top.

SECRET



*Defence* 10

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

31st August, 1979

*Dear Francis*

*NRP/yw Hunt*

*4/5*

SUPPLIES OF HIGHLY ENRICHED URANIUM

I have seen a copy of your letter of 6th August to the Prime Minister, and her reactions, as set out in Cartledge's reply of 24th August.

I have not seen the report of your discussions with the US Defence Secretary on 17th July, to which your letter referred. But if it is your considered judgement that it is not possible to be confident that we can rely on the Americans for future supplies of HEU, then I would not wish to object to your authorising the establishment of a national source of supply. I accept that in this case the importance of securing assured supply outweighs the arguments of strict economy, though my agreement is, of course, on the understanding that you are prepared to meet all the costs within whatever defence budget ceilings are agreed in the public expenditure surveys for the relevant years. I should be grateful if your officials would discuss with mine the details of the costs and contract terms before a contract with British Nuclear Fuels Limited is finally agreed.

Your minute of 3rd July foreshadowed a comprehensive report on the procurement capacity required for the defence nuclear programme. Given the major resource implications, I await this paper with interest. And, while I accept that HEU is a special case, I hope that we shall be able to avoid further piece-meal decisions on particular elements in the programme until we have considered it as a whole.

I am copying this letter to the Prime Minister, the Home Secretary, the Foreign and Commonwealth Secretary, the Secretary of State for Energy and Sir John Hunt.

*[Signature]*  
GEOFFREY HOWE

The Rt. Hon. Francis Pym, M.P.  
Secretary of State for Defence.

*[Signature]*

SECRET

EA SEP 1979

12 3  
4  
5  
6  
7  
8  
9

*Defence*  
COPY NO 1 OF 6 9



SECRET

*to Vant  
- 29/8*

PRIME MINISTER

SUPPLIES OF HIGHLY ENRICHED URANIUM

Please refer to Francis Pym's letter of 6 August.

It is unfortunate that the Americans cannot give us a watertight promise of future supplies. I agree that we should now go on to establish our own plant. BNFL stand ready, but do require early authority to proceed with their planning.

I am copying this letter to the Home Secretary, the Secretary of State for Defence, the Foreign and Commonwealth Secretary, and Sir John Hunt.

*JA*

SECRETARY OF STATE FOR ENERGY  
AUGUST 1979

*24*  
*R/29.*



29 AUG 1979



COMPTON





SECRET



*Defence*  
8

10 DOWNING STREET

*From the Private Secretary*

24 August 1979

Highly Enriched Uranium

The Prime Minister has seen the Defence Secretary's letter (MO 18/1) of 6 August about supplies of highly enriched uranium.

Subject to the views of her colleagues, the Prime Minister agrees that Mr. Pym should now authorise the programme for national self-sufficiency set out in his minute of 3 July.

I am sending copies of this letter to John Chilcot (Home Office), Stephen Wall (Foreign and Commonwealth Office), Martin Hall (H.M. Treasury), Bill Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

B. G. CARTLEDGE

R.L.L. Facer, Esq.,  
Ministry of Defence.

SECRET

98

SECRET

17  
Prime Minister

Agree 'X'?

Yes not, 17/8

Ref. A0151

MR. CARTLEDGE

Supplies of Highly Enriched Uranium

[A] You asked for advice on the Secretary of State for Defence's letter to the Prime Minister of 6th August, in which he sought agreement to go ahead and arrange for British Nuclear Fuels Ltd. to include the construction of an HEU plant for defence purposes in their commercial programme, as he had been unable to extract a copper-bottomed American assurance about the availability of long term supplies for our defence nuclear programme.

2. When MISC 7 discussed this subject on 10th July, it was agreed that there were "very strong arguments for seeking national self-sufficiency of HEU" but no final decision was taken as it was considered to be important to discover first the American attitude.

3. The Chancellor of the Exchequer will not be able to deal with Mr. Pym's letter until he returns from France in the last week of August. Other Treasury Ministers are not cleared to deal with this subject. He will be advised that he can agree to the proposal, subject to the Secretary of State for Defence's assurance that the costs of the new plant will be contained within the existing limits of the planned defence budget. The Chancellor is also likely to stress the importance of the Secretary of State for Defence seeking the agreement of his colleagues to the whole of his plan for manufacturing and reprocessing various nuclear materials before decisions are taken on individual elements in it such as this one. (Of these various elements, however, the Treasury recognise that a national supply of HEU has probably the strongest justification.)

X | 4. Against this background the Prime Minister can be advised to agree to the Secretary of State for Defence's proposal subject to any points of detail which colleagues may raise.

h.

(S. F. J. Whittle)

14th August, 1979

SECRET



*Handwritten notes:*  
[A] 6  
at 2.30 pm

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALLING 01-218 2111/3

SECRET

6th August 1979

MO 18/1

*Dear Prime Minister,*

SUPPLIES OF HIGHLY ENRICHED URANIUM

As you recognised from the report of my exchange with the US Secretary of Defense on 17th July 1979 (my Private Secretary's MO 25/2/1/2 of 20th July 1979), I was unable to extract a copper-bottomed American assurance about the availability of long-term supplies of highly enriched uranium (HEU) for our defence nuclear programme. Accordingly, as we discussed at our meeting of MISC 7 on 10th July, I now propose, subject to your concurrence and that of our colleagues, to authorise the programme for national self-sufficiency described in my minute MO 18/1 of 3rd July 1979.

As I explained previously, our plant has to be slotted into the commercial programme of British Nuclear Fuels Ltd and it would be very helpful if we could give them early authority to proceed for forward planning purposes. I would, therefore, be most grateful for your agreement to this.

I am copying this letter to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Energy Secretary and Sir John Hunt.

*Francis Pym*  
*Francis Pym*

Francis Pym

The Rt Hon Margaret Thatcher MP

SECRET

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2JF

17 AUG 1979





uFW  
∞

5

*Defence*

DOWNGRADED TO :  
**TOP SECRET UK EYES A**  
10 DOWNING STREET

17. AUG 79

From the Private Secretary

27 July 1979

Thank you for your letter of 20 July, in which you summarised the Defence Secretary's discussion with the US Secretary of Defense on 17 July, about the supply of nuclear materials for naval propulsion and nuclear warheads.

The Prime Minister has seen your letter and has taken note of these exchanges. Dr. Brown's replies to Mr. Pym do not, of course, constitute at this stage the "copper-bottomed assurances of long term supply" which MISC 7, at its meeting on 10 July, considered to be essential if the UK is to forego national self-sufficiency in HEU.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office) and Martin Vile (Cabinet Office).

B. G. CARTLEDGE

*Re*

DOWNGRADED TO :  
**TOP SECRET UK EYES A**

17 AUG 79

Roger Facer, Esq.,  
Ministry of Defence.

TOP SECRET

ATOMIC

Copy No 1 of 10 copies

Page 1 of 2 pages



Prime Minister

MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~9367022~~ 218 2111/3

*This is not yet the copper bottomed assurances of long term supply which Mr. Pym was asked by OI to express.*

20th July 1979

No 10. A.R. 27

TOP SECRET  
ATOMIC

MO 25/2/1/2

*Agreed in minutes on 20th July 1979*

*BM  
2377*

Dear Bryan,

In Washington on 17th July the Defence Secretary raised with the United States' Secretary of Defense the supply of nuclear materials for naval propulsion and nuclear warheads.

Mr Pym expressed appreciation for the help we had received in the past from the United States. But we now had to consider our long term source of supply of Highly Enriched Uranium (HEU) for nuclear propulsion and decide whether to manufacture it ourselves, probably at Capenhurst, or reach some long term arrangement for obtaining it from the US. He asked whether it would be politically possible for the US to give an undertaking about future supplies. Dr Brown said that the US Administration were seeking to amend the 1958 legislation in order to extend the arrangements for material transfer to 1984, and perhaps they might be extended to 1989. But before each transfer within the programme was approved, US law required that there should be no detriment to US defence needs. He thought that in practice there would be no problem. The Defence Secretary said he appreciated the difficulties presented by the Congressional processes, and that future Congresses might take a different view. We also needed, for weapons purposes, about one tonne of plutonium and 10 tonnes of HEU. Dr Brown and other US officials in separate official talks, were helpful, but they told us that supply of plutonium might involve the Americans in considerable extra costs, since they might

/ have ...

B G Cartledge Esq.,  
10 Downing Street

TOP SECRET  
ATOMIC

TOP SECRET

ATOMIC

TOP SECRET

ATOMIC

TOP SECRET  
ATOMIC



Page 2 of 2 pages

|| have to restart a reactor to meet British requirements.

I am copying this letter to George Walden (Foreign and Commonwealth Office) and Martin Vile (Cabinet Office), and to Sir Robert Armstrong.

*Yours sincerely,  
Roger Facer*

(R L L FACER)

TOP SECRET

ATOMIC

TOP SECRET  
ATOMIC

TOP SECRET

Ref. A09925

Copy No. / of 5 Copies

PRIME MINISTER

Supplies of Highly Enriched Uranium

(MISC 7)

As you know the Secretary of State for Defence is visiting Washington for talks with Dr. Brown on 16th-18th July. In his minute to you dated 3rd July he has explained that we are at present dependent on the United States for enriched uranium fuel for the propulsion plants of our nuclear submarines. It would cost more to make ourselves self-sufficient. But we ought in his view to do so as soon as possible, unless we can obtain a binding long term guarantee of supplies of this fuel from the Americans, which seems unlikely. Departments concerned are unlikely to object to Mr. Pym discussing the subject with the Americans as he suggests.

HANDLING

2. You will wish to ask the Secretary of State for Defence to introduce his note. The points to establish in subsequent discussion are:

- (a) Will international pressures or future changes in the American attitude put our present source of supply at risk?

Ministers are likely to agree that the answer is Yes.

*Passage deleted and retained under Section 3(4)  
@Wayland, 18 September 2012*

- (b) Does the Secretary of State for Energy, who has been invited for this item, agree that we should encounter no difficulties with our Dutch and German partners in the Treaty of Almelo?
- (c) What is Lord Carrington's view on the danger of international criticism on non-proliferation grounds?
- (d) Are there any practical problems about building an HEU plant at Capenhurst in an enclave adjacent to the civil nuclear facilities?  
Can the results of the British Nuclear Fuels Ltd. design study be accepted with confidence?



# TOP SECRET

- (d) Costs? Is Mr. Pym reasonably confident of the estimate of cost over the next 15 years of about £160 million for providing a 10 year supply? Does he regard an assured supply of this fuel as so important that he is prepared to bear this total cost within the defence budget?
- (e) Does BNFL possess the necessary technological skills to operate an HEU plant?

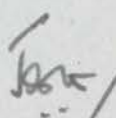
*Passage deleted and retained under Section 3(4)  
@Wayland, 18 September 2012*

- (f) How important are nuclear submarines to the Royal Navy? Does Mr. Pym see our Polaris and Hunter killers as the modern equivalent of capital ships for which we will have a continuing requirement into the indefinite future?
- (g) Future technological developments. Is the scarcity of oil likely to make marine propulsion more dependent in future on nuclear reactors? Is there any possibility of any other type of fuels replacing highly enriched uranium?

## CONCLUSION

3. In the light of discussion on these points the Committee might be guided to reach the conclusion

- (a) that the Secretary of State for Defence should explore the United States position during his talks with Dr. Brown on 16th-18th July, and report the outcome;
- (b) that if the response is unsatisfactory he should ask his colleagues to confirm (perhaps by correspondence without a meeting) that we should go for self-sufficiency as proposed.

  
(John Hunt)

9th July, 1979

TOP SECRET

Defence 1



Copy No 7 of 17 copies  
Page 1 of 7 pages

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALLING 01-218 2111/3

TOP SECRET  
UK EYES A

MO 18/1

PRIME MINISTER

SUPPLIES OF HIGHLY ENRICHED URANIUM (HEU)

Over the next few months we shall have to address, in the military nuclear field, several issues arising both from weapons policy and from the procurement capacity needed to support it. In the latter category I will put a comprehensive picture before my colleagues as soon as I can; but there is one particular matter which, for reasons explained in this minute, we need to address quickly.

2. We shall use up by 1984 the available stock of highly enriched uranium (HEU) from which we can manufacture fuel that is burnt up in the reactors which power our nuclear submarines. This stock has been accumulated by obtaining supplies from the United States under a toll-enrichment contract negotiated in accordance with provisions in the 1958 United States/United Kingdom Defence Agreement. By the terms of this contract, we supply depleted and natural uranium to the Americans and they enrich it for us in their diffusion plants. The contract and the relevant provisions in the Defence Agreement lapse at the end of this year. We have to consider whether we should continue to rely upon the Americans for submarine fuel, or should make arrangements for ourselves. With the exception of the enriched uranium fuel the propulsion plants of our nuclear submarines are entirely independent of any foreign aid.

3. The present toll-enrichment contract with the US was negotiated with considerable difficulty in 1973 in the

/ face ...

TOP SECRET  
UK EYES A  
TOP SECRET  
UK EYES A



face of opposition from, among others, Mr Schlesinger, then the US Defense Secretary but now the Energy Secretary directly responsible for these contracts. The basis for the opposition was that the UK, as part of Urenco, is a competitor to the US for the sale of enrichment capacity for civil nuclear power programmes. The US regarded the sale of enrichment capacity to the UK for naval purposes at less than full costs as a hidden subsidy to our commercial enrichment operations. More recently, in discussions with US officials about necessary amendments to those parts of the 1958 Agreement which refer to material supplies, US officials have indicated informally, that if the UK had convincing plans for self-sufficiency, they would be prepared to recommend to the President and Congress a further five year extension of the present arrangements. If the US Government agrees this would tide us over any problems in building the necessary plants for self-sufficiency.

*Paragraph 4 deleted and retained under  
Section 3(4).*

*Wayland  
18 September 2012*

5. The alternative has therefore been looked at of meeting our post-1984 HEU requirement in a centrifuge plant which would be built and operated by British Nuclear Fuels Limited (BNFL). It would be based on the Company's proven centrifuge technology, and the Treaty of Almelo, under which we co-operate with the Dutch and Germans on civil

/ enrichment ...



enrichment, allows us to use this technology for defence purposes. Indeed our partners clearly understood that we might do so. If, however, we decided to build our own plant, we need to be prepared for some criticism when our decision became known, because other Governments are being encouraged to refrain from producing HEU for non-proliferation reasons. This should not prevent us from going through with this project but we should tell our Dutch and German partners of our intentions, before any public announcement is made.

6. BNFL have carried out a design study for a HEU plant which would be located at their Capenhurst Works in a Ministry of Defence enclave. This would be physically separate from the civil nuclear facilities at Capenhurst and there would be no problems over international safeguards and inspection. A more detailed account is given in the Annex to this minute. The cost over the next 15 years will be about £160m (at 1979 prices) for providing a 10-year supply, and this total includes the cost of uranium residue recovery facilities which have to be built in any case to replace plants which are now over 20 years old. During the current PESC period the total cost will be about £90m; this is taken into account in the additional bids for defence which I have put forward in PESC, though as explained in the PESC Report the bids themselves are necessarily provisional at this stage.

7. The essence of the case for providing this capability for naval fuel production can be summarised as follows:

a. we have invested heavily in our nuclear submarine capability which has a life expectancy stretching into the next century. However friendly we are with the Americans, continued reliance on them for HEU fuel makes us dependent in a key area and could narrow our defence options if difficulties arose;

b. the American Administration have never been able to enter into a legally-binding

/ agreement ...



agreement for the supply of nuclear materials and have insisted at both the Administration, and more importantly at the Congressional, level that any supply arrangement should have a fixed term (initially 10 years but now 5 years) subject to an overriding US right to terminate prematurely. In today's circumstances, where non-proliferation factors may come to weigh increasingly heavily with the US Administration, it is uncomfortable to go on relying on such arrangements. To feel reasonably sure of our ground we would need a long-term arrangement covering something like 10 or 15 years on which a legally binding contract can be drawn up. Given the time it would take to build up our own arrangements, anything much shorter than this simply would not provide enough assurance. But it is hard to see how the US Administration could in practice give us such an undertaking;

*Paragraph 7(c) deleted and retained under  
Section 3(4).*

*Wayland*

*18 September 2012*

8. Against this, there is likely to be a cost differential between British produced HEU on a full cost basis and US supplies which might possibly be obtained at marginal costs. On this basis British production could be three times as expensive, although, in practice as the Americans themselves will soon have to replace their ageing plants, the differential is more likely to be less.

9. This is not an easy issue. We cannot be sure of the Americans or of their price. Independence will cost

/ us ...

TOP SECRET



Page 5 of 7 pages

TOP SECRET  
UK EYES A

UK EYES A

us money. We cannot foretell future options other than to say that if we were forced to become independent in a few years time it would be even more costly.

10. Despite the extra cost, I believe on balance that we should make ourselves independent as soon as possible unless I can, quite unexpectedly, obtain a binding long-term guarantee of supplies from the Americans. The matter is urgent because BNFL is becoming heavily engaged on commercial work for both our civil power programme and exports. A firm order on BNFL is required soon to avoid delay in meeting RN requirements and a conflict with civil work.

11. I would propose to explore the US position when I visit Washington for talks with Dr Brown on 16th-18th July. I will report the outcome to you, but for the reasons described in paragraph 9 above we shall have to move fairly quickly to a decision.

12. I am copying this letter to the Home Secretary, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Energy Secretary and Sir John Hunt.

3rd July 1979

TOP SECRET  
UK EYES A  
TOP SECRET  
UK EYES A

TOP SECRET  
UK EYES A

ANNEX TO  
MO 18/1  
DATED: 3RD JULY 1979

TOP SECRET UK EYES A

1. British Nuclear Fuels Ltd (BNFL) have carried out, under MOD contract, a design study for a centrifuge enrichment plant capable of producing 500Kgs of HEU per year, with provisions for doubling the output at some later date. The firm's report establishes the technical feasibility of the project, code-named DESTINY, and estimates its costs and timescale. The project includes the provision of an HEU residue treatment and recovery plant to replace the facilities presently used at Windscale. These facilities are obsolescent and must be replaced shortly in any case.

2. It is proposed that the enrichment and the residue treatment and recovery plant should be located at the BNFL Capenhurst Works in an MOD enclave which would also take in the existing tritium plant at this site. It would therefore be entirely separate from the civil nuclear activities at Capenhurst and thus avoid all problems connected with international safeguards and inspection; there would be no facilities common to the civil and defence plants.

Costs

3. BNFL's cost estimates, at January 1979 money values, for the project are as follows:

|                                                                       |           |                            |
|-----------------------------------------------------------------------|-----------|----------------------------|
| a. Enrichment Plant                                                   | <u>£m</u> |                            |
| Research and Development                                              | 6.0       |                            |
| Site clearance and preparation                                        | 4.5       |                            |
| Capital cost, including design and utilisation of workshop facilities | 71.6      |                            |
| Subtotal                                                              | 82.1      | (over period 1979 to 1984) |
| Operating cost (over 10 years)                                        | 41.0      | (over period 1983 to 1994) |
| Total                                                                 | £123.1m   |                            |
| b. Residue Recovery Plant                                             |           |                            |
| Capital cost                                                          | 4.9       | (over period 1979 to 1984) |
| Operating cost (over 10 years)                                        | 7.2       | (over period 1983 to 1994) |
| Total                                                                 | £12.1m    |                            |

TOP SECRET  
UK EYES A

TOP SECRET UK EYES A

Thus the BNFL total estimate for DESTINY, before inclusion of BNFL's profit but including the firm's contingencies under the various headings, is £135.2m spread over a period of 15 years. Making a reasonable allowance for profit and adding a small overall contingency leads to a total estimate of the cost of providing a 10 years supply of HEU and a new residue recovery capability of £160m. There are elements in BNFL's estimate which, during contract negotiations, might be reduced but these reductions are not likely to be significant in relation to the global figure of £160m.

4. On the basis of the above figures, the unit cost of HEU from DESTINY would be about £29,000 per Kg when full account is taken of R&D, capital and operating costs for a 10 year production run. This compares with the 1978 price of £10,000 per Kg for HEU obtained from the US under the expiring toll-enrichment contract. This US price is fixed on an artificial basis to be consistent with their domestic and international aims, one of which was to drive enrichment opposition out of business. The US have long written off the capital costs of their diffusion plants and, if we neglect our development and capital costs, the DESTINY unit price would also be about £10,000 per Kg.

5. The price for future US supplies would have to be negotiated. US prices have been rising fairly sharply over recent years and are likely to continue to do so, especially as a large fraction of their operating costs is determined by labour and electricity charges. (This is not true for a centrifuge plant). It is expected, therefore, that the gap between the gross UK unit price and the US price will narrow over the coming years.

Increased Capacity

6. BNFL have examined the feasibility of extending the capacity of the proposed DESTINY plant to 1000Kgs. Their conclusion is that, at an additional cost of £8m, the initial installation could be given all the services and all the space required for doubling plant capacity at a later date. It would be prudent to make this contingent investment. It would mean that the capacity of the plant could be increased more rapidly and at less cost. The need for a subsequent expansion is already apparent. The annual demand for Naval fuel will increase with the build-up of the SSN fleet and the introduction of the longer-life reactor core so that a 500Kg capacity plant will be inadequate in the late 1980s.

Page 7 of 7 Pages

TOP SECRET UK EYES A

TOP SECRET  
UK EYES A





IT8.7/2-1993  
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](ftp://ftp.kodak.com/gastds/q60data)

Q-60R2 Target for  
KODAK  
Professional Papers

