

PRIME MINISTER

Fast Reactor Policy

E(80) 60

BACKGROUND

The Secretary of State for Energy puts forward his proposals for developing our approach to the fast reactor. He starts from the premise that, while fast reactors are not yet economic and there is uncertainty about the time-scale in which they will be introduced commercially, they could be capable of making a major contribution to United Kingdom energy supplies in the first quarter of the next century. By then uranium supplies could be constraining thermal reactor programmes - and possibly earlier if supplies were to be disrupted for political reasons - but fast reactors use depleted uranium of which we will have substantial stocks.

2. The Secretary of State advised against relying on other countries to develop the technology and letting us have a licence. There is no certainty that they would do so and we should waste the expertise built up over the last 25 years. He argues that, if we are to have the necessary technology available, for commercial ordering when needed, we need to build and operate a full-scale fast reactor in this country, subject to safety clearances and a full public inquiry. He rejects an independent effort as far too costly and advises collaboration. For the moment the most likely partners are France, who are in the lead in this field, and Germany. Collaboration with the Americans could be attractive. But President Carter is against fast reactors and it is a question of waiting until after the Presidential Election to see whether there is any chance of pursuing an American option.

3. As the Secretary of State explains in his paragraphs 12-16, it would be necessary to negotiate hard to secure genuine collaboration and to ensure that the French did not make all the running. In particular we would have to ensure that we retained freedom to build a fast reactor in this country at a time of our own choice.

4. There have already been exploratory talks at working level with the French. But the Secretary of State believes that an expression of political interest is now necessary to give impetus to these discussions. He therefore seeks authority to open negotiations with the French and Germans. I understand that

if this is given he is likely to visit the French in July. But he would not enter into any commitments before putting further proposals to colleagues. This would probably be later in the year and after the American Presidential Election.

5. He recommends that to underline the seriousness of our interest he should be authorised to make a statement in Parliament before the Summer Recess - see his paragraph 17. This would indicate the broad lines of the Government's interest and undertake that the construction of a full-scale fast reactor would be subject to a full and independent public inquiry.

6. If construction of a fast reactor were to start as early as 1985 the United Kingdom Atomic Energy Authority say they would need additional public expenditure provision rising from £6 million in 1981-82 to £20 million in 1983-84. However, the Secretary of State believes that these bids could be reduced or eliminated as a result of cost sharing and on the basis of a more realistic assumption on timing of construction.

HANDLING

7. After the Secretary of State for Energy has introduced his paper, the Chancellor of the Exchequer will wish to comment on the financial implications and the Foreign Secretary on the proposals for collaboration. The Secretaries of State for Employment and the Environment may wish to say something on the need for assurances on the health and safety and planning aspects.

8. In discussion you will wish to cover the following questions -

a. Do we need to take any decisions now?

It might be argued that there is no need for any action now. The time-scale is very long and some Ministers may think that the Secretary of State for Energy has yet to make a convincing case that the prospects for our other sources of energy supply from the year 2000 are such as to justify building up this further alternative. On the other hand the Secretary of State is not asking for irrevocable commitments, but rather for further work as an insurance policy against the time that fast reactors might become economic. It may well be that unless we enter into negotiations with prospective partners we shall lose our opportunity.

b. What should be the negotiating objectives in discussions with prospective partners?

If it is accepted that further action should be taken now, it is unlikely that any Minister will argue for an independent effort. But if there are to be negotiations with possible partners Ministers will wish to enter a number of conditions. It will be important not to foreclose on the possibility of collaboration with the Americans until the outcome is known of the Presidential Election. Any deal with the French must ensure that they do not take the opportunity to secure an unfair advantage for their industry; and the objectives set out in the Secretary of State's paragraphs 12-15 are important. Before contracts are signed it will be necessary to check whether there are satisfactory break-clauses. But most important of all, Ministers are likely to insist that the Secretary of State should not enter into any commitments whatsoever until he has reported back on the outcome of his discussions and set out detailed proposals.

c. What are the public expenditure implications?

The Chancellor of the Exchequer will wish to speak on this. For the moment they seem too uncertain for Ministers to say anything more than that. If this particular item did lead to additional expenditure, then the Secretary of State would need to look for off-setting savings elsewhere. But again there should be no question of entering into any financing commitments at this stage.

d. Should there be a Parliamentary statement before the Summer Recess?

If the Secretary of State is to embark on negotiations, this is likely to become public knowledge and it would therefore be prudent to make a general, non-committal statement on the lines of paragraph 17 of his paper. As he points out, it will be particularly important to give assurances that there would be an independent public inquiry before any fast reactor were constructed.

CONCLUSIONS

9. In the light of the discussion, you will wish to record conclusions on -
- i. Whether the Committee endorses the broad strategy set out by the Secretary of State for Energy; and, if so

ii. whether he may now enter into discussions with the French and the Germans without commitment, without foreclosing on the possibility of collaboration with the Americans, and on the lines set out in paragraphs 12-15 of his paper;

iii. whether he should make a Parliamentary statement before the Recess on the lines of his paragraph 17;

iv. inviting him to report further in the Autumn on the outcome of his consultations and with proposals.

REA

30 June 1980