

SUBJECT

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10 DOWNING STREET

File Energy RM
cc. J. Veseby.
cc. Party USOs (Fco)
CPRS HMT
CO D/Eng.
SO

From the Private Secretary

2 November 1982

cc master

Dear Julian,

The Prime Minister held a meeting about fast reactor policy on Monday 1 November. Your Secretary of State, the Chancellor of the Exchequer, the Secretary of State for Scotland, Mr. Rifkind (Parliamentary Under-Secretary of State, FCC) and Dr. Nicholson of the CPRS were also present.

Your Secretary of State said that the AEA had told him that £70m. per annum was the minimum they could recommend for a restructured programme. The private sector NNC had indicated that they believed that as little as £50m. per annum could suffice. His judgment was that it should be possible to devise a research and development programme suited to the new situation which would settle at around £60m. per annum in the late 1980s. This would give the UK the option of joining any international collaboration as a credible partner or achieving an independent CDFR on a longer time scale. In discussion it was noted that there were great uncertainties, about the price and availability of uranium, the projections for energy demand, and the prospects for collaboration. Complete reliance on licencing from other countries would be unwise. The energy potential for the fast reactor gave it a major strategical importance; the energy which it could release from depleted uranium and spent fuel from the thermal programme was equivalent to the UK's coal reserves. There would have to be a substantial programme, but the time scale was clearly going to be longer than had earlier been envisaged. A decision to cut the existing programme too heavily would damage our negotiating position with potential collaborators. It was noted that, on your Secretary of State's proposal, there would be 200 (and not 300 as had been suggested) redundancies, the bulk of which would be voluntary. The present discussion was mirrored in all the countries which were potential collaborators with us. All our potential partners - except perhaps, at first, the French - would be considering an extension of the time scale of the programme: the fact was that the whole programme had been shifted back by about ten years by the changed circumstances

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referred to in your Secretary of State's minute. There was a case for asking the AEA to explore what collaborative arrangements could be achieved on the basis of a range of expenditure - say from £50m a year upwards. On the other hand, it would not be possible to defer a decision until a collaborative partner had been found, so an expenditure decision needed to be taken, and soon, in order to prevent damaging uncertainty arising at Dounreay.

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The Prime Minister said that the development programme should go ahead at a level of around £70m per annum. The precise shape of the programme would need to be explored with the AEA. Your Secretary of State should soon announce, by Written Answer, this decision. The draft statement attached to your Secretary of State's minute of 27 October was insufficiently positive. It needed substantial revision, and she would be grateful if your Secretary of State would let her have a revised draft, drawn up in consultation with the Chancellor of the Exchequer and the Secretary of State for Scotland and Dr Nicholson.

I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Scotland, the Parliamentary Under-Secretary of State, Foreign and Commonwealth Office and to Sir Robert Armstrong and Dr Nicholson.

M. C. SCHOLAR

Julian West, Esq.,
Department of Energy

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