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## National Security and Crony Nuclear Capitalism

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Patriotism, it's said, is the last refuge of a scoundrel. A worthy example now making its way into the national spotlight is the United States Enrichment Corporation (USEC), which is making strained national security arguments on Capitol Hill to pave the way for a \$2 billion federal bailout. If USEC had a sound product or argument, this subsidy might be defensible. USEC has neither.

The corporation currently manages a dated, uneconomical, gaseous diffusion uranium enrichment plant in Kentucky, which the U.S. government sold it back in the early 1990s. To upgrade its enrichment services, USEC is trying field a new system known as the American Centrifuge Project in Pinkerton, Ohio. This project employs a design originally developed but never fielded by the U.S. Department of Energy (DOE).

Given the strength of USEC's enrichment competitors and the technical complexity of USEC's centrifuge project, venture capitalists have steered clear of the firm. A pilot version of USEC's centrifuge system actually exploded this June when it was tested.

Meanwhile, USEC's financials have steadily marched south: In the last 60 months its stock price has fallen more than 15-fold. USEC has a CCC+ bond rating and has little or no cash to cover the projected \$4.5 billion needed to complete the centrifuge program it now is hoping to get Congress to back. If it fails to get more money, USEC funds are sure to dwindle when the last federal handout runs dry in the next eight weeks.

This prospect has even DOE, which has long supported USEC, gun shy about granting the corporation's request for \$2 billion in loan guarantees. The department formally turned down USEC's loan application in 2009. After the Solyndra controversy, DOE has got to be worried about getting politically burned again.

In an effort to change the subject, USEC has tried to pitch its project as a jobs generator. But, at most, its centrifuge effort is worth 400 permanent salaried positions. USEC knows this. Hedging its case yet again, USEC has now fallen back on national security arguments. They, however, are desperate stuff.

Under current treaty agreements that the United States has with Europe and Australia, USEC insists Washington cannot use any of the uranium generated from foreign-designed enrichment plants—even those that might be operating here in the United States—to make nuclear weapons materials, such as tritium, a material used to boost the yields of our nuclear weapons. The U.S. now makes all of its nuclear weapons tritium in a light water power reactor (LWR) located at Watts Bar, Tennessee, which is fueled with low-enriched uranium.

Without a U.S.-designed enrichment plant supplying Watts Bar with fresh uranium fuel, USEC and its supporters contend that U.S. nuclear weapons will run out of the legal supply of tritium they need to function properly. Hence, USEC argues, Congress is justified in keeping USEC and its centrifuge project alive by encouraging DOE to reprogram monies for USEC and to grant it a 2 billion loan guarantee.

This seems to be a tight enough argument. There's only one problem: Virtually none of it is true. We know this because recently, DOE released a copy of an internal [review](#) it did of USEC's first loan guarantee application. In it, each and every one of USEC's national security arguments is shot down.

If it really was true that the U.S. government could only use enriched uranium from entirely indigenously designed and equipped enrichment plants, the American Centrifuge Project, according to DOE, would itself not qualify: As the Department's own analysis makes clear, USEC's centrifuge system employs a good number of foreign components. USEC could fix this by substituting U.S. made parts for these components but this, DOE notes, would be pointless.

Why? Because the legal premises of USEC's national security argument are rebuttable. When it comes to making tritium, DOE notes "It's not clear that there is a legal issue." The agreements with Australia and Europe do prohibit using the uranium that is made with their enrichment technologies in bombs. Tritium, however, is another matter. It's a "byproduct" generated by "neutron activity in the reactor" rather than in any enrichment plant. As such, DOE analysts argue that it's "not clear that foreign legal restrictions apply."

Not just DOE, but the only other U.S.-based commercial uranium enricher using European centrifuge technology, LES, based in New Mexico, has endorsed this legal interpretation. As a result, DOE recently contracted with LES to supply Watts Bar with fresh uranium fuel to make power and weapons tritium.

Given the number of lawyers in Washington and the keen interest some officials have to favor USEC, it's possible our government might try to walk this legal contract back. Even if it did, though, using USEC as a source of fresh fuel for Watts Bar would be unnecessary. Why? It turns out DOE has more than adequate military reserves of low and highly enriched uranium, from which it could draw upon for this purpose. This too is a point the DOE's own analysis spotlights.

What then can USEC plead to justify more government largesse? A simple answer is what unfortunately is now at play—member loyalty to the House speaker and other congressional colleagues who have constituents in or near Pinkerton, Ohio. That might not be as dignified a case for more federal bailouts for USEC as one based on national security but at least it's an honest shot and one you would hope would be much easier for a majority of Congress and a public tired of corporate cronyism to shoot down.

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