

The New Politics of Uranium Supply

After two weeks of modest increases, this week the uranium price jumped by \$3.00 to \$53.00. These few weeks of increase follow a downward trend and are in part due to recent political events that can impact future supply.

The biggest impact is due to events in Kazakhstan. It is now a few weeks since Kazakhstan announced that it is investigating past sales of the country's uranium assets to foreign companies. The former Soviet republic, which is home to a fifth of global uranium reserves, has accused a former head of state-owned uranium producer Kazatomprom, Mukhtar Dzhakishev, of illegally selling deposits to foreign companies. Dzhakishev and other executives have been removed from the company and been replaced by new government appointees.

In Africa, the President of Niger dissolved parliament in an attempt to secure a change to allow him to run for another term in office. As Kazakhstan is poised to become the world's largest supplier of uranium in 2009, and that together Kazakhstan and Niger produced about a quarter of the world's uranium in 2008, this is very troubling news for the industry.

Uranium Production by Country

	2007 TU	2008 TU
Australia	8,611	8,430
Canada	9,476	8,980
Kazakhstan	6,637	8,521
Namibia	2,879	4,366
Niger	3,153	3,032
Other	10,523	10,601

Total	41,279	43,930
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Source: WNA

While there were modest increases in price over the last two weeks since these events started to unfold, it is interesting that this week's increase was the largest in some time. This is after Kazatomprom assured their customers late last week that production will be unchanged and that it would honour all existing agreements; and following the Uranium One announcement that the Russian ARMZ will take a 17% stake in the company for half a uranium mine in Kazakhstan.

And there are also issues for potential future production. The acquisition of Western Prospector by CNNC in Mongolia is at risk as the government of Mongolia has temporarily suspended Western Prospector's mining licenses. This is of interest as it represents a recent investment in potential future production by China.

So what does this all mean for the nuclear industry? Clearly, one of the strengths of the industry is the fact that uranium is available from very politically stable countries, primarily Canada and Australia. With production now increasing in Kazakhstan and Africa where there are deeper political issues, is there now an increased risk to future supply? Well, so far if we use the uranium price as a proxy for international concern, it appears that there is some concern. But with the need for uranium supply and demand to be in good balance for the industry to move forward and build the many new nuclear plants under consideration, as a minimum, we would suggest that the bigger nuclear markets carefully review their supply strategies and ensure that they are sufficiently diversified to minimize their risk. Each uranium producing country has different political issues – and none are immune. Therefore diversification is an essential part of long term strategic uranium supply strategy.