Uranium

Uranium prices soar as investors scoop up nuclear power fuel

Bets on clean energy and economic rebound drive yellowcake prices to their highest level since 2014

Uranium concentrate, commonly known as yellowcake, sits in the Uvanas processing facility in Kyzemshek, Kazakhstan © Daniel Acker/Bloomberg

Henry Sanderson and **Neil Hume** in London 4 HOURS AGO

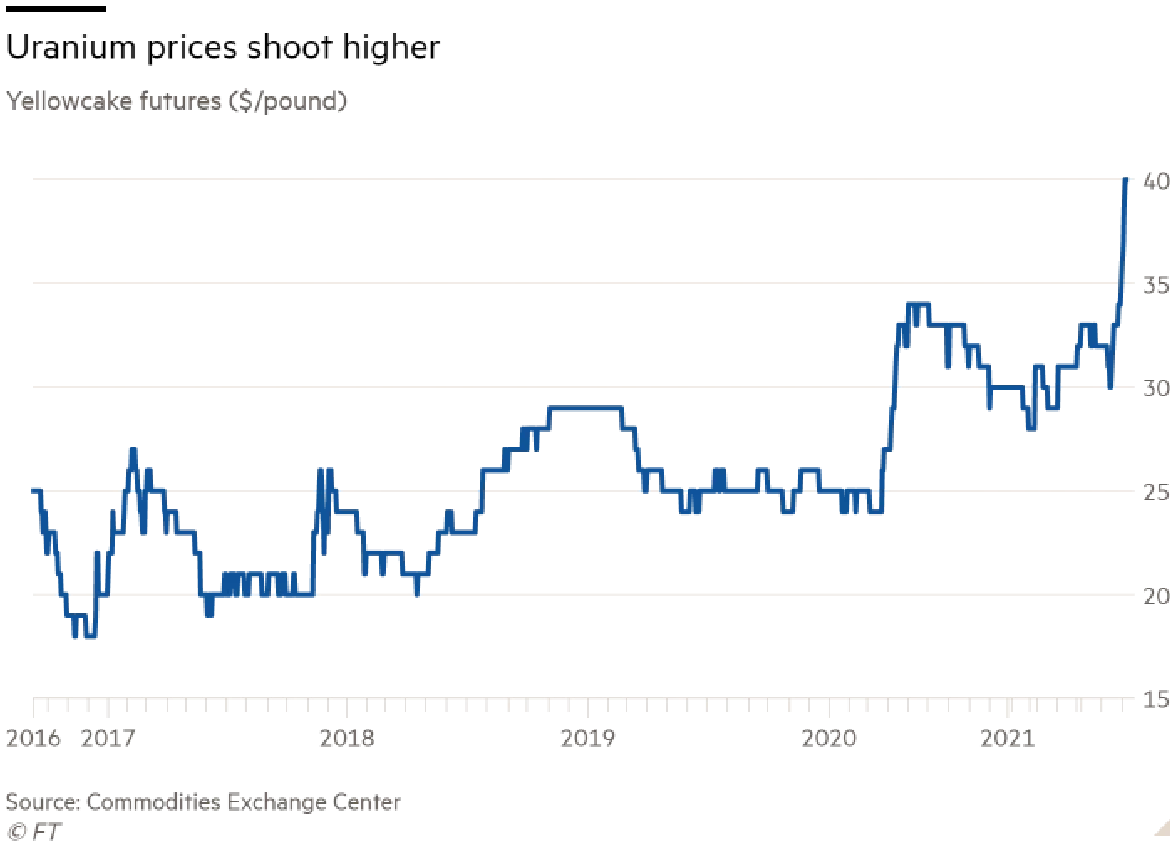
Nuclear power companies are facing competition for supplies of uranium from financial investors, who are betting on sharply higher prices and demand for the radioactive material used to fuel reactors.

The price of raw uranium, known as yellowcake, has risen to its highest level since 2014, driven by a newly launched investment trust run by Canadian asset manager Sprott.

Investors are betting that nuclear power will be a key part of the move away from fossil fuels and that a lack of new uranium mines will mean the price has to move higher.

The Sprott Physical Uranium Trust has snapped up around 6m pounds of physical uranium, worth around $240m, since launching on July 19, helping to push uranium prices to over $40 per pound, up from $30 at the start of the year. Global mine supply is expected to be around 125m pounds in 2021.

Its aggressive buying will put pressure on utilities who need to secure supplies of the commodity for electricity generation. It also comes as China is planning a big increase to its nuclear power capacity over the next decade. Added to the holdings of a fund it acquired, Sprott currently holds 24m pounds of uranium, worth around $1bn, in the form of yellowcake.



Other financial players have also been buying the commodity in a bet that its price will rise. Yellow Cake Plc, a vehicle listed in London in 2018, holds around 16m pounds of uranium.

"This has been a key driver of the 30 per cent increase in the price of the metal in 2021," Nick Lawson, chief executive at brokerage Ocean Wall, said.

Demand for uranium is expected to climb from around 162m pounds this year to 206m pounds in 2030 — and even further to 292m pounds in 2040 — according to the World Nuclear Association, largely driven by increased power generation in China as Beijing seeks to cut emissions.

At the same time, the supply of uranium is set to fall 15 per cent by 2025 and by 50 per cent by 2030 due to a lack of investment in new mines.

"Financial players are clearly accelerating price discovery, but this would not be occurring if there was not a fundamental and substantial deficit," analysts at Canaccord Genuity said.

The pandemic has also disrupted supply from some of the largest mining operations in Canada and Kazakhstan. In December, Canada's Cameco temporarily suspended production at its Cigar Lake mine due to a shortage of workers, before restarting it in April.

"This is against a backdrop of growing energy demand as the economy recovery and a focus on carbon free generation with nuclear being a key element of non-fossil fuel baseload generation," said Jonathan Guy, analyst at Berenberg.

Shares in Cameco have risen by 70 per cent year-to-date on the Toronto Stock Exchange. Overnight, shares in Japanese utility companies rose sharply after Fumio Kishida, a leading contender to become the country's next prime minister, said restarting nuclear power plants was necessary to achieve the country's net zero goals. Nuclear power was shut down in Japan after the Fukushima Daiichi disaster in 2011 and has only slowly been restored.

Last month, the Sprott fund announced it would issue $300m worth of new shares, which would be backed by new purchases of physical uranium.

Currently listed on the Toronto Stock Exchange, the Sprott uranium trust is also looking to list on the New York Stock Exchange next year, which could spur further purchases, according to Canaccord.

The Sprott trust buys uranium through WMC Energy, which stores it in Canada, the US, and France. Sprott receives a management fee of 0.35 per cent, as well as a commission of 1 per cent on the gross value or any purchases or sales of uranium.

If investors keep buying uranium, analysts expect utility companies will come under pressure to replace long-term supply agreements before they expire.

At the moment, long-term contracts cover 98 per cent of the uranium needed by US utility companies. But that figure drops to 84 per cent next year, and 55 per cent by 2025, according to Yellow Cake.

"There are now no meaningful volumes available," said Nick Clarke, founder at Curzon Uranium. "Utilities will be forced to re-evaluate their procurement strategies."