



## Growth, Interdependence and the Challenges Ahead

As our company turns another year older on this first day of March, 2010, it is instructive to reflect on the changes that have occurred over the past decade, both for the industry and our company. The past decade has seen a tremendous transformation of the prospects for nuclear power, as well as notable changes in the nature and scope of the market. Being a consulting and market information company, we have had to adapt our business to address these changes, as discussed below.

As the prospects for nuclear power have improved, the number and variety of subjects to be addressed has multiplied dramatically. When nuclear power was not growing, there was no real concern about new reactor technology (including small reactors), the nuclear industry value chain, the future availability of uranium and enrichment (and conversion), and the nonproliferation implications of nuclear power growth, to name some of these issues. While the back end of the fuel cycle has always been a concern, this concern has been heightened recently by the nuclear renaissance and, in the case of the United States, the decision to cancel the Yucca Mountain project.

At the beginning of the last decade, there was little concern about uranium price transparency, liquidity, price risk, or supply risk. There was no involvement by hedge funds, investment funds, no futures market, derivatives, or other financial products. That has all changed. Major and emerging players in the market today such as China, India, and Kazakhstan were essentially nonfactors ten years ago, highlighting the notable geopolitical shift of the market.

The growth of nuclear power has also raised concerns about the nonproliferation implications of such growth, whether they are justified or not. (A fairly succinct refutation of the link between nuclear power growth and nuclear proliferation was presented this past Saturday in an op-ed piece by William Tucker in The Wall Street Journal.) The linkage between nuclear power growth and nonproliferation has even reached the point where Kenneth Luongo, President of the Partnership for Global Security, has suggested that 0.1% of the underwriting costs for reactor loan guarantees be used for “nonproliferation funding,” something along the lines of the oh so popular nuclear waste fee.

The changes in our company have largely mirrored the changes in the industry and market. In 2000, we had four standard products and basically covered the front end of the fuel cycle, up to fabrication. Today, we have twelve standard products and services, covering the entire fuel cycle – front end, reactors, and back end. In addition, we have a number of other products that we are updating and which may soon fall into the standard status. These include our Nuclear Reactor Technology Report, Nuclear Industry Value Chain, and our Zirconium report. Over the last two years we have also introduced the UxC Requirements Model (URM) for projecting nuclear fuel requirements and discharges, and a geopolitical report series covering some key emerging countries in the market.

In a similar fashion, the amount and variety of price data we publish has grown dramatically. This is probably most evidenced by our participation in the launch with NYMEX of a uranium futures market in 2007 and last year’s introduction of a Broker Average Price (BAP), which provides daily price information. Also, ten years ago we did not publish long-term market prices in uranium, enrichment, and conversion, and today we provide all three.

We have long paid attention to nonproliferation issues as they relate to the market, and have more recently increased our focus in this area by creating a position of Director, Nonproliferation Programs, which is currently held by Christhian Rengifo, who is based in Vienna, Austria. Also, this year we are taking the step of opening up our procurement seminar to new countries that are considering building reactors, as a way of getting them familiar with the market as they look at fuel supply options.

As it became evident that the nuclear power industry and our business were destined to grow, we took more interest in nurturing the younger generation who had interest in nuclear power. For the past three years, we have been working with George Washington University’s Elliot School of International Affairs in sponsoring groups of students working on their Capstone projects as part of the Masters in International Trade and Investment Policy program. Because of requests that we have received and plans to move into larger quarters this spring, we are looking to launch our own summer intern program.

While we realize that such nurturing may not directly benefit our company (although it did result in our hiring of Anya Bryndza, our Director of Eurasian Programs), it ultimately could benefit the industry as a whole. Of course, our own growth has been dependent on the overall growth of nuclear power and the nuclear industry, and is directly the result of the support of our clients. We look forward to growing with the industry and addressing the new challenges that come our way.

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