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Year of the SWU



The above title may seem a bit and the future of the HEU deal. More surprising given that there has recently, there have been other initiatives not been much activity in the in this area. And, Russia's recent SWU market or much change suspension of the LEU deliveries, in SWU prices this year, while although no fault of USEC, certainly uranium prices have recently makes the case of government re-moved to their historic lows. involvement, at least in the HEU deal. However, the conditions that more compelling. (See stories on page precipitated the current 2.) In addition to taking over USEC, the demise in uranium prices were U.S. government could appoint set a couple of years ago, alternative or additional executive while developments in the agents for the HEU deal. enrichment arena this year will likely shape the SWU market A less problematic outcome is that U.S. for years to come. Currently, restrictions on the import of Russian

there are three developments whose SWU are removed. While it can be argued that the U.S. is not likely to give outcomes promise to have a major impact on the SWU market: the battle over the Russians commercial access to the Urenco's ownership, negotiations for U.S. market given that 5.5 million future deliveries and prices of HEU SWU, Russian HEU SWU are supposed to and the sunset re-view of U.S. trade enter the U.S. every year, it is also the restrictions against Russia being conducted by the ITC. case that the decline in SWU price and USEC's prospects had little to do with Russian commercial SWU sales. Also, the ITC is more politically independent than the Commerce Department.

With respect to Urenco ownership, first BNFL, then COGEMA, and now apparently a joint venture of BNFL and USEC have made a play for the Dutch and German shares. With each bid, the price goes up, to the point where it is now exactly clear what the marketing apparently in the \$1 billion plus range (see implications of a COGEMA or USEC story on page 2). On the HEU SWU front, participation in Urenco would be, but it USEC has been negotiating with Tenex is likely that utilities may interpret this as for a long-term agreement and has stated meaning fewer supply choices and less that it is seeking market-related prices. competition. Also, if spot-related pricing Sources also indicate that USEC may be is employed in the renegotiated HEU offering to buy commercial Russian SWU SWU contract, it could lead to vastly as an inducement to Tenex to sign a HEU different behavior in spot and long-term SWU deal more favorable to USEC. SWU markets, contracting, and pricing. Finally, the ITC is continuing the sunset Questions about USEC's viability along review process to determine whether with USEC's joint bid with BNFL for restrictions will remain on the U.S. import of Russian SWU. Results should be known later this summer. Urenco (as well as COGEMA's bid for Urenco) have certainly attracted the attention of utilities. In this regard, certain

Potential Outcomes - The outcome of these developments could leave the supply side of the enrichment market much different, perhaps vastly different, than it is today. One of the likely outcomes following the sunset review process with utilities have begun to take steps to mitigate their risks from the potentially negative outcomes of these developments. U.S. utilities are also

of these develop-ments is "capacity interest.
rationalization," shutting down some of the
current excess SWU production capacity. The impact of these developments is not
Such a shutdown is a foregone just limited to utilities and enrichers. A
conclusion, but would likely be BNFL/USEC partnership in Urenco may
accelerated if USEC buys into Urenco lead to a vertically integrated company
and/or renegoti-ates the HEU deal in such that could supply EUP and even
a way that would include ad-ditional fabricated fuel to utilities. Such a
commercial Russian SWU being development would have implications for
delivered. ura-nium producers and other
fabricators that would be competing with

Another outcome that cannot be this new entity.
dismissed is the government taking over
USEC. In a hearing earlier this year, This subject, along with the implications
members of Congress expressed for future prices, will be analyzed in more
concern about USEC's financial viability, detail in the upcoming issue of our
the impact of USEC's ura-nium sales on quarterly *Enrichment Market Outlook*
the U.S. uranium and conversion industry, report, due out in early June.

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