Author’s Bio

Jordan Li is a director at Aurizon Group responsible for mining and commercial consulting. Subsidiary Aurizon ASRA Mining works in strategic partnership with Beijing Silk Road Advisory Company in China and Australia China Chamber of Mines and Minerals. His direct and indirect involvement in mining has spanned more than 20 years.

Jordan Li had taken on responsibilities at International Base Metals Limited as CEO & GM Commercial, Macquarie Gold Limited as CEO, Zamia Metals Limited as CEO & General Manager.
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Abstract

Title: 2019 – U turn for Uranium

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Nuclear industry around the world including that in Australia has been facing a number of challenges economic, environmental and political for a few years. The year of 2018 didn’t alleviate pressures on bigger pictures including global trade wars and debt issues to say the least, and it obviously didn’t help too much on investors’ risk appetite for uranium projects.

Assuming lagging factor of investor behaviour and the slowly rebalancing of supply and demand a few steps closer towards equilibrium, uranium spot price has been bottoming out although it’s still not at a sufficient level to incentivize more investors to inject funds into uranium projects and for project operators to expand, start or restart. The fact is, however, that the matrix for uranium industry was much better in 2018 in comparison with 2014 and it will continue to improve in the next two years.

Seemingly consensus among analysts and brokers points to a modest rise in spot prices in 2019 after around 30% increase in 2018 and a further 10% increase in 2020. On the basis of modest growth in demand, it can be argued that existing stock and low-cost projects will be able to support the level of demand hence keeping prices around US$50/lb. More bullish views are that demand could improve to the extent that uranium price may overshot this level.

The larger consumer countries of nuclear-power are more than likely to provide support on the demand side, hence the levels of prices, spot and contract.

- China: China now ranks number one in the world in terms of its scale of nuclear-power programs. The country’s policy and energy structure will more than likely ensure an expansion on its nuclear power programs.
- USA: As of 1 January 2018, US Nuclear Regulatory Commission (NRC) had granted licence renewals to 89 of the 99 operating reactors and is reviewing licence renewal applications for an additional 5 reactors. (Nuclear Energy Data, NEA, No. 7416, © OECD 2018)
- Japan: Japan had 54 nuclear reactors in operation before the March 2011 Fukushima disaster. “The restart of 13 reactors has been approved by the Nuclear Regulation Authority (NRA), which only 4 reactors were in operation as of 1 January 2018. The rate of restart is

subject to judicial rulings and public consent." (Nuclear Energy Data, NEA, No. 7416, © OECD 2018)

There are a few hurdles still if the nuclear industry would like to see a brighter future being a viable and safe source of power in competition with renewable energies:

- Commercially viable for investors
- Technically accessible and manageable for factories
- Cost efficient for users
- Safety-reliable for communities
- Popular and politically safe for policy makers

In short, uranium spot price has been down for extended period of time, but spot price is NOT everything about the uranium price. Other topics such as contract price, supply & demand, inventory, restart of generators, new generators, market sentiment, investment, etc. will also play their roles to some extent, and hence 2019 could well be seen as another recovery year for uranium and more than likely than not, an uptick stage of the U-shaped trajectory.