

The Emerging Production Cost Gap

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ABSTRACT

Given the move toward cleaner energy, reduced carbon emissions, and more secure long-term energy sources, uranium supply is becoming more important to utilities worldwide. Currently, in UxC's Base demand case, uranium demand is projected to increase by 18% through 2035. As the market pushes forward in the current price cycle, lower-cost secondary supplies are declining at a rapid pace and expected to play less of a role in the future. By 2030, secondary supplies are foreseen declining by two-thirds from their current level today, thus placing even greater importance on mined production in the coming years.

Meanwhile, a lack of utility long-term contracting activity, particularly in the U.S., from 2013 to today has resulted in relatively high global utility uncovered requirements for the period beyond 2025. This projected higher demand is setting up for upward production cost pressure to the extent that utility uncovered requirements remain high due to the lack of long-term contracting as primary production remains curbed due to prevailing low uranium prices.

One reason for a potential production cost gap and higher prices in the mid- to late-2020s is simply due to resource depletion from existing uranium projects. Between 2029 and 2035, UxC anticipates that up to 46 million pounds U_3O_8 per year of primary production could be lost due to resource depletion. Furthermore, only a finite amount of Tier 1 and Tier 2 production exists today at a cost of less than \$40 per pound U_3O_8 , which will accelerate the need to develop more projects with costs in the \$40+ range to meet growing supply shortfalls in 2025 and beyond.