

Ready-to-go uranium producer Ur-Energy benefitting from demand drivers in the U.S. market

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[Ur-Energy Inc.](#) (NYSE American: URG | TSX: URE | FSE: U9T), a company engaged in uranium mining, recovery, and processing activities, is benefitting from demand drivers in the U.S. market that are set to help U.S. uranium producers.

Ur-Energy operates the Lost Creek In-Situ Recovery (ISR) uranium facility in Wyoming. The company has produced, packaged, and shipped more than 2.6 million pounds of uranium since the start of operations in 2013.

U.S. National Uranium Reserve

The current positive sentiment surrounding uranium stocks is a reflection of uranium energy being part of a clean-energy economy and the United States government moving forward in creating a uranium strategic reserve that should benefit domestic producers.

In December 2020, the U.S. Congress passed a spending proposal that earmarked US\$75 million in new funding for a [national uranium stockpile](#). The Bill is awaiting the President's signature to become a law. The Congressional funding of a national uranium reserve suggests a longer-term strategy for the uranium industry.

Currently priced at approximately US\$30 per pound, this action would result in a 2.5-million pound purchase of domestic

uranium, well above the current domestic production, which was 174,000 pounds of U_3O_8 in 2019 and declined even further in 2020.

Part of the “Clean Energy” Revolution

In addition, nuclear power was included in President Joe Biden’s [“Plan for a Clean Energy Revolution and Environmental Justice”](#) and recent speculation that the plan could include extending the current end-date of U.S. nuclear facilities thereby increasing long-term demand, has driven up uranium stock prices.

Included in President Biden’s plan is the use of small modular reactors and micro-reactors that could also increase demand for uranium.

According to the [U.S. Geological Survey](#) (USGS), uranium power generates 20% of the United States’ electricity production and almost 100% of the uranium is imported creating a potential national security issue.

With the advent of electric vehicles and the goal to reduce greenhouse gas emissions, Morningstar forecasted a 1.2% average annual U.S. electricity demand growth through 2030. Electricity is set to take market share from other energy sources, such as coal and oil.

Ur-Energy’s ISR Facility

ISR is a mining process used to recover minerals, such as uranium, where wells are drilled into the ore body and a special solution is pumped into the deposit, and then pumped out of other wells into a processing plant. The process is less damaging to the terrain than a typical open-pit mine.

Ur-Energy’s ISR uranium facility has been operating at reduced capacity due but as the uranium price or demand increases, Ur-Energy can easily ramp up production levels to accommodate the

market.

The company estimates that it would cost US\$15.4 million to get production fully restored to 1 million pounds per year and would take 6 to 9 months.

In addition, the company has other nearby resources that can be exploited including the Shirley Basin and the Lost Soldier projects. Its processing facility was designed to process up to two million pounds of U_3O_8 annually so can easily scale up.

From the three projects, Ur-Energy controls Measured & Indicated resources of 35.6 million pounds of U_3O_8 and an Inferred resource at 8.2 million pounds, more than enough resources to fuel its processing plant for 20 years.

Upcoming Supply-Demand Imbalance

According to a recent report from the World Nuclear Association, there are approximately 440 nuclear power reactors operating in the world today, and about 50 reactors are currently being constructed. In total, about 100 reactors are on order or planned, and more than 300 are being proposed.

In the 2020 World Energy Outlook report, the forecasted nuclear capacity growth from 2019 to 2040 was estimated at over 15%.

The current pandemic has negatively impacted supply with Cameco temporarily shutting down the Cigar Lake mine due to COVID-19 concerns. This follows the closing of Cameco's McArthur River and Key Lake operations due to low uranium prices.

Final Thoughts

Ur-Energy is well-positioned as a ready-to-go uranium producer in this current energy market that favours "Clean Energy".

With a cash resource of C\$5.9 million and 269,000 U₃O₈ pounds of ready-to-sell, “drummed” inventory, worth over US\$8 million, the company has a solid financial base that it can use to ramp up production as the market dictates.

Ur-Energy is currently trading at C\$1.27, with a Market Cap of C\$216 million.