Uranium and Rumors of Wars

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"You will hear of wars and rumors of wars, but see to it that you are not alarmed. Such things must happen, but the end is still to come." Matthew 24:6.

Recently, rumors about uranium have moved markets. When it comes to rumors, Matthew 24:6 speaks for itself. But let's also look to Bloomberg News, which is not quite the Bible but is still considered reliable:

"The Biden administration is pushing lawmakers to support a $4.3 billion plan to buy enriched uranium directly from domestic producers to wean the U.S. off Russian imports of the nuclear-reactor fuel. … Shares of uranium companies surged."

Which prompts me to wonder, were you one of those uranium share buyers, dear reader?

After all, the idea of stock trading is to buy the rumor. And definitely, this talk of a massive U.S. government uranium buy is a very good rumor.

But the other half of that old market aphorism about buying rumors is to sell the news. So, what's the "news" about U.S. uranium? I'll tell you a few things about that in just a moment.

Meanwhile, you may be wondering how long to hold and remain in the uranium play.

Should you sit tight, or even buy more uranium shares in the expectation of more gains? Or should you, perhaps, take some of the upside off the table sooner versus later? Because after all, there are risks in holding and waiting. Again, we'll dig into this below.

First, it’s about time that something big happened in the U.S. nuclear space. If for no other reason this rumor of a future government buy is upbeat because over the past three decades, so little has happened with U.S. nuclear, aside from a long and seemingly inexorable rundown.

Indeed, the past decade has been immensely frustrating to investors who trade the uranium space in the U.S. or any other country. We’ve seen numerous false starts, trips, stumbles, range-bound trading and even serious downward, capital-killing moves.

But now, along comes the Biden administration and drops a hint of supposed multibillions flowing into the sector. Which prompts an immediate question, what is there to buy out there? Again, hang on for a moment.

Answering that query requires understanding some history. And the quick rundown is that from the 1940s to the 1970s, the U.S. pioneered much of the world’s nuclear science and technology – with the assistance of foreign scientists and allies, to be sure.

The World War II-era Manhattan Project speaks for itself, along with its programmatic successor the Atomic Energy Commission (AEC). And of course, the Soviet Union had its own, parallel massive program throughout the Cold War.

By the 1980s the U.S. had built a vast nuclear complex, ranging from uranium mines and mills through the entire processing cycle. The U.S. enriched uranium fuel for nuclear power production, as well as super-enriched the metal for bomb-grade materials.

Equally important, by the 1980s the U.S. had a sizeable workforce within the nuclear space, well up into several hundred

thousand people. These ranged from miners in the field to processors, and technicians, to top-level scientists and engineers inside the labs, processing plants and other industrial landscape.

Also, and just as important, in the 1980s the U.S. could boast of an entire educational pipeline that trained people in skilled trades related to nuclear, up to the most advanced academic research.

The short version of what happened is that almost all of those people, and most of the training pipeline, long ago atrophied and fell apart. Today, the U.S. labor force, from mines to laboratories is a pale shadow of what it used to be.

With this setup, let’s now focus on where the U.S. nuclear industry stands. That is, just what kind of bang for the buck (pardon the phrase) will the U.S. government get for dropping well over $4 billion onto the country’s nuclear space?

The first question is how much uranium does the U.S. produce right now? And the answer is, just about none. Okay, slightly more than z-e-r-o. In fact, in 2021 the amount of uranium mined in the U.S. was 10 tonnes, or 21,000 pounds per the U.S. Department of Energy (DOE).

In the context of global mining, in which well over 50,000 tonnes have been produced per year, worldwide, over the past two decades, U.S. output of primary uranium ore in 2021 was negligible, if not statistical noise.

And yes, perhaps that 2021 number – 10 tonnes – shocks you. It is so small that it’s negligible. But consider year 2020, when the U.S. output number was even smaller; so small that the DOE didn’t even publish it. Rumor has it that the U.S. produced all of 6 tonnes of uranium in 2020.

Meanwhile, it’s worth examining the U.S. mining workforce in the uranium space. And fortunately, DOE tracks those numbers as well.

In 2021 the U.S. had 32 people working in uranium mining, and 52 workers in processing. Total of 84. Yes, seriously. Those are DOE numbers, not typos.

Looking at the industry with a wider aperture, from exploration to mining, processing and environmental reclamation, total U.S. employment in primary uranium currently totals around 200.

Think about it. That’s 200 people in uranium, out of a vast U.S. population of about 350 million. Another way of saying it is that the U.S. has almost no skilled workforce for uranium production.

The next question that may pop into one’s head is how does the U.S. keep its fleet of power plants running – civilian and military – if the country produces so little uranium? Easy, the U.S. imports nuclear fuel from Kazakhstan, Canada, Namibia, Australia and many other countries, including… yes… Russia.

And along those lines, Russia has a very robust uranium sector, ranging from mines and mills to processing and enriching. No, there’s no shortage of uranium-related facilities or workforce in Russia.

Which gets us back to those rumors of the U.S. government dropping $4.3 billion into the U.S. uranium sector.

Obviously, that kind of government money will move the needle for the overall industry.

With the prospect of $4.3 billion dangling out there, we may see mines hiring miners, mills hiring new workers, processors hiring people, solid demand for engineers and scientists (from

where/what schools, one might ask?).

We'll also see demand for all manner of new equipment with which to do the work, because much of the legacy U.S. nuclear complex is old and in bad shape, if not closed and idled.

But really, don't kid yourself. This proposed – rumored – whack of new government money will not solve the nation's nuclear problem. There are some things you just cannot buy with money, and creating an instant workforce in the nuclear sector is one of them.

Doubtless, many nuclear-related companies will benefit from an infusion of federal funds. Think of **Energy Fuels Inc.** (NYSE American: UUUU | TSX: EFR), **Fission Uranium Corp.** (TSX: FCU | OTCQX: FCUUF), **Ur-Energy Inc.** (NYSE American: URG | TSX: URE), **Uranium Energy Corp.** (NYSE American: UEC) and more.

Canada's **Cameco Corp.** (TSX: CCO | NYSE: CCJ) will likely benefit as well, along with the **Global X Uranium ETF**, an exchange traded fund focused on the uranium sector.

And there are downstream firms that will benefit over time. These include **Centrus Energy**, a Maryland-based firm that is building an enrichment facility in Ohio, and **ConverDyn**, a joint venture between **Honeywell International Inc.** and **General Atomics** that provides uranium conversion services.

So, we'll wait and see what happens here. Federal money? Well, it's nice and will create some great trades. But to build a new U.S. nuclear sector will take a generation, plus… a serious plan written by serious people.