Investment Ideas as Uranium Rises, Deficits Loom & Countries Seek to Reduce Reliance on Russian Supply

written by Matt Bohlsen | April 19, 2023

The uranium spot price continues to trend higher leading investors to take a second look at the uranium ETFs and miners. Today we give a brief uranium market update and discuss some of the investment options to gain exposure to uranium.

Uranium spot price 10 year chart – Currently at US$51.00 (as of April 19, 2023)

Source: [Trading Economics]

Uranium market update

The uranium price has risen to a monthly high of US$51.00 per pound (“lbs”) in April after starting the year below US$49.00/lbs.

The reason for the rise is stated as “…..*supply risks mounted and investors continued to assess demand projections worldwide*“. One of the supply risks relates to major nuclear energy producers (US, France, Japan, UK, and Canada) who have agreed to form an alliance to leverage resources and jointly reduce reliance on Russian producers from the global uranium and nuclear market.

On April 17, 2023, the U.S Government Department of Energy issued a statement saying:

> “***Statement on Civil Nuclear Fuel Cooperation Between the United States, Canada, France, Japan, and the United Kingdom***……*In the June 2022 Group of Seven Leaders’ Communique, our Leaders made clear our collective intent to reduce reliance on civil nuclear and related goods from Russia, including working to assist countries seeking to diversify their nuclear fuel supply chains. To this end, the United States, Canada, France, Japan, and the United Kingdom have identified potential areas of collaboration on nuclear fuels to support the stable supply of fuels for the operating reactor fleets of today, enable the development and deployment of fuels for the advanced reactors of tomorrow, and achieve reduced dependence on Russian supply chains…….Collaborating on strategic opportunities in uranium extraction, conversion, enrichment, and fabrication supports our collective climate, energy security, and economic resilience objectives. This multilateral cooperation would enable us to strengthen our domestic sectors and establish a level playing field to compete more effectively against*

> *predatory suppliers."*

As reported by Trading Economics:

> *"The move is expected to add pressure to the capacity of Western uranium enrichers and converters as Russian enrichers supplied nearly 40% of the global market until the country invaded Ukraine. At the same time, Finland and Japan both announced the restart of key power plants, further adding to demand estimates for nuclear fuel. On the supply side, the world's top producer Kazatomprom stated its output is set to fall this year due to continued delays of key materials."*

All of this bodes well for non-Russian sources of uranium and potentially the uranium price if uranium supply deficits emerge.

This month also saw the end of Germany generating power from nuclear energy as it closed the last three operating reactors as part of a long-planned transition toward renewable energy. However, this should have minimal impact on the uranium price as, according to the World Nuclear Association, Germany required less than 1% of the overall world's demand in 2022, and uranium demand is expected to increase with projections that power from nuclear generation will more than double from 2022 to 2050.

Investment options to gain exposure to uranium

Investors can consider investing in physical uranium, uranium producers, and/or junior exploration and development companies. Most of this investing can be done directly or via ETFs.

Uranium ETFs

The following ETFs can be considered:

- Sprott Physical Uranium Trust (TSX: U.UN | OTCQX: SRUUF): Exposure to physical uranium and hence the uranium price.
- Global X Uranium ETF (NYSE: URA): Exposure to a broad range of companies involved in uranium mining and the production of nuclear components. Cameco Corp. (TSX: CCO | NYSE: CCJ) has an approximately 25% weighting in the fund, followed next by Sprott Physical at approximately 9%.
- Sprott Uranium Miners ETF (NYSE: URNM): A good pure-play uranium miners ETF.
- Sprott Junior Uranium Miners ETF (NASDAQ: URNJ): Focuses on the uranium junior miners not yet in production.

All four of the above ETFs have merit depending on where an investor wants to focus. The advantage of an ETF is broad market exposure. Just be sure to monitor exposure to Russian or Kazakhstan stocks and mines that could potentially be negatively impacted by the move to wean off the Russian uranium supply. For example, the URA ETF has 7% exposure to Kazakhstan companies and 0% to Russia, so should be minimally impacted on the negative side.

Uranium stocks

The global leading uranium stock is Cameco Corp. (TSX: CCO | NYSE: CCJ). It is the world's largest publicly traded uranium company, based in Saskatoon, Saskatchewan, Canada.

Other top-tier uranium companies include BHP Group (ASX: BHP | NYSE: BHP), NexGen Energy Ltd. (TSX: NXE | ASX: NXG | NYSE: NXE), Uranium Energy Corp. (NYSE American: UEC), Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR), and Ur-Energy Inc. (NYSE American: URG | TSX: URE).

Uranium junior miners include project generator F3 Uranium Corp. (TSXV: FUU | OTCQB: FUUFF), Western Uranium & Vanadium Corp.

(CSE: WUC | OTCQX: WSTRF), and Appia Rare Earths & Uranium Corp. (CSE: API | OTCQX: APAAF).

For great coverage of the uranium sector, investors can visit InvestorIntel.com’s “Energy, Oil & Gas + Uranium” page.

Closing remarks

The recent move, led by the USA and backed by Canada, France, Japan, and the United Kingdom, is a significant move to diversify away from Russian-controlled uranium supply and nuclear-related goods. Only time will tell how successful it will be and it may also depend on the outcome of the war in Ukraine.

The West continues to ramp up moves to create new supply chains both in critical materials and now also in uranium. This can only be a plus for the uranium companies from the Western world and allied countries. Stay tuned.