Can the uranium bull market keep its new glow?

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SPECIAL TO THE GLOBE AND MAIL
PUBLISHED FEBRUARY 28, 2024

The spot price for uranium almost doubled since early 2023. Can this trend continue?

Uranium, propelled by a nuclear renaissance, is having a moment.

The spot price for the commodity has doubled since the start of 2023. It rallied to a high of US$106 a pound in January before retreating to the US$95-level – still off its 2007 record peak of US$137 a pound.

But some industry observers say that uranium's red-hot run still has legs because of tight supply amid rising demand by utilities, and more nuclear reactors being built and planned globally.

John Ciampaglia, chief executive officer of Toronto-based Sprott Asset Management LP, says, "2023 was an exceptional year."

That was reflected in some of the firm's uranium-focused funds. For the year ending Jan. 31, Sprott Physical Uranium Trust ETF [U-UN-T], a closed-end fund, surged 99 per cent. Sprott Uranium Miners ETF [URNM-A] gained 54 per cent.

“There’s growing recognition that nuclear power is going to play a more prominent role in decarbonization and move to net-zero emissions,” Mr. Ciampaglia says.

The industry also got a morale boost in December at the COP28 climate summit in Dubai, where 22 nations pledged to triple their nuclear energy capacity by 2050.

“There are 60 new nuclear power stations being built right now, and another 110 being planned worldwide. China is going to build 100 new nuclear reactors in the next 10 years,” he says.

Growing pains with supply

Mr. Ciampaglia is bullish on uranium because he doesn’t see enough supply coming soon. When the uranium price collapsed during the bear market following Japan’s Fukushima nuclear disaster in 2011, many mines closed, and sizeable new ones being built in this commodity cycle are five or six years away from coming online, he says.

The recent pullback in the commodity price came after Cameco Corp. [CCO-T], the world’s second-largest uranium miner, indicated it “plans to increase production,” he says.

But there are other supply worries, he notes. Kazakhstan-based Kazatomprom, the world’s largest uranium miner, said last month it would not meet production targets through 2025 due to construction delays, and a shortage of sulfuric acid to extract uranium from raw ore.

Then, there’s legislation awaiting U.S. Senate approval that would ban imports of enriched uranium from Russia, which provides almost 25 per cent of this essential component for nuclear fuel to U.S. utilities.

The bill includes a waiver to let utilities buy from Russia until 2028, but Russia could retaliate and cut off U.S. utilities, he says. “That could create more pressure on the uranium price upward.”

Puneet Singh, a metals analyst at Toronto-based Eight Capital, also has an upbeat outlook for uranium.

His firm is conservatively forecasting an average spot price of US$100 a pound this year, US$110 in 2025, US$120 in 2026 and a long-term price of US$75 a pound beginning in 2032.

But Mr. Singh is more focused on the long-term contract price paid by utilities, which jumped about 41 per cent since the start of 2023 to US$72 a pound recently.

“It shows utilities actively looking for pounds. It’s not somebody in the financial sphere [such as funds] helping move this price. It’s real demand.”

Among miners, Cameco shares have gained 50 per cent over the past year, to around $56.34 a share from about $37. It has been the first clear mover, but fund flows are starting to go “down-cap beyond Cameco” as these names have not fully priced in the current price environment, he says.

His top pick is NextGen Energy Ltd. [NXE-T] with a target of $21 a share from about $9.79 today. NexGen’s Rook 1 project in Saskatchewan’s Athabasca Basin aims to begin production in 2028 if it gets all its environmental permits, he says.

“When it goes into production, it can rival the entirety of Cameco’s portfolio globally, and eventually make up 15 per cent of global supply,” Mr. Singh says.

He expects NexGen, which received its provincial permit last year, to get its federal one this year. “Once it gets financed, then there will be speculation in the market it will get taken out,” he suggests.

Cameco is an obvious buyer, but global miner BHP Group Ltd [BHP-N], which produces about 6 per cent of the global supply of uranium at its Australian mine and has invested in the Jansen potash project in Saskatchewan, could be interested, he says.

Fission Uranium Corp. [FCU-T] is his second top pick with a target of $2.30 a share from about $1 today. Fission, whose project is not far from NexGen’s Rook 1, has filed paperwork for provincial and federal environmental permits.

Fission’s stock is climbing closer to $1-billion in market capitalization, which will attract new institutional funds, while the market is going to speculate that Fission will get its permits too, he adds.

If NexGen is acquired, Fission could be attractive to the same buyer as there would be synergies from combining the two projects, he adds.

Mr. Singh also likes IsoEnergy Ltd. [ISO-X], a uranium exploration company developing the Hurricane deposit in the Athabasca region. It merged last year with Consolidated Uranium Inc., which has U.S assets.

But Cameco, which has a joint-venture project near the IsoEnergy deposit, has had some impressive drill results there recently, he says, adding that IsoEnergy could be a takeover opportunity for Cameco down the road.

Mr. Singh also favours U.S.-based uranium producer Uranium Energy Corp. [UEC-A], which plans to restart production at its Wyoming mine in August and later in Texas. Both shuttered due to low commodity prices.

Riding the nuclear renaissance

Dragos Berbecel, a portfolio manager with Burlington, Ont.-based Portland Investment Counsel Inc., is also positive on the uranium price, particularly over the next one to three years.

Supply will be tight, while demand for uranium will grow as part of the solution toward a net-zero global economy, says Mr. Berbecel, co-manager of Portland Replacement of Fossil Fuels Alternative Fund.

“In about seven years, we will have a situation in which the market is more balanced” with production from large new mines, he adds.

The Portland fund seeks to ride the nuclear renaissance, but the approach is “more holistic” than owning uranium producers.

Cameco is a holding, but it’s more than a miner because it’s becoming more vertically integrated by owning stakes in companies involved in the nuclear fuel cycle, he says. For example, it has a 49-per-cent stake in nuclear power plant giant Westinghouse Electric Co.

He also likes Australia-based Silex Systems Ltd. [SILXY], a developer of laser-based, uranium enrichment technology through a joint venture known as Global Laser Enrichment in which Cameco has a 49-per-cent stake. Centrus Energy Corp. [LEU-A], a supplier of nuclear fuel required for next-generation reactors, is in the fund too.

Nuscale Power Corp. [SMR-N], another holding, designs and manufactures small modular reactors and is the most advanced as far as regulatory approvals are concerned, Mr. Berbecel says.

Although Nuscale had a setback when a contract with a Utah utility fell through, it’s working toward building a six-module power plant in Romania and is targeting other countries. It’s also seeking partnerships with companies to power their energy-hungry data centres, he adds.

The fund also owns Sprott Physical Uranium Trust to gain exposure to uranium prices.

“Because this is a commodity market, there will be some volatility, but we think the overall trend is definitely going to be upward,” he says.