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September 16, 2016

Cheryl Moss Herman
U.S. Department of Energy
Office of Nuclear Energy
Mailstop B-409
19901 Germantown Rd.
Germantown, MD 20874-1290

Dear Ms. Herman:

Request for Information on Department of Energy's Excess Uranium Management

Cameco Corporation ("Cameco") appreciates the opportunity to share its perspectives of the U.S. Department of Energy's ("DOE") management of its excess uranium inventories. As DOE begins developing its next Secretarial Determination, Cameco urges the Department to adopt limits on its uranium transfers and bolster transparency and certainty with respect to its long-term disposition of its inventory.

While Cameco believes that the long-term future of the uranium industry is strong, the market remains oversupplied due in part to the slow pace at which Japanese reactors have come back on-line since the Fukushima accident and the closure of a number of U.S. reactors. Notably, on July 14, 2016, the spot market price for uranium hit \$25.00, the lowest level in eleven years. The continued low prices are unfortunately forcing uranium producers to make some difficult decisions. For instance, in April 2016, Cameco Resources, Cameco's U.S. subsidiary, announced that it was deferring well-field development at the company's Wyoming and Nebraska operations and cutting 85 jobs at these sites. Other U.S. producers are also reducing and/or deferring new production. According to the U.S. Energy Information Administration, domestic uranium production is on track to be at approximately 2.5 million pound in 2016, the lowest level since 2003.¹

As DOE prepares its next Secretarial Determination, Cameco requests that the Department study not just the impact of any future transfers but also the cumulative impacts of all previous transfers on the uranium market. Notably, a 2015 UxC Consulting Company ("UxC") study utilized both an incremental impact approach and a total impact approach to study the effects of DOE's excess uranium transfers on the market. The incremental impact approach examined the

¹ <http://www.eia.gov/todayinenergy/detail.cfm?id=26472>

market impacts of new or incremental DOE sales, whereas the total impact approach studied the cumulative effects of all DOE sales previously made and the incremental impact of new sales over time. From UxC's perspective, there is value in employing the total impact approach because previous sales have "a longer term effect on market perceptions among both buyers and sellers."² The UxC study also found that a total impact approach resulted in larger impacts on the spot market price for uranium than the incremental impact approach. In light of the continued oversupplied market, any DOE-commissioned study for the next Secretarial Determination must analyze the impact of both future and previous transfers in determining whether the Department's proposed transfer would result in an "adverse material impact" on the domestic uranium mining, conversion and enrichment industries."³ Under the USEC Privatization Act, if the Secretary were to find that a potential transfer would result in an adverse material impact, then the Department would be prohibited from making any such transfer.

Cameco acknowledges that DOE's transfers support important priorities, including the clean-up of the Portsmouth Gaseous Diffusion Plant and the down-blending of highly-enriched uranium. Yet, given the state of the uranium market, additional DOE transfers are likely to have a negative impact on the uranium market, and therefore, Cameco urges the Department to limit the levels of any new dispositions from the excess inventory. Further, rather than relying on uranium transfers, Cameco believes there is merit in DOE's fiscal year 2017 budget proposal to access the USEC Fund to pay for clean-up at Portsmouth, Paducah and Oak Ridge Gaseous Diffusion Plants. Cameco is willing to work with DOE to garner support for alternative funding mechanisms for the cleanup at Paducah and other gaseous diffusion plants.

In addition, DOE can take other steps to mitigate the impact of its uranium transfers on the market. First, DOE can work to ensure that uranium from its transfers are placed in the long-term market, not the spot market. Currently, there is very little, if any, primary demand from utility consumers for material in the short-term market, and sales focused in that period result in excessive downward pressure on the price of uranium.

Second, DOE should confirm in its next Secretarial Determination that the Department will not declare additional material as excess in the coming years. Based on DOE's own estimates, the Department is likely to run out of natural uranium stockpiles, which it has been using to fund the clean-up at Portsmouth, in 2019-2020. There is, however, considerable concern in the industry about the possibility that DOE may declare additional material as excess to pay for decontamination and decommissioning work and/or other priorities. Therefore, DOE should confirm that it will not declare additional uranium materials as "excess." Alternatively, if the Department plans on declaring additional material "excess", then DOE should provide information on the volumes and grades of any such uranium that may be added to the Department's inventory. Such clarity can provide certainty to the uranium industry as it attempts to attract capital investments necessary to maintain and/or expand production.

² UxC Consulting Company, UxC Special Report: Impact of DOE Inventory Sales on the Nuclear Fuel Markets (January 15, 2015).

³ Id.

In conclusion, Cameco believes that lower uranium prices hurt not only the industry, but also DOE's ability to pursue environmental clean-up work at Portsmouth and other sites. Thus, the uranium industry and DOE should work together to develop a long-term management plant that bolsters transparency and certainty with respect to future dispositions. Cameco urges DOE to convene all stakeholders in order to discuss solutions that mitigate the impact of the transfers on the industry while allowing for the Department to pursue its obligations to clean-up legacy facilities.

Thank you for the opportunity to share Cameco's thoughts on DOE's next Secretarial Determination.

Yours truly,



Alice Wong
Senior Vice-President and Chief Corporate Officer