



April 10, 2017

Ms. Cheryl Moss Herman
U.S. Department of Energy
Office of Nuclear Energy
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19901 Germantown Road
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VIA E-MAIL

Subject: Department of Energy – Excess Uranium Management: Effects of DOE Transfers of Excess Uranium on Domestic Uranium Mining, Conversion, and Enrichment Industries; Notice of Issues for Public Comment – 82 Fed. Reg. 13106 (March 9, 2017)

Dear Ms. Moss Herman:

ConverDyn appreciates the opportunity to provide our comments to the U.S. Department of Energy (“DOE”) Notice of Issues for Public Comment, dated March 9, 2017, regarding the effects of DOE’s transfers of excess uranium on the domestic conversion industry. ConverDyn is the exclusive marketing agent for sales of uranium hexafluoride (“UF₆”) produced at the Metropolis Works (“MTW”) facility in Metropolis, Illinois—the sole UF₆ production facility in the United States and one of only four major producers worldwide. Ensuring the continued operation of MTW is essential to maintaining a domestic conversion industry that can meet U.S. utility and nuclear fuel requirements and thereby support national energy and security objectives.

Since the last Secretarial Determination, MTW has been forced to halve its production capacity and has eliminated 87 full-time positions. Prices for conversion services have continued to decline. Indeed, as compared to 2015 (the last Secretarial Determination), conversion services spot prices are 30% lower and long-term prices 22% lower. And the average excess conversion supply has doubled since the last Secretarial Determination, from 6 kgU to 13 million kgU annually over the next 10 years. This is equivalent to 20% of total requirements and more than the annual production of UF₆ at MTW. DOE’s past excess uranium transfers have contributed to this continuing market weakness.

We remain concerned with the transparency of the ERI analysis that will underlie the forthcoming Secretarial Determination. The information presented is derived from the application of analytical techniques and data that have not been peer reviewed and that cannot be adequately evaluated given the available information. The ERI Report provides a broad, conceptual explanation of its annual clearing price and cumulative clearing price methodologies, as well as its multivariable correlation model. But it does not provide any specific details of their application. Moreover, ERI describes (at 44) complex underlying data, acknowledging that its “quality and

timeliness” varies, that “adjustments” are necessary, and that “[i]nformation is limited or even non-existent for some individual supply increments.” Yet the data that ERI describes is not available for review or assessment. The actual ERI analysis and the data that informs it therefore comprise a “black box”.

Without more information about the actual calculations and data underlying ERI’s projections, it is impossible assess the accuracy of the report. Taken at face value, however, the 2017 ERI Report clearly demonstrates material adverse impacts to the domestic conversion industry resulting from uranium transfers under all scenarios. ConverDyn recommends that DOE defer all further uranium transfers until the nuclear fuel cycle market improves. If this is not possible, ConverDyn recommends in the alternative that the Secretary adopt Scenario 1 from among the four scenarios presented, as it involves the lowest transfer volume. The Base Scenario and Scenarios 2 and 3 all transfer the same total amount during the period from 2017 through 2021. Among the three options that continue transfers in exchange for cleanup services, Scenario 2 is the least harmful in that the amount transferred in any one year is less and therefore has a less destabilizing influence on the market. Scenario 3 is the most harmful since it is most likely to have the greatest near term effect in a depressed market. In other words, smaller predictable quantities over a slightly longer period are more easily accommodated than large quantities over a shorter time frame.

Based on its assessment of impacts on each segment of the domestic uranium industry, DOE may need to reduce or mitigate impacts to one sector in order to comply with the Act. Because DOE has not articulated a specific proposal regarding future transfers or a definition of material adverse impact, ConverDyn is unable to provide detailed information on potential mitigation measures that DOE could take to eliminate adverse material impacts. Nevertheless, as noted in ConverDyn’s 2014 and 2016 responses to DOE Requests for Information, DOE could (1) establish price bands such that if the price of conversion services fall below a certain amount, DOE would halt transfers; (2) cease transferring conversion services; or (3) undertake other measures that mitigate the adverse impacts to the domestic conversion industry from DOE’s transfers. ConverDyn remains willing to participate in discussions with industry and DOE to explore structures or other arrangements that would eliminate or mitigate the adverse material impacts of DOE transfers on the domestic conversion industry.

DOE’s past, ongoing, and proposed excess uranium transfers have caused and continue to cause adverse material impacts to the domestic conversion industry. We encourage the new Secretary to take this opportunity to re-examine the need for this program and critically assess the impact that DOE’s excess uranium transfers have had and continue to have on the domestic conversion industry. Please do not hesitate to contact me if you have any questions.

Sincerely,



Malcolm Critchley
ConverDyn
President & CEO