

What's new with uranium?

One man's misfortune is another's opportunity.



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The travails of the renewable power sector, specifically the wind and solar stocks, in 2023 have drawn attention to the merits of nuclear power as a source of de-carbonised baseload power.

Having been out of favour for a decade following the Fukushima accident in 2011, policymakers are again championing nuclear power as witness the US proposal at COP 28 to triple the amount of installed nuclear capacity globally by 2050, citing not just the zero carbon benefits but also improved safety alongside enhanced energy security.

This will provide many opportunities for investors as such ambitious growth targets will need substantial amounts of capital, both public and private.

Within the Westbeck Energy Transition UCITS strategy, we are currently focussed on two particular areas that we have identified as being a potential blockage to these targets, and where we believe capital will be rewarded.

Firstly, the supply of primary uranium and secondly, the opportunities within the nuclear fuel value chain.

In 2023 the world will consume around 195m lbs of primary uranium, but only produce 142m lbs.

This deficit is forecast to grow to 110m lbs by 2025 as 59 reactors are currently

under construction around the globe today and, just as importantly, there are a significant number of reactors having their operating lives extended, creating additional demand. There has been a dearth of investment in the Uranium mining industry since 2011 and the incentive price to finance and bring new mines into production and to restart shuttered operations is still above the prevailing spot price of \$80.

We expect the Uranium price to continue to rise and while the previous high back in June 2007 of \$152 looks distant, then \$100+ may be necessary to stimulate a supply response.

The second area of focus is the fuel value chain. Russia is no longer a major producer of primary uranium, only around 6% of the global total, but it still controls more than 40% of global enrichment capacity. This is an acute issue within the US whose reactor fleet still relies on Russia for 20% of its fuel requirements, and the situation is worse within Europe where the figure is around 30%. The West has to quickly reestablish its enrichment capability and there are a number of companies that will benefit from this supranational urgency.

Growing demand meeting with a fundamental supply gap which will not be easily or quickly filled is a compelling proposition for investors, particularly as the Energy Transition demands a reliable source of decarbonised energy. ■