

Commodities

Japan Offloads Uranium

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By Andrew Nelson

Last week The Japan Times reported that Japanese utilities were selling uranium inventory. The news claimed the Japan Atomic Power Company (JAPC) had already sold some of its inventory to help repay loans taken out over the past year. Tokyo Electric Power is also said to be considering the same plan.

Japan and its return to nuclear power generation has been the main driving factor of uranium prices since the Fukushima meltdown in March 2011 and this latest news has brought the nagging topic of inventory management right back to the fore.

Industry consultant TradeTech notes that Japanese nuclear utilities have traditionally maintained significant nuclear fuel inventories, enough to fuel their reactors for several years. This is to forestall the impact of any unexpected supply disruptions. The first steps taken post Fukushima were to cancel and/or defer upcoming deliveries to minimise any financial burdens. A number of utilities also looked to put their inventories to use via material loans.

If there is any good news to be taken from this, it's that other utilities still have no intention to sell down stock. However, JAPC used to say the same thing and not too long ago, either. That said, JPAC is unique in that it faces an unsure future, having been recently denied approval by the new Nuclear Regulatory Agency to restart two reactors.

TradeTech reports that as the week came to a close, a few buyers were drawn out by the lower prices and re-entered the market. Limited activity was reported, with there being only four transactions that added up to around 500 thousand pounds U3O8. The spot uranium price fell US\$1.00 to US\$42.00/lb.

The term uranium market was quiet last week, with no new demand or transactions reported. TradeTech's Mid-Term U3O8 Price Indicator stayed put at US\$49.00/lb, while the Long-Term Price Indicator was unchanged from US\$57.00/lb.

News last week from Areva will do little to help spot prices, the second largest producer in the world reporting a record production report for 2012.

On the flipside, Unit 1 at China's Hongyanhe nuclear station began operating last week after government approval was received in October. Probably the most important implication of this news is that the move has effectively lifted a self-imposed two-year ban on existing and new nuclear projects following the Fukushima crisis in Japan.

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