



# URANIUM PRODUCERS OF AMERICA

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September 3, 2014

The Honorable Ernest Moniz  
Secretary  
United States Department of Energy  
1000 Independence Ave. SW  
Washington, D.C. 20586

Dear Secretary Moniz:

Thank you for taking the time to meet with representatives from the uranium industry during your recent trip to Wyoming. As we discussed, our industry is in crisis. Without urgent action, we are close to losing our ability to provide a secure domestic source of uranium to fuel nuclear reactors in the United States.

Uranium prices are at a level not seen since 2005, down more than 56 percent since Fukushima. Prices have reached 9-year lows in real dollars and are at all-time lows on an inflation-adjusted basis. The industry has lost half our workforce since 2012, and according to DOE's 2013 Uranium Marketing Annual Report, the average production costs far exceed the current spot price. We know you heard from some of our Wyoming members, but the entire industry is struggling to survive. For example, Energy Fuels, which has operations in Utah and Arizona, will drop from 400 employees at the end of 2012 to 50 this fall. Mestena Uranium, which has operations in Texas, has laid off almost all of its workforce over the same period. Families that have worked in the uranium industry for generations are now left unemployed.

In this environment, we are very concerned DOE is moving forward with substantial uranium transfers, particularly after a DOE-sponsored report found these transfers will result in an 8 percent drop in the spot price, a 12 percent cut in the conversion market, and additional job losses. While we recognize the DOE transfers are not responsible for all of our current challenges, it is clear the transfers DOE announced in May will further depress the market and adversely impact the industry. At a time when producers are scaling back their operations, DOE over the last few years has steadily increased the amount of uranium entering the market from the federal inventory. In 2013, DOE sold more uranium than the entire domestic industry produced and that trend will continue under DOE's 2013 uranium management plan.

We are not opposed to DOE leveraging the federal uranium inventory to pay for the cleanup of legacy sites, but the process should be predictable, transparent and take into account the state of the industry. As we discussed, we encourage the Department to implement the following recommendations to address the adverse impacts the transfers are having on the domestic uranium mining and conversion industries.

- **UPA recommends DOE reduce its transfers given the current market conditions in order to mitigate the adverse impacts on the domestic uranium and conversion industries.** Until market conditions recover, the cleanup of Portsmouth and other legacy sites should be funded through the appropriations process.

- **UPA recommends the determination process be more transparent, with an opportunity for the public to review and comment on DOE's proposed transfers and its overall strategy to manage the federal uranium inventory.** Despite the major impact on our industry, there is currently no transparency regarding how the DOE manages the federal uranium inventory and the evidence DOE considers to determine whether transfers would have an adverse material impact on the industry, as required by the USEC Privatization Act.
- **UPA recommends DOE bring together the key stakeholders to reach consensus on a management strategy that is predictable and minimizes the impact on the domestic uranium and conversion industries.** In 2008, when prices were higher, the mining and conversion sectors, utilities, and DOE reached consensus on a management plan that phased in a limit on annual transfers at 10 percent of domestic utility requirements. While that still meant a lot of material coming into the market, prices were high enough to absorb the impact, the transfers were predictable, and we could manage against it. UPA supports reinstating a cap on annual transfers – an approach DOE abandoned in 2013 without any consultation from the industry. However, any cap should reflect the state of the industry.
- **In addition to reinstating a cap on annual transfers, UPA recommends DOE consider alternative mechanisms to transfer uranium into the market, including leveraging the expertise of the industry.** For example, as was previously done in the Megatons to Megawatts Program, DOE could work directly with the domestic uranium and conversion industries to sell material into the market, engaging vested stakeholders to minimize adverse market impacts.

We appreciate your commitment to bring together the key stakeholders to continue the discussion and your willingness to consider our recommendations. As was demonstrated by the development of the 2008 management plan and the implementation of the Megatons to Megawatts Program, the industry is willing to work with DOE to support a management strategy that allows the Department to achieve its objectives while minimizing the impact on the domestic uranium mining and conversion industries. In the 2013 management plan, DOE stated it remains committed to maintaining a strong domestic industry. It is clear that we are not a strong industry at this point and frankly, we need your help.

Thank you again for taking the time to meet with representatives from our industry. We hope the meeting in Wyoming will be the start of a more collaborative relationship between DOE and the industry.

Sincerely,



Scott Melby  
President  
Uranium Producers of America