



URANIUM PRODUCERS OF AMERICA

1925 ASPEN DRIVE, 200A, SANTA FE, NEW MEXICO 87505
TELEPHONE (505) 216-3055; www.theupa.org

August 30, 2019

Dear Chairmen Kudlow and Bolton:

As the organization representing the domestic uranium mining and conversion industries, the Uranium Producers of America (UPA) applauds President Trump for his recognition that uranium imports from state-backed entities are an issue of national security. The UPA encourages the United States Nuclear Fuel Working Group (NFWG) to adopt bold, achievable policies that will give an immediate boost to the domestic uranium industry.

Uranium is a federally-designated critical mineral essential to the economic and national security of the United States. The uranium industry has capacity to produce significant quantities of uranium. However, we may not be able to continue any operations without immediate relief from the impact of state-backed entities, which have distorted global prices and made it impossible for free market mines in the U.S. to compete. Unless the Administration acts to provide immediate assistance, we risk losing a domestic supply of uranium for our energy and national security needs. The UPA urges the NFWG to consider the attached recommendations both for immediate assistance from the Administration to prevent the collapse of the domestic industry as well as longer-term measures to help support the health of the industry in the future.

We appreciate your consideration of the attached recommendations and look forward to our continued engagement with the NFWG. UPA stands ready to support the NFWG throughout this process. Please do not hesitate to contact me at jindall@cmtisantafe.com or 505-690-7709 should you have any questions or need additional information.

Sincerely,

Jon J. Indall
Counsel, Uranium Producers of America

Attachment: Policy Solutions for United States Nuclear Fuel Working Group

CC: The Honorable Michael R. Pompeo, Secretary of State
The Honorable Steven T. Mnuchin, Secretary of the Treasury
The Honorable Mark Esper, Secretary of Defense
The Honorable David Bernhardt, Secretary of the Interior
The Honorable Wilbur L. Ross, Jr., Secretary of Commerce
The Honorable Rick Perry, Secretary of Energy
The Honorable Kristine Svinicki, Chairman, U.S. Nuclear Regulatory Commission
The Honorable Neil Chatterjee, Chairman, Federal Energy Regulatory Commission
The Honorable Russ Vought, Acting Director, Office of Management and Budget
The Honorable Kelvin Droegemeier, Director, White House Office of Science and Technology Policy
The Honorable Tomas Philipson, Acting Chairman, Council of Economic Advisors



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Policy Solutions for United States Nuclear Fuel Working Group

The Uranium Producers of America (UPA) applauds President Trump for his recognition that uranium imports from state-backed entities are an issue of national security. Uranium is a federally-designated critical mineral essential to the economic and national security of the United States. Action is needed now to revive and expand domestic nuclear fuel production. As the organization representing the domestic uranium mining and conversion industries, the UPA encourages the United States Nuclear Fuel Working Group (NFWG) to adopt bold policies that will give an immediate boost to the domestic uranium industry.

As outlined in our September 25, 2018 letter to the Bureau of Industry and Security at the Department of Commerce, under optimistic conditions, our industry has the capacity to ramp up production to 23 million pounds annually. However, we may not be able to continue any operations without immediate relief from the impact of state-backed entities, which have distorted global prices and made it more difficult for free market mines in the U.S. to compete.

As a starting point, UPA encourages the NFWG to establish a goal for the federal government to take measures specifically designed to facilitate domestic uranium production levels of at least 7.5 million pounds per year by 2025 and 10 million pounds per year by 2030, along with the equivalent uranium conversion production and continued development of domestic enrichment. Setting a clear goal will allow the NFWG to evaluate and compare the impact of various policy proposals under consideration.

State of the Domestic Uranium Industry

Current domestic uranium production and employment are at historic lows not seen since the dawn of the industry. Despite the existence of vast uranium deposits in the U.S., domestic producers expect 2019 production to dip below 1 percent of what our nation requires for its commercial nuclear reactors, which is less than the amount required to power even one of the 98 commercial reactors that keep the lights on in the U.S. It is unwise to have the world's largest nuclear power fleet without a reasonable portion of domestic supply. In addition to our nearly complete dependence on foreign uranium to power our electrical grid, we are at risk of losing our domestic uranium supply necessary for U.S. defense requirements.

At this point, the distress in the uranium industry is due largely to price-insensitive imports from government or state-backed entities in countries not aligned with U.S. interests. In recent years, state-backed entities have increased supply even as plummeting market prices have forced free market companies, both in the U.S. and among our allies, to reduce production dramatically.

Free market companies are not on a level playing field with governments concerned more about geopolitical advantage or local economic development than profitability.

The increasing uranium market dominance from state-backed entities threatens not just the nuclear fuel cycle, but also the prospect of ensuring a vibrant and healthy nuclear fleet. The fleet provides critical baseload power that keeps the electrical grid stable and can ill afford geopolitically-motivated supply disruptions. Nuclear energy provides 20 percent of our electricity and 55 percent of our carbon-free power, bolstering clean air initiatives across the country. Domestically-sourced uranium is also necessary for key U.S. defense requirements, including powering the nuclear navy. The Department of the Interior has listed uranium as a critical mineral essential to the economic and national security of the United States.

There are only three companies currently producing uranium domestically and the total U.S. workforce has been reduced to less than 400 employees, down from over 21,000 in the early 1980's. We have lost considerable talent and expertise that has become increasingly difficult to replace. The uranium industry has capacity to produce significant quantities of uranium in the form of mines idled and on standby, but the ability of the industry to sustain idle operations is severely limited by the following factors:

- State laws restrict the length of time mines can remain on standby and will force the premature decommissioning of mining capacity.
- Nongovernmental organizations are actively pursuing litigation to force the closure of mines that are held on a standby basis.
- State and tribal governments are considering uranium mining bans, plans emboldened by the U.S. Supreme Court's recent upholding of Virginia's uranium mining ban.
- Particularly for smaller domestic companies, the sheer cost of maintaining non-producing mines is not sustainable and will result in closures under current market conditions.

Unless conditions improve dramatically or the federal government provides immediate assistance, much of current capacity is at risk of being permanently stranded, jeopardizing U.S. uranium-dependent national security programs. **Rebuilding production capacity and intellectual capital to support the minimum industrial base needed for defense programs would take decades.**

- The lead time for a new domestic uranium project is between 10 to 20 years due to development, permitting requirements, and litigation hurdles. This assumes some prior history of exploration in a deposit, and the timeline is even longer and more uncertain if the industry is ever forced to start from scratch with resources that haven't been drilled.

- Even with regulatory reform, the National Environmental Policy Act (NEPA), National Historic Preservation Act (NHPA), and state-level regulations create time and resource consuming impediments to new projects. State-backed entities do not face these constraints.
- The difficulty in bringing new U.S. mines into production is illustrated by the industry's challenges to take advantage of favorable market conditions. Despite a hospitable market, U.S. mine production only increased from 2.5 million pounds in 2004 to 4.9 million pounds in 2014, much of the necessary permitting and licensing not concluding until after market conditions worsened drastically. At the same time, Kazakhstan's production increased from 8.6 million pounds in 2004 to 59.3 million pounds in 2014.
- Should significant portions of the domestic uranium industry be shuttered, irreplaceable resource data will be lost and the cost to replace such data would be cost prohibitive. We are also close to losing our last generation of experts in uranium mining.

Guiding Principles

President Trump's memorandum establishing the NFWG agreed with the Secretary of Commerce's finding that uranium imports from state-backed entities are an issue of national security. The Department of Commerce report presents the most current and comprehensive review of the state of the U.S. nuclear fuel cycle and should be released as soon as possible to inform stakeholders and the NFWG as it works to complete its principles and recommendations.

UPA supported the Section 232 investigation and continues to support the ongoing efforts of the NFWG. In addition to evaluating trade remedies to provide relief from state-backed imports, UPA urges the NFWG to also consider other remedies and actions that are bold, immediate, pragmatic, and achievable. UPA offers the following key principles that are essential for any actions or proposed solutions to be effective:

- ✓ Actions should be taken to support uranium mined, converted, and enriched in the United States;
- ✓ Establish an overarching goal of federal actions facilitating domestic uranium production of at least 7.5 million pounds annually by 2025, and 10 million pounds annually by 2030, along with the equivalent uranium conversion production and continued development of domestic enrichment, and evaluate any proposed recommendations by their ability to meet these targets;
- ✓ Directly confront the unlevel global playing field increasingly dominated by state-backed entities, including a renegotiation of the Russian Suspension Agreement and revival of the Domenici Amendment;

- ✓ Prioritize immediate actions that are ready to implement and that can be pursued administratively, followed with longer term legislative solutions;
- ✓ Leverage the purchasing power of federal government entities to the extent possible;
- ✓ Revamp the federal approach to uranium inventories and stockpiles, ensuring transparency while prioritizing the viability of the domestic uranium industry and our ability to meet defense needs and mitigate uranium supply disruptions; and
- ✓ Maintain and fully implement uranium's designation as a critical mineral, streamlining unnecessary federal regulations.

Policy Recommendations

I. Immediate Administration Actions – Swift action is crucial to mitigate the impact of state-backed entities and prevent the collapse of the domestic uranium industry. Each of the following measures would help counter today's dismal conditions in the near term and set us on a path towards ensuring domestic production of at least 7.5 million pounds annually by 2025 and 10 million pounds annually by 2030.

- a. ***Premium Power Contracts (Department of Defense (DOD))***: The NFWG should recognize the necessity of a viable and resilient civilian demand for nuclear fuel to sustain, long-term, the nuclear fuel industrial base for national security needs. We recommend deploying the President's authority under the Defense Production Act (DPA) to direct DOD to negotiate premium power contracts with utilities to source clean, reliable, and resilient nuclear energy powered by domestic uranium. This will support domestic uranium production and will improve the resilience of the industrial base for nuclear fuel to meet current military demands and respond to future military demands. The Administration should also consider using the DPA to make direct payments to domestic uranium companies for newly produced uranium sold to utilities. This will help ensure a viable domestic industry to support national security requirements.

Potential Impact: 3-5 million pounds annually.

- b. ***Buy America Requirement (Department of Energy (DOE)/Tennessee Valley Authority (TVA)/Bonneville Power Administration (BPA))***: Direct the federally-backed utilities, TVA and BPA, to establish a "Buy America" requirement ensuring all or a substantial portion of the nuclear power they produce will be fueled by domestic uranium.

Potential Impact: 3 million pounds annually.

- c. ***Use Existing Federal Inventories of Natural Uranium (DOE)***: Over multiple Administrations, the DOE's management of the federal excess uranium inventory has

irresponsibly flooded the domestic uranium market at the expense of domestic uranium miners and convertors. However, the limited amount of material in the inventory suitable for fuel purposes could be repurposed as a temporary, targeted, short-term incentive for utilities to purchase domestic uranium, such as a matched purchase program under which U.S. utilities will be given the ability to acquire uranium from government inventories at lower than market prices to offset domestic purchases. Such a program would have to be implemented with strict limitations on the use of the material given DOE's history of mismanagement.

Potential Impact: 8.5 million pounds total.

- d. **Create a New Federal Uranium Security Stockpile** (*National Nuclear Security Administration (NNSA)*): Direct the NNSA to, in coordination with DOD, negotiate long-term contracts with the domestic uranium industry for the purchase of domestic uranium to stockpile for defense needs, for utilities in the event of a severe supply disruption, and as a source of high-assay low-enriched uranium for the development of advanced nuclear reactors. Federal stockpiles should help secure and support the domestic uranium industry, not harm it. DOE has interpreted the law as affording them unprecedented authority to use existing inventories as a piggy bank at the expense of the domestic industry, whereas a new uranium stockpile should be managed solely for these energy and national security objectives.

Potential Impact: 5-10 million pounds annually.

- e. **Extend and Improve the Russian Suspension Agreement (RSA)** (*Department of Commerce (DOC)*): Direct DOC to negotiate an extension of the RSA under terms more favorable to the domestic uranium industry, the protection of which should continue to be an imperative of U.S. negotiators. The existing agreement is lopsided in effectively guaranteeing Russia 20 percent of the U.S. market despite the fact that the Russian market is completely closed to U.S. material. U.S. negotiators should work to close loopholes, significantly reduce the amount of Russian material entering the U.S. market, and prevent the circumvention of import limits through the grandfathering of existing contracts.

Potential Impact: 5-10 million pounds annually.

- f. **Guaranteed Loans** (*DOE*): Utilize existing guaranteed loan authority to provide financing for domestic uranium producers. This will help level the playing field with state-backed entities in countries not aligned with U.S. interests that deploy market distorting, price-insensitive tactics.

Potential Impact: 5-10 million pounds annually.

- II. **Legislative Actions** – While it is imperative that the Administration pursue immediate actions to meet domestic production targets, the following legislative options should be considered by Congress as ways to create a more level global playing field for domestic production in the long-term.
- a. ***Domestic Uranium Tax Credit:*** Establish a tax credit for utilities to purchase domestically-produced uranium. Consideration must be given to the current financial status of nuclear power operations and their unique tax structure.
 - b. ***Legislative Backstop for the RSA:*** Revive and improve the Domenici Amendment to ensure enforceable limits on Russian imports and the protection of the domestic uranium industry in the event of a lapse of the RSA.
 - c. ***Federal Excess Uranium Inventory Reform:*** Create a long-term framework for the management of existing federal uranium inventories to bolster transparency and eliminate detrimental impacts on the domestic uranium mining and conversion industry.
 - d. ***Guaranteed Loan Program:*** Create new guaranteed loan authorities tailored specifically to leveling the playing field between domestic producers and state-backed uranium-producing entities.
- III. **Overarching Measures** – Regulatory measures should also be considered but, absent taking the actions outlined above, will not provide the relief necessary to prevent the collapse of the domestic uranium industry and meet domestic production targets. No amount of regulatory reform can adequately address the threat of state-backed entities that face little regulation or cost pressures themselves. However, the removal of unnecessary regulatory impediments will help support the health of the domestic industry over the long-term.
- a. ***Uranium is a Critical Mineral (Government-wide):*** Maintain and strengthen uranium's status as a federally-recognized critical mineral, fully implementing the Executive Order to ensure a secure and reliable supply of critical minerals like uranium that are vital to our nation's security and economic prosperity.
 - b. ***Regulatory Reform (Government-wide):***
 - i. Clarify the roles and responsibilities of the Nuclear Regulatory Commission (NRC) and Environmental Protection Agency (EPA) in regulating uranium production.
 - ii. Comprehensively reviewing the entire suite of uranium production regulation to streamline unnecessary and burdensome regulations.

- c. ***Federally-backed Research and Development (DOE)***: Direct DOE's National Labs to expand, intensify, and prioritize efforts to research and develop technologies that reduce in situ recovery (ISR) production and reclamation costs.
- d. ***Resolve Federal Land Management Conflicts (Department of the Interior (DOI))***: Comprehensively review and develop plans to address barriers to accessing uranium deposits on federal land. For example, the DOI should engage stakeholders with various and diverse surface and mineral ownership rights to resolve access issues that results in landlocked uranium properties in the western New Mexico "checkerboard" acreage.
- e. ***Lift Land Withdrawal Restrictions (DOI)***: Certain Bureau of Land Management (BLM) managed lands that are currently withdrawn hold the highest-grade domestic uranium deposits that would provide for global cost competitive production and national security purposes should they be available for development. A specific example are the uranium deposits within the Kanab Plateau. Properly regulated and mitigated uranium mining in this area would have no adverse impact on surrounding public lands.