Commerce reaches deal with Russia to cut uranium exports to U.S. market

Energy Daily

September 15, 2020 | BY GEORGE LOBSENZ

The Commerce Department Saturday announced a draft 20-year agreement with the Russian government that significantly ratchets down uranium exports to the U.S. market, with the agency saying the deal addresses concerns expressed by uranium producers and the operator of the nation's sole uranium enrichment plant that a flood of cheap Russian product is suppressing domestic uranium prices.

With the U.S. uranium industry saying it is on the financial ropes due to low-priced imports from multiple countries, the new deal reduces a limit on Russian imports set in a 1992 agreement under which Commerce suspended an investigation into Russia's alleged dumping of uranium into the U.S. market at below-cost prices.

While the current "suspension" agreement limits Russian imports to about 20 percent of U.S. demand for low-enriched uranium (LEU)—which is used as fuel for commercial power reactors—the new deal amends the agreement to limit Russia's share of the U.S. LEU market to an average of 17 percent over the next 20 years, according to Commerce.

Russian imports would be limited to 24 percent of U.S. LEU demand in 2021 and—after some fluctuation in the two following years—would fall to 20 percent in 2024 and then to 15 percent in 2028 and the remaining years of the agreement, the agency said.

Further, Commerce said the draft deal would "establish unprecedented protections" for U.S. miners and the nation's sole remaining uranium conversion plant—Honeywell's Metropolis plant in Illinois, which processes natural uranium into LEU feedstock—by reducing the portion of the import quotas that can be used for natural uranium concentrates and the conversion components of LEU.

Under the current agreement, Russia can use its import quota not only for the enrichment component of LEU, but also the natural uranium concentrates and conversion components of LEU. However, the amended agreement would reduce the portion of the import quota that can be used for the sale of the natural uranium components from approximately 7 percent of U.S. enrichment demand to no higher than 5 percent starting in 2026.

The import quotas in the current suspension agreement were set in a 2008 deal with Russia that expires this year. Without an extension agreement, Commerce could restart its investigation into Russian uranium dumping in the U.S. market, but Russia would no longer have any import limits.

“This draft agreement represents an important step forward for the American nuclear industry,” said Commerce Secretary Wilbur Ross in a statement Saturday. “If finalized, it will contribute to the restoration of America’s nuclear energy advantage and protect the domestic industry from dumped Russian uranium.”

The Uranium Producers of America issued a statement late Friday praising Commerce for securing the proposed tighter limits on Russian imports, saying the draft deal would achieve “upwards of a 75 percent reduction” in Russian natural uranium imports through 2040.

However, the group said its members still need the Trump administration and Congress to follow through on the establishment of a new federal uranium reserve proposed in April by the Energy Department and the U.S. Nuclear Fuel Working Group, an administration task force formed to help the beleaguered U.S. uranium and nuclear industries. The reserve is aimed at bolstering uranium demand and prices, although some critics have questioned the use of taxpayers’ money for buying uranium, noting DOE already holds vast uranium reserves.

However, administration officials say the uranium sector must be strengthened because maintaining U.S. nuclear expertise and production capacity is critical to national security, both to preserve a technology currently providing 20 percent of U.S. power supplies—including most of its carbon-free electricity—and to support U.S. nuclear weapons and nonproliferation programs.

The domestic uranium industry has shrunk in part due to declining demand for fuel from the U.S. nuclear power industry. Several merchant nuclear plants have been forced into early shutdown in recent years because they can no longer compete in wholesale power markets with subsidized renewables and plants burning cheap shale gas. At the same time, with the exception of a two-reactor construction project in Georgia, U.S. utilities have shelved plans to build advanced reactors due to their high price tags and the falling cost of renewables and gas-fired generation.

More broadly, global uranium prices cratered after the 2011 accident at Japan’s Fukushima Daiichi nuclear plant, which prompted several nations to exit nuclear power or put expansion programs on hold. The depressed world prices, in turn, have prompted foreign uranium producers—including the massive production complex operated by Russia’s state-backed nuclear agency, Rosatom—to target the sizable U.S. market as a key sales focus.

All those factors have intensified pressure on U.S. uranium producers, who have repeatedly warned the U.S. government that they face extinction unless low-cost imports from state-subsidized foreign producers are curbed.

Meanwhile, the U.S. uranium enrichment sector has been reduced to one plant, a New Mexico facility operated by Urenco, a European consortium that last year told Commerce that the facility's future is at risk from a flood of cheap Russian low-enriched uranium on the world market.

Urenco at that time said it had lost $1 billion and been forced to lay off workers due to deliberate over-production by Russian government-owned enterprises that has driven down global prices for LEU. The company said it was vital that Commerce either extend the Russian suspension agreement or let it expire and renew its investigation into Russian uranium dumping.

However, the Trump administration has faced a difficult balancing act on the suspension agreement because U.S. nuclear plant operators also are suffering financially, and want continued access to low-cost Russian uranium to maintain their competitiveness.

In addition, Russian uranium is resold in the United States by Centrus Energy Corp., which the administration considers a key player in its effort to develop advanced reactors and fuels needed to revive the U.S. nuclear sector. In particular, the Energy Department has provided millions of dollars in aid to Centrus to build initial production facilities for high-assay LEU (HALEU) needed by advanced U.S. reactors now being developed for market.

Centrus issued a statement Monday praising the draft deal to extend the Russian suspension agreement, saying it would "preserve diversity of supply for U.S. utilities…and protect existing supply contracts that U.S. companies–including Centrus–have signed in good faith," including those with Tenex, Russia's state-owned uranium export company. Centrus also noted that revenues it receives from the sale of Russian, French and other foreign LEU are critical to funding development of the demonstration HALEU production facility it is developing in Ohio with DOE's support.

Notably, Commerce's International Trade Administration (ITA) in June 2019 formally concluded that Rosatom, Tenex and Centrus were in compliance with the terms of the suspension agreement during ITA's most recent review period of October 2016 through September 2017.

However, in its review, which was requested by Urenco, the ITA did not rule on two other issues raised in the administrative review of the agreement: Whether the agreement has resulted in price suppression and whether it is in the U.S.' interest to continue the agreement. Instead, the ITA deferred those issues while it conducted a broader review of the market.

Under international trade law, the United States is required to revoke a duty order or terminate a suspension agreement after five years unless it determines that doing so would likely lead to continuation or recurrence of unfair trade and material injury to U.S. industry.

Importantly, Commerce officials in documents released Saturday said the draft deal extending the suspension agreement addressed concerns about unfair price suppression or undercutting of U.S. prices by Russian uranium imports.

Urenco did not respond to requests for comment Monday about Commerce's deal with Russia to extend the suspension agreement.