

**STATEMENT OF SCOTT MELBYE  
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**APRIL 22, 2015**

**BEFORE THE**

**U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
SUBCOMMITTEE ON INTERIOR**

**FOR A HEARING**

**EXAMINING THE DEPARTMENT OF ENERGY'S  
EXCESS URANIUM MANAGEMENT PLAN**

Good afternoon Chairman Lummis, Ranking Member Lawrence, and Members of the Subcommittee. My name is Scott Melbye, and I am the Executive Vice President of Uranium Energy Corporation.

I'm proud to be a second-generation, U.S. uranium miner, my father having discovered and developed uranium deposits in Wyoming's Powder River Basin and the Colorado Plateau of the Western United States. I've worked in the uranium industry now for more than three decades, including senior roles at Cameco and Uranium One. I also previously served as President of the Uranium Producers of America.

While I remain firmly optimistic in the potential of U.S. uranium production, we are facing the most challenging market conditions in my career, with market prices having fallen below the level of all but the most competitive production cost operations. My company, Uranium Energy Corporation, based in Corpus Christi, Texas, has gone through what has become an all too familiar development. We, like other U.S. uranium producers, were incentivized by market conditions in 2009 and 2010 to start up or expand uranium operations. In South Texas, we brought on the first new mine there in many years, employing as many as 85 people in 2012. Today, however, we are idling operations, ceasing new well field development, and cutting back our staff to 39 employees. As such, we appreciate the chance to testify today and share our recommendations for actions the Department of Energy could take to minimize the impact of its uranium transfers on the domestic industry.

We recognize the Department's transfers are not solely responsible for the current adverse market conditions, however they have made the situation decidedly worse. All of us in the mining industry understand and regularly deal with normal, healthy competition and the ups and downs that are inherent in our cyclical business. However, what the DOE is doing in this market defies normal business logic. At a time when producers in the United States, and elsewhere, are reducing production, shutting in mines and cancelling new projects, the federal government has substantially increased its sales volumes and become our largest competitor. For context, the Department sold nearly twice as much uranium in 2014 as the entire domestic industry produced. Under the volumes announced in the May 2014 Secretarial Determination, the federal uranium transfers account for more than 100 percent of the global uncommitted utility demand for 2015, meaning there is no room for the domestic producers to compete.

The UPA is not opposed to DOE leveraging America's uranium assets. However, the disposition of the uranium inventory should be predictable, transparent, and done in a way that minimizes the impact on our industry and secures the highest value for taxpayers. As you know, under the USEC Privatization Act, before making a uranium transfer, the Department must certify the transfer "will not have an adverse material impact on the domestic uranium mining, conversion, or enrichment industries." UPA maintains the Department's recent actions, including the May 2014 Secretarial Determination, fail to meet its legal obligation to protect the domestic uranium industry and violate the USEC Privatization Act.

When prices crashed following Fukushima, domestic producers throttled back operations. DOE's response was the exact opposite. As uranium prices dropped, DOE pushed more material into a market that was already oversupplied. UPA recently commissioned a market report from

Trade Tech, a leading industry analyst, to look at the impact of the Department's uranium transfers. Trade Tech found transfers of DOE material outweighed other supply developments due to Fukushima in the short-term. In addition, Trade Tech concluded if DOE does not reduce the amount of material entering the market, the transfers will influence the fates of uranium producers, both existing and in development, through its impact on prevailing prices and producer margins.

Let me briefly outline key steps the Department could take to reduce the impact of future transfers on the domestic industry:

- **Reinstate an annual cap on transfers** – In 2008, the uranium industry, utilities, and the Department reached consensus on a plan to limit annual transfers to 10 percent of domestic utility requirements – about 5 million pounds per year. Unfortunately, the Department quickly abandoned the cap and has dramatically increased the amount of material entering the market. UPA recommends reinstating a cap of 5 million pounds per year that includes all categories of DOE material and would be phased-in over five years.
- **Reform how material enters the market** – The manner in which DOE moves the material into the market – primarily through the spot market or near-term contracts – is nearly as damaging to our industry as the amount of material being transferred. UPA encourages the Department to work with uranium producers to minimize the impact of government material coming into the market, as was done under the Megatons to Megawatts Agreement. Uranium producers, with a vested interest, can feed the material into long-term contracts, which will ease some of the pressure in the short-term when the market is oversupplied.
- **Subject future Secretarial Determination to full notice and comment before they are finalized** – While we appreciate the recent actions the Department has taken to solicit public input, given the significant impact these transfers have on our industry, the Department should initiate a full rulemaking process and release a draft Secretarial Determination for public comment before it is finalized.

Thank you again for the opportunity to testify at today's hearing. I would be pleased to take your questions.