



URANIUM PRODUCERS OF AMERICA

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February 5, 2018

The Honorable Fred Upton
United States House of Representatives
Washington, DC 20515

The Honorable Bobby Rush
United States House of Representatives
Washington, DC 20515

Dear Chairman Upton and Ranking Member Rush:

On behalf of the Uranium Producers of America (UPA), we applaud the committee for holding a hearing on the economic and national security benefits of America's nuclear infrastructure, particularly the front-end of the nuclear fuel cycle.

UPA is the national trade association representing the domestic uranium mining and conversion industries. UPA's mission is to promote the viability of the nation's uranium industry, while being good stewards of the environments in which we work and live. UPA members conduct uranium exploration, development, and mining operations in Arizona, Colorado, Nebraska, New Mexico, South Dakota, Texas, Utah, and Wyoming. Members include Cameco Resources, ConverDyn, Energy Fuels, Laramide Resources, Rio Grande Resources, Ur-Energy, Strata Energy-Peninsula Energy, Uranium Energy Corporation, and Uranium One.

State of the U.S. Uranium Industry – A National Security Crisis

Without a strong and stable domestic uranium industry, America's nuclear infrastructure is at risk. Uranium is the fuel source for nuclear reactors, which account for 20 percent of the electricity produced in the U.S. and 60 percent of our carbon-free electricity. Unfortunately, due to an oversupplied market, flawed government policies, and an uneven global playing field, we are now facing an energy security crisis. The U.S., which was once the world's largest uranium producer and a net exporter, is now almost entirely dependent on imported uranium to power our domestic reactors. The industry once employed more than 21,000 Americans. Today we are less than 560 and further cuts are anticipated.

With average direct production costs (\$34/lb. reported by the Energy Information Administration [EIA]) significantly exceeding the current spot market price (\$22/lb. as of January 29), the situation is growing worse by the day. In 2016, the domestic uranium industry supplied less than 6 percent of the uranium needed to power U.S. nuclear reactors. U.S. imports in 2016 came from Canada (25 percent), Kazakhstan (24 percent), Australia (20 percent), Russia (14 percent), Uzbekistan (4 percent), and other countries (12 percent).

U.S. producers have been and are continuing to put projects on hold, halting further exploration, and dramatically scaling back the workforce. The sole conversion facility in the U.S., a joint venture between General Atomics and Honeywell has also recently suspended its operations. Based on current projections, in 2018, **domestic uranium will likely account for less than two percent of domestic reactor fuel demand**, and production will fall to the lowest level since 1949. We are on the verge of losing this industry.

While there are a number of factors contributing to current market conditions (*e.g.*, the Department of Energy [DOE] uranium transfers, uneven global playing field, oversupplied market post 2011 Fukushima disaster, nuclear reactor closures, burdensome regulatory environment, etc.), UPA wants to highlight two issues today that are within the committee's jurisdiction: (1) the management of the federal uranium inventory; and (2) the burdensome regulatory environment.

Mismanagement of DOE's Excess Uranium Inventory

DOE's mismanagement of the federal excess uranium inventory is a significant driver of the current market conditions. Since 2008, DOE has transferred more than 37 million pounds of uranium (U_3O_8) from an inventory deemed in excess of national security needs to pay for the cleanup of federal legacy nuclear sites. UPA recognizes the cleanup of these sites, including the project in Portsmouth, OH, is a priority. However, given the state of the uranium market, any further cleanup work should be funded through the regular appropriations process.

DOE has a legal obligation under the USEC Privatization Act (P.L. 104-134), to certify uranium transfers will not have an "adverse material impact on the domestic uranium mining, conversion, or enrichment industry." In our view, the DOE transfers have had and continue to have an adverse material impact on the domestic industry. Since 2011, the amount of DOE material entering the market on an annual basis has exceeded the total amount of uranium produced by the domestic industry. The transfers in 2013 to 2016 exceeded more than two times the total domestic production. Clearly transfers of this magnitude are having an adverse material impact on the domestic industry. As market prices forced the domestic industry to significantly scale back production and shed jobs, the DOE transfers continue, largely unabated.

UPA applauds Energy Secretary Rick Perry for scaling back transfers in 2017, but DOE transfers, even at the reduced rate, continue to exceed more than two times the total domestic uranium production. UPA has consistently warned DOE that additional transfers would create an adverse material impact on the domestic industry, and the current state of the industry now reflects that impact. **UPA again calls on DOE to immediately halt further transfers until the market recovers.** If the domestic uranium industry is a strategic asset and policymakers are concerned about the U.S. becoming entirely dependent on foreign uranium, DOE should be working to strengthen, rather than compete with, the domestic uranium mining and conversion industries.

UPA also encourages DOE to bring together the key stakeholders to discuss a long-term management plan for the inventory that is transparent, predictable, and protective of the

domestic uranium industry. Important questions raised by the Government Accountability Office (GAO) about whether the DOE barter program is legal should also be reviewed. GAO found the DOE barter program is in violation of the Miscellaneous Receipts Act, which requires the proceeds from the sale or transfer of any federal asset to go to the U.S. Treasury, not to run a program that is operated outside of the congressional appropriations process. GAO has also identified concerns in DOE's decision process, specifically the "assumption that DOE's planned uranium transfers would not have a cumulative effect on the term market."

Finally, UPA encourages Congress to enact S. 512, the Nuclear Energy Innovation and Modernization Act. This bill, which has 17 cosponsors in the Senate (9 Republicans and 8 Democrats), would place annual caps on the amount of uranium that DOE could transfer into the market. The legislation would also make the management of the inventory more transparent and ensure robust public and stakeholder input. Finally, the legislation would clarify that DOE's stockpile of depleted tails are covered by the USEC Privatization Act.

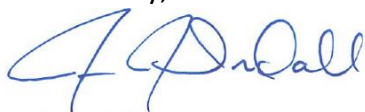
Regulatory Threats and Permit Delays

Despite a long-standing regulatory framework that is fully protective, the Environmental Protection Agency (EPA) proposed a rule at the end of the last Administration (Part 192 – Health and Environmental Protection Standards for Uranium and Thorium Mill Tailings) that would make in-situ uranium production cost prohibitive in the U.S. The rulemaking is entirely unnecessary – EPA acknowledges there is no evidence in-situ uranium recovery has ever caused an adverse impact to local groundwater. In addition, the Nuclear Regulatory Commission (NRC), which is the primary regulator of uranium mining, concluded the Part 192 rule "would be impractical or unnecessarily cost prohibitive to implement without providing any significant benefit." UPA urges EPA to immediately withdraw the Part 192 rulemaking and work with NRC on a Memorandum of Understanding (MOU) that clearly outlines the roles and responsibilities of each agency when it comes to regulating uranium mining.

UPA also urges the Administration to identify ways to streamline the permitting process – it should not take six to eight years to permit a low-risk, in-situ uranium mine. Finally, UPA encourages NRC to improve the transparency of its billing practices for license applications and renewals, including moving to a flat-fee schedule.

Thank you again for holding this hearing. We look forward to continuing to engage the committee on these important issues.

Sincerely,



Jon J. Indall

Counsel for Uranium Producers of America