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April 10, 2017

Cheryl Moss Herman
U.S. Department of Energy
Office of Nuclear Energy
Mailstop B-409
19901 Germantown Rd.
Germantown, MD 20874-1290

Dear Ms. Herman:

Excess Uranium Management: Effects of Potential DOE Transfers of Excess Uranium on Domestic Uranium Mining, Conversion, and Enrichment Industries; Notice of Issues for Public Comment, Federal Register / Vol. 82, No.45 / Thursday, March 9, 2017/

Cameco Corporation ("Cameco") appreciates the opportunity to share its perspectives of the U.S. Department of Energy's ("DOE") management of its excess uranium inventories. With DOE's next Secretarial Determination due May 15, Cameco urges the Department to adopt limits on its uranium transfers and bolster transparency and certainty with respect to its long-term disposition of its inventory.

As Cameco has previously stated, we believe that the long-term future of the uranium industry is strong. The market, however, remains oversupplied due in part to the slow pace at which Japanese reactors have come back on-line since the Fukushima accident, the early permanent shutdown of a number of U.S. reactors and the construction delays at the Georgia Power's Vogtle and South Carolina Electric and Gas Co.'s V.C. Summer nuclear power plants. Notably, on November 1, 2016, the spot market price for uranium hit \$18.00, the lowest level in eleven years. The continued low prices are unfortunately forcing uranium producers to make some difficult decisions. For instance, in April 2016, Cameco Resources, Cameco's U.S. production subsidiary, announced that it was deferring well-field development at the company's Wyoming and Nebraska operations and cutting 85 jobs at these sites. Other U.S. producers are also reducing and/or deferring new production. According to the U.S. Energy Information Administration, domestic uranium production is on track to be at approximately 2.5 million pounds in 2016, the lowest level since 2003.¹

¹ <http://www.eia.gov/todayinenergy/detail.cfm?id=26472>

As DOE prepares its next Secretarial Determination, Cameco requests that the Secretary consider the cumulative impacts of all previous transfers on the uranium market. Cameco has previously referenced a 2015 UxC Consulting Company ("UxC") study, which utilized both an incremental impact approach and a total impact approach to study the effects of DOE's excess uranium transfers on the market. The incremental impact approach examined the market impacts of new or incremental DOE sales, whereas the total impact approach studied the cumulative effects of all DOE sales previously made and the incremental impact of new sales over time. From UxC's perspective, there is value in employing the total impact approach because previous sales have "a longer term effect on market perceptions among both buyers and sellers."² The UxC study also found that a total impact approach resulted in larger impacts on the spot market price for uranium than the incremental impact approach. In light of the continued oversupplied market, the new Secretarial Determination must be based on the analysis of the impact of both future and previous transfers in determining whether the Department's proposed transfer would result in an "adverse material impact" on the domestic uranium mining, conversion and enrichment industries."³ Under the USEC Privatization Act, if the Secretary were to find that a potential transfer would result in an adverse material impact, then the Department would be prohibited from making any such transfer. Cameco is concerned that ERI, which DOE commissioned to study the impacts of various scenarios for uranium transfers, continues to express a preference for a market clearing price approach rather than a cumulative impact approach.

Cameco acknowledges that DOE's transfers support important priorities, including the clean-up of the Portsmouth Gaseous Diffusion Plant and the down-blending of highly-enriched uranium. Yet, given the state of the uranium market, additional DOE transfers are likely to have a negative impact on the uranium market, and therefore, Cameco urges the Department to limit the levels of any new dispositions from the excess inventory. Further, rather than relying on uranium transfers, Cameco believes there is merit in DOE's fiscal year 2017 budget proposal to access the USEC Fund to pay for clean-up at Portsmouth, Paducah and Oak Ridge Gaseous Diffusion Plants. Cameco remains willing to work with DOE to garner support for alternative funding mechanisms for the cleanup at Paducah and other gaseous diffusion plants.

In addition, DOE should confirm in its next Secretarial Determination that the Department will not declare additional material as "excess" in the coming years. Based on DOE's own estimates, the Department is likely to run out of natural uranium stockpiles, which it has been using to fund the clean-up at Portsmouth, in 2019-2020. There is, however, considerable concern in the industry about the possibility that DOE may declare additional material as "excess" to pay for decontamination and decommissioning work and/or other priorities. Therefore, DOE should confirm that it will not declare additional uranium materials as "excess." Alternatively, if the Department plans on declaring additional material "excess", then DOE should provide information on the volumes and grades of any such uranium that may be added to the Department's inventory. Such clarity can provide certainty to the uranium industry as it attempts to attract capital investments necessary to maintain and/or expand production.

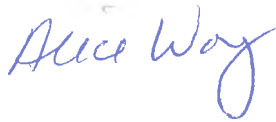
² UxC Consulting Company, UxC Special Report: Impact of DOE Inventory Sales on the Nuclear Fuel Markets (January 15, 2015).

³ Id.

In conclusion, Cameco reiterates its belief that lower uranium prices hurt not only the industry, but also DOE's ability to pursue environmental clean-up work at Portsmouth and other sites. Thus, the uranium industry and DOE should work together to develop a long-term management plant that bolsters transparency and certainty with respect to future dispositions. Cameco urges DOE to convene all stakeholders in order to discuss solutions that mitigate the impact of the transfers on the industry while allowing for the Department to pursue its obligations to clean-up legacy facilities.

Thank you for the opportunity to share Cameco's thoughts on DOE's next Secretarial Determination.

Yours truly,
CAMECO CORPORATION



Alice Wong
Senior Vice-President and Chief Corporate Officer