

Uranium mine heralds new energy era

A fresh operation in Spain will be on stream just as Europe is ready to develop more nuclear power, **Bill Hedley** writes

Major new mines in post-industrial Europe are rare enough. One dedicated to a commodity currently wallowing close to historic low prices, amid global oversupply, is surely unique.

The Salamanca mine, three hours' drive west of Madrid, currently in construction by Berkeley Energia, is the only new mine of its kind and size being developed in the world today. Its quarry is uranium, and when it is operating will be Europe's only major source of the element.

Uranium has had a tough time of late. Nearly all production is used as reactor fuel, and so the commodity has tracked the varying fortunes of the nuclear power industry. Early optimism in the 1960s cooled off rapidly in the 1970s owing to increasing costs and public resistance; nearly two-thirds of new reactors commissioned by 1970 were eventually cancelled. The uranium mining industry, which had developed on the promise of strong growth in power generation, found itself oversupplying the market and stockpiling reserves; mines closed and production was scaled back.

However, things are changing. Governments' reticence about commissioning replacement plants and expansion of nuclear power capacity has changed, largely because of increased demand for electricity bolstered by decarbonisation treaties. But building new reactors takes time, so the Salamanca project finds itself alone at the new uranium mine party.

But it has good reasons to exist. Its unique circumstances promise uniquely low production costs. The uranium ore is high-grade and very near the surface – only four metres in places – and located in an area of Europe that has already had considerable investment in communication and power grids.

Paul Atherley, Berkeley Energia chief executive, says: "European citizens have already invested in



“Why not fair-trade uranium from sources that respect workers and the environment?”

a modern infrastructure, so they might as well get a return on that". He says the mine's pre-production capital expenditure of \$100m (about £81m at current rates) will be under half that of industry norms.

Mr Atherley says operating costs of \$13.30 per pound of uranium make it among the world's lowest-cost producers, very economic even with the current spot price at 12-year lows of around \$18 per pound. Uranium prices look like they are about to turn this corner, with industry giant Cameco's share price jumping 40pc

in the past few weeks after a multi-year decline. If predictions for future uranium demand materialise – a Cantor Fitzgerald report says that oversupply will end by 2020 and there will be a major supply deficit for the next decade – then Mr Atherley expects Salamanca will become a key producer.

He says: "Currently two-thirds of demand comes from OECD countries and three-quarters of supply from Kazakhstan, Russia and Niger. Having a reliable long-term new supplier in the heart of the European Union

is proving to be very attractive to the US and EU utilities who are looking to diversify supply away from the non-OECD suppliers."

This is not the first time uranium has been mined in this area of Spain, although the previous state-owned mine ran from the early 1970s and closed in the early 2000s before the full geological potential of the new site was known. About 60 million pounds of uranium have been confirmed, with a further 30 million expected – offering a possible 4.4 million pounds produced annually

Digging for success The Salamanca project is set to become one of the top 10 uranium producers in the world

through to 2032. Such bounty could produce enough cash flow to cover capital expenditure and move to profit by 2019; until then, the company is funded by a mix of strategic partnerships and equity, and is listed on the London Alternative Investment Market and in Australia.

The local population also stands to benefit. The company received more than 20,000 applications for the first 200 jobs and says the fully active mine will create about 450 direct jobs and more than 2,000 indirect ones, with local communities gaining from training and recruitment, and local suppliers being supported. Development of infrastructure such as community Wi-Fi are among the advantages.

When the mine is fully operational, its predicted output will make it one of the top 10 global producers, with enough uranium to supply the equivalent of the UK's total power requirements for more than four years. It will bring Europe's domestic production (currently just 3pc of demand and met by the by-products of other industrial processes) up to 10pc.

The company is keen to stress the quality of production from Salamanca compared with the likes of Niger and Kazakhstan. Europe has high regard for strict health and safety, advanced environmental regulation and strong labour laws. Mr Atherley says: "People want fair-trade coffee and clothes, so why not fair-trade uranium from sources that respect workers and the environment?"

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