Cover story originally published in the November 27, 2000 issue of *The Ux Weekly*.

Two Different Views of Requirements

Two of the leading organizations that project uranium requirements are the Uranium Institute (UI) and the U.S. Energy Information Administration (EIA). The 2000 projections for the Western world (which includes all countries except the former Soviet Union) from these two organizations are quite different, although this difference is not nearly as dramatic as in the past, as will be discussed below.

The chart below shows that the EIA projection greatly exceeds that of UI for the period before 2003, but falls even further below the UI projection for the period after 2007. For the projections over the 2003-2007 period, there is a remarkably close correspondence between the two cases, with virtually identical projections for 4 out of the 5 years.

Much of the difference in the early years can be found in the individual projections for the United States and Japan. For the year 2000, EIA reference case projects U.S. and Japanese requirements to be about 80 million pounds, while the UI's reference case has these requirements at only about 65 million pounds, a difference of 15 million pounds.

The chart shows that EIA's projections fluctuate wildly, varying by 15 to 20 million pounds in some years. While this might make some believe that EIA's numbers are suspect, actual consumption numbers do show considerable variation. In this regard, EIA shows that consumption in U.S. reactors has exhibited great yearly changes in the past, in some cases as much as 20 million pounds.

While the difference between the UI and EIA numbers is large, it is actually much closer than it has been historically. An example of this is shown in the chart on top of page 2 that compares EIA and UI requirements as of the 1998 projections, where EIA projections fall below the UI projections for all years. The 2000-2020 cumulative difference between the 1998 projections was a staggering 811 million pounds, while for 2000 it was 265 million pounds. This narrowing was due more to EIA raising its projection than to UI lowering its forecast, although both developments occurred. In fact, EIA raised its near-term projection so much that now it exceeds the UI projection by about 12 million pounds for the year 2000 whereas in the 1998 forecast it fell about 12 million pounds short of the UI forecast.

Market Implications - The two projections present two different messages for the future market. The UI projection is certainly more positive for the market over the longer term, as requirements are forecast to increase from about 145 million pounds to about 170 million pounds. On the other hand, if the EIA projection is correct, excess inventories should be worked off much more rapidly, leading to a quicker recovery in price. However, as we are almost through 2000 and utilities are buying for 2001 needs and price has yet to recover, one has to wonder whether the EIA near-term numbers are the most accurate.

While the EIA projection appears much worse for price in the longer term, it should be noted that EIA projects total Western requirements in 2019 to be over 140 million pounds, or about what requirements were a couple of years ago. Further, this is a markedly better picture than what EIA was saying in

1998, when projected requirements for 2019 were some 30 million pounds lower at 110 million pounds. However, it should also be pointed out that in EIA's lower case (shown on page 2), requirements fall to the 140 million pound level by 2009, and continue to deteriorate to just a little over 80 million pounds by 2020.

Tomorrow (Tuesday) EIA is releasing its *Annual Energy Outlook 2001*, which contains EIA's most recent forecasts of installed nuclear capacity. This forecast will be factored into EIA's next requirements projection that will appear in 2001.