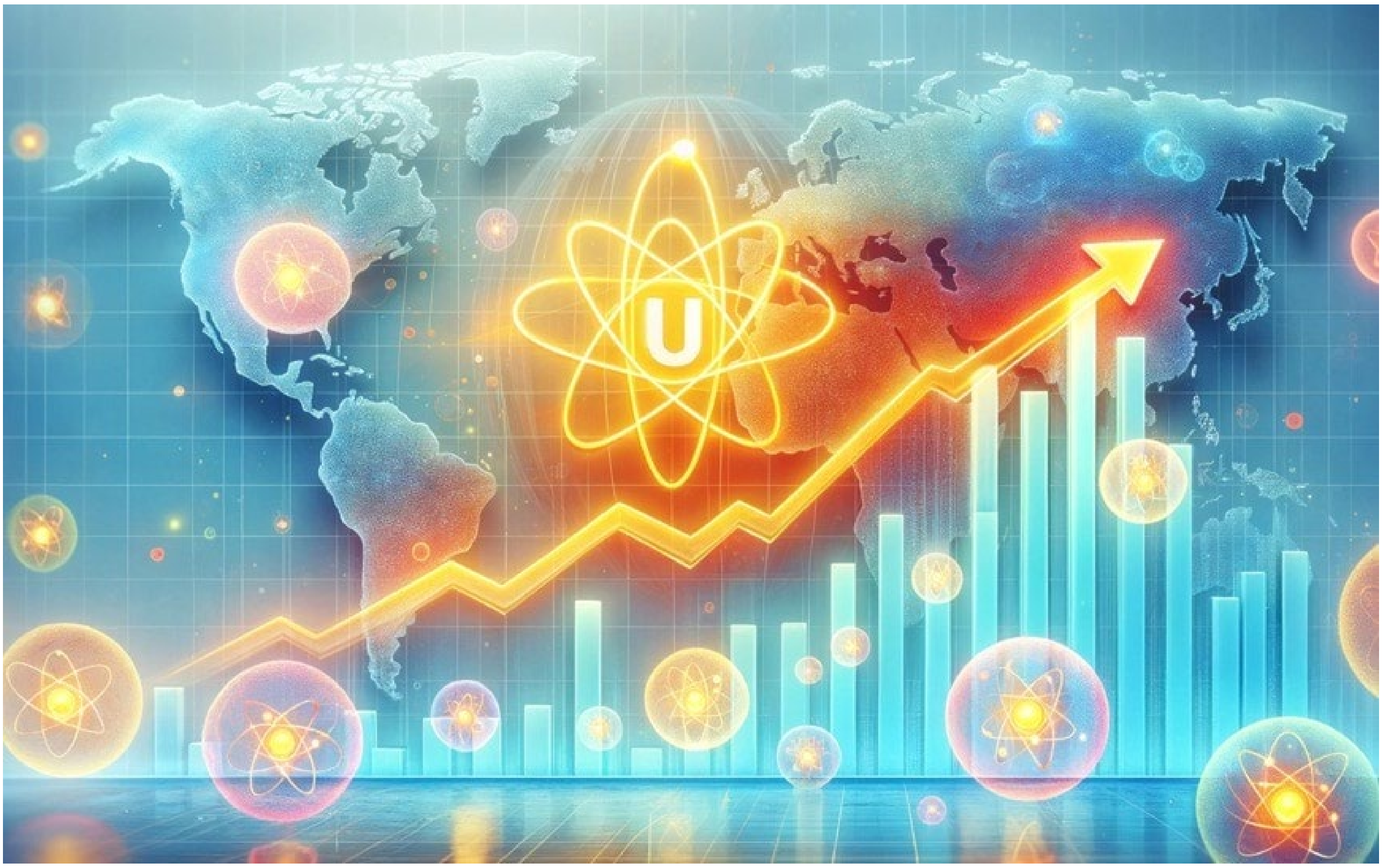
Shaw and Partners forecasts US$150 uranium price amid global nuclear renaissance

By Colin Hay - January 22, 2024



The research arm of local broking firm Shaw and Partners has significantly upgraded its uranium price forecast on the back of increasing demand and a nuclear acceptance by a growing number of governments around the world.

In a new report, Shaw and Partners has materially upgraded its uranium price forecasts to peak at around US$150 a pound in CY25/26/27.

The current uranium spot price is at a current level of around US$106/lb, up from US$94 last month and US$59 one year ago.

The high-flying uranium price comes at a time when the Australian opposition party claims the public is switching its allegiance with regard to the use of nuclear energy.

According to Federal Shadow Minister for Climate Change and Energy Ted O'Brien, Australia's energy minister Chris Bowen is out of step with his own electorate on the need for the use of zero-emissions nuclear energy.

According to data supplied by Mr O'Brien, 69% of minister Bowen's electorate is in favour of nuclear and 67% want the nuclear ban lifted.

"Bowen's refusal to have a mature conversation about next-generation nuclear energy will condemn Australia to higher energy prices, unreliable power, and higher emissions," Mr O'Brien said on social media.

Shaw and Partners says nuclear energy is back in favour as governments around the world have realised that renewables alone will not decarbonise energy grids.

At last year's COP28 climate conference in Dubai, 22 nuclear states including the US, UK, France and Japan pledged to triple their installed nuclear capacity by 2050.

China alone is reported to be building around 150 new nuclear reactors in the next 15 years.

Decade of under-investment

The company's uranium market report said there are a number of global issues affecting supply and pushing demand.

"After a decade of under-investment post-Fukushima, uranium supply is constrained. The fact that Kazatomprom and Cameco are struggling to increase supply indicates that they do not have spare capacity readily available," the report said.

"The most recent price increase was driven by Kazatomprom warning that they are unlikely to meet previous production guidance for 2024 and 2025. Cameco announced production downgrades in 2H23."

It also found that the uranium market faces further disruptions from likely US bans on Russian material and potential tit-for-tat responses from Russia.

Larger-than-expected rise

Shaw and Partners said the price rise has been larger and earlier than expected and doesn't appear to be driven by panic buying.

"That may change if utilities believe that they will have difficulty covering their fuel demands later this decade. Panic buying could drive the uranium price materially higher," the report stated.

"There is a great saying in markets that 'he who panics first, panics best' and we recommend investors get ahead of potential panic buying."

Companies to follow

The research report recommended its followers consider an overweight position to the uranium sector in their equity portfolios and named a number of companies to keep an eye on, including Boss Energy (ASX: BOE) with a hold recommendation applied.

Buy stocks include Bannerman Energy (ASX: BMN), Lotus Resources (ASX: LOT), Paladin Energy (ASX: PDN), Peninsula Energy (ASX: PEN) and Silex Systems (ASX: SLX).

Source: https://smallcaps.com.au/shaw-and-partners-forecasts-uranium-price-global-nuclear-renaissance/