

**Statement of Honorable Bart Stupak, Chair
Subcommittee on Oversight & Investigations
Committee on Energy and Commerce
April 3, 2008**

**‘Selling the Department of Energy’s Depleted Uranium Stockpile:
Opportunities and Challenges’**

Today’s hearing will focus on what options the Department of Energy (DOE) has to convert its depleted uranium into cash as a result of the huge jump in uranium prices. Energy has two choices: to quickly seize the opportunity, or to push the decision to the next administration.

More than 700,000 tons of depleted uranium hexafluoride tails are stored in 60,000 cylinders in Paducah, Kentucky and Portsmouth, Ohio.

Eight years ago, this corrosive radioactive material was considered worthless and represented an environmental liability. Since 2000, however, uranium prices have jumped tenfold from around \$8 per pound to \$95 per pound for long term contracts. **Chart 1** shows how spot prices spiked as high as \$140 per pound last summer.

This sharp jump in prices is due to tight uranium markets and has given American taxpayers a potential financial windfall. Approximately 260,000 tons of so-called “high assay tails” are now worth an estimated \$7.6 billion, according to the Government Accountability Office. In order for the Department of Energy to capitalize on this potential windfall, they must act now. This year only 55% of reactor fuel is met through mined uranium, but new mine production will start to catch up with demand over the next 3 to 6 years.

DOE has two primary ways to turn the excess depleted uranium into cash.

Option 1 is to auction the tails to utilities or uranium enrichment companies.

The Committee wrote Under Secretary Albright on February 14 asking that DOE solicit nuclear utilities to assess their interest in a depleted uranium tails auction. Instead of a “yes” or “no,” DOE responded that they will be doing a cost-benefit study. This is puzzling, and looks like a formula for paralysis-by-analysis.

At our request, GAO polled potential buyers and found utility industry interest in the high assay tails. **Slide 3** shows large amounts of uncovered utility demand for uranium over the next few years.

In order to auction the uranium tails, GAO cautions that the Department of Energy may need additional statutory authority. This hearing will seek DOE’s views on whether it agrees that added legal authority is required.

Option 2 is for the Department of Energy to contract out re-enrichment of the high assay tails and then sell the enriched uranium.

DOE faces a challenge with this option because there is very limited available capacity at the nation's only uranium enrichment plant, which is operated by USEC. DOE could only re-enrich about 14% of the tails over the next 4-5 years. Nonetheless, this could yield as much as \$1.4 billion after costs of re-enrichment.

To purchase enrichment services, DOE will have to negotiate a sole source contract with USEC. This hearing will explore whether DOE has enough bargaining leverage to negotiate a fee in addition to USEC costs that is fair to taxpayers. If USEC's monopoly position has the federal government over a barrel, what is DOE's strategy?

I note with irony that the bottleneck in enrichment capacity would not be confronting DOE today, if even a handful of the lavish promises made to this Committee by the advocates for USEC privatization had been kept.

My good friend and subcommittee member, Ed Whitfield, has proposed legislation that directs DOE to enter into a sole source contract with USEC and commence tails enrichment in 120 days. While I commend his desire to see DOE take action, this proposal:

- 1) Would force DOE to bypass its procurement rules,
- 2) Would not give DOE sufficient time to audit the reasonableness of USEC's actual costs;
- 3) Fails to cap the fees that could be paid while DOE negotiates against the clock; and
- 4) Would not allow DOE to seek a better deal for taxpayers by auctioning the tails to utilities and letting them use their bargaining power with USEC.

The good news is that 5 to 10 years out, enrichment companies will increase capacity to re-enrich tails, thus helping to relieve the bottleneck. However, if DOE waits for 5 years, there is a risk that prices could deflate and taxpayers will receive a significantly smaller return.

It is important to note that the Congress is well aware of the negative impact on uranium sales and mining that occurred eight years ago when massive government stockpiles were liquidated through USEC's privatization. DOE must be careful not to flood the market and negatively impact the industry again, which may require price floors or quotas [This subcommittee held a hearing on April 13, 2000 to look at how the domestic industry was damaged.]

The uranium tails are currently a liability sitting in 63,000 metal containers. We have the opportunity to convert that waste into cash and American taxpayers expect the Department of Energy to seize the opportunity.