THE MIKE ALKIN SHOW

TALKING STOCKS OVER A BEER

Announcer: Free and clear of the chatter from Wall Street, you're listening to Talking Stocks over Beer, hosted by hedge fund veteran and newsletter writer, Mike Alkin, who helps ordinary investors level the playing field against the pros by bringing you market insights and interviews with corporate executives and institutional investors. Mike sifts through all the noise of mainstream financial media and Wall Street to help you focus on what really matters in the markets.

Now, here is your host Mike Alkin.

Mike Alkin: Welcome to the podcast. It is Tuesday, June 26th 2018. Hope you had a good weekend. I know you're sick about hearing my son's lacrosse games, and all that stuff so I'm gonna give you a break this week. I'm gonna let you ... and we're gonna get right to the action. Sometimes within the last month or so, I had Scott Melbye on, and Scott is president of Uranium Energy Corp. He is, also he advises Uranium Participation Corp, and he's past advisor to the CEO of Kazatomprom, the state owned uranium company of Kazakhstan, which is the largest producer of uranium in the world. And those of you who are new to the podcast, one of the industries that I follow very closely, and one of the industries that I invest in is the uranium sector.

I do speak frequently about uranium, and I had Scott on a while ago, not too long ago and got great feedback, and since then, since we spoke there was the nuclear fuel association meeting in Monterey, California that I attended. And it was probably a couple hundred people who really are just focused on the uranium industry from nuclear fuel buyers to miners, to physical traders and other associated people in the industry. These meetings were a great place to get together and really talk shop and understand what's going on in the industry. There were four investors at the meeting, because you could see the roster of attendees. So it's really nice. It's away from the investment world. And I thought it's good to have Scott back, where we could talk about what we learned at the meeting, what he learned, what I learned. And we could compare notes and we could talk uranium.

So, you know we touch upon some things during this coming interview, where we talk about Kazakhstan and the depletion rates of the mines in Kazakhstan. And whether or not the cuts that they ... production cuts they instituted were by choice or by necessity. And we talk about the investment or lack thereof going on in Kazakhstan, in the mining operations, in exploration, in development. We're going to touch upon section 232, which is an action that energy fuels and UR energy to US-based miners.

They've asked the Commerce Department to open an investigation on grounds of national security so as to force the US Nuclear Power utilities to buy 25 percent of the uranium from US miners, whereas now it's only a couple percent. We're going to touch on that, and we go, we talk about cash costs. We really just, this is really a segment focused on uranium. It's something I am, it's a sector that's in a seven-year bear market. Or, I think the bear market has ended and the bull market's turned. It's just not yet evident in the price, and we talk about that.

So, without further ado, let's just get right to some uranium talk, and I'm going to bring on Scott Melbye.

Scott, Welcome to the podcast

Scott Melbye: Good afternoon, Mike. It's good, as always, to visit with you.

Mike Alkin: You are back by popular demand. You were on about a month ago or so, and, despite the fact you went to Arizona State University, and I went to the University of Arizona, despite the fact you went to ASU, people still wanted to hear from you again.

Scott Melbye: Well, it's great that you and I have become each other's best friend from the respective university. Might be our only friend, but it's a great friendship, anyway. If North Korea and South Korea can get together, then I think U of A and ASU can, as well.

Mike Alkin: So, Scott, you are, for those who don't know you, Scott is the president of Uranium Energy Corporation. He is a former advisor to the CEO of Kazatomprom, the state-owned uranium company, and he also advises Uranium Participation Corporation. Prior to that, Scott spent his entire career - over 25 years - in the sales and marketing arm of Cameco, where he was the president of North American Marketing. This guy has been around the uranium complex for a really long time.

Scott Melbye: Yeah, just to clarify. I was the president of Cameco, Inc, which was the global marketing arm, but yeah. Close enough.

Mike Alkin: I apologize. The global. I short-changed you. I apologize for that, and I thought that, the North American thing was a big deal. Scott was the head of Cameco Global.

Scott, you and I just visited. We had dinner at the Nuclear Fuel Market conference in Monterey a couple of weeks ago. It's where a couple of hundred people from the nuclear power industry get together. It's fuel buyers. It's traders of the physical commodity. It's companies, and four investors. I was one of the four. It's a nice get-together where, to get a state of the union, and you've been going to these forever, and I've been going to them for a while. It's nice to have a benchmark to say how the attitudes of the industry participants are.

Why don't you share with listeners what your take-away was from the conference, at a 30,000 foot view, and then we'll dive into the particulars.

Scott Melbye: Sure. These industry conferences, you know, the uranium and nuclear energy industry, is a pretty small fraternity of people around the world. This is one of the conferences, it's the world nuclear fuel market organization, which is a member-run organization of people involved in the fuel cycle. These would be utility fuel buyers, uranium producers, traders, brokers, analysts - anyone who's involved in the fuel cycle for nuclear energy.

I was a former chairman of this organization, so I particularly like this one, and I think it's characterized by a lot of open and frank conversation about the market. It was good to check in with everybody and see where everyone is at in terms of the market.

Some of the bigger take-aways that I got, one was - and it was noted by a number of analysts and utilities and market participants - was the return of a number of the investment community really coming back into our industry and wanting to get a deeper dive into the supply and demand of uranium. Who the players are, what's the outlook, so the fact that there were four or five hedge funds in attendance at this conference didn't go unnoticed, and I think is something that we're really seeing as, kind of, the investment community looking at the entry point in our commodity cycle as a very attractive draw for the fundamental reason.

Mike Alkin: You know, Scott, that's so interesting when you bring that up. Not to interrupt you, but from my perspective where - and it's true, and I felt the same thing - people were saying, Do you see how many investors are here? Because there's a roster of attendees, and when, the four of us who were there, and we all kind of talked to each other. We know each other. We were laughing saying, There's nobody here, which we love because we know that when people do get excited about uranium, it's going to be overflowing with investors. But, that shows how starved the uranium industry has been for any attention at all from the investment community.

Scott Melbye: Yes, exactly. I think it's not surprising. These are very smart people, and invest in various commodities, companies, industries, and they look at the supply and demand fundamentals that have evolved in our unique particular little industry. They're just amazed at what's unfolding here. That was some of the bigger take-aways from the conference.

There was a lot of focus and conversation around what's been happening on the production side, and this is something that, Mike, you've been telling your clients and listeners, and something, we've been getting that message out there that uranium prices in the $20 range were simply unsustainable. It's one thing to say that, but still uranium production was continuing year over year, until about the peak occurring in 2016 where we really maxed out.

Now, over the last two years, we've seen a dramatic drop-off in global production. Over 30 million pounds of annual supply has been taken out of the market as a result of the continued low prices, and more importantly, the catalyst has been the expiration of old contracts that had a great deal of hedge price protection for these producers. They're no longer getting $40 or $50 a pound in their contracts. They're forced with selling into a $23 market, and the decision has been, for many global mining companies, to just shut in production.

Some of the big ones that everyone's talking about is, of course, Cameco. With the shut-down of McArthur River in November - I mean, this is like shutting down the Escondida Mines in the copper world in Chile. This is the world's largest operating mine. Extremely high grade. Athabasca Basin mine. The shut-down for 10 months, that time period was chosen because of the labor laws within Canada.

We're now getting to the point where Cameco has to make a decision whether to extend that shut-down, and there's a lot of speculation that, over the next two months - July, August - we'll get some word from Cameco on that decision. Just, my observation is that, given where we're at in the expense and effort taken to dial that very large conventional mine down, they're not going to be coming back up at the end of this 10 months. That will be a major catalyst for the market.

Also, much has been said about Cameco's back-selling of those contract commitments that are impacted by the McArthur shut-down. They sell over 30 million pounds a year under long-term contract, so they need to go into the market and cover those commitments. Now, they've chosen very publicly, to first draw down some of their excess inventories. They've been carrying about a 12-month forward sales level in inventory, which is higher than the 6 months, which is their normal policy, sort of, stated policy level.

They've been drawing down that inventory first, but now they're getting to the point where they need to purchase a very significant amount of material. That was, perhaps, made a little more significant by the disclosure that they have entered into a loan with Orinel, the former Ariva, and their partners in the McArthur River Mine, that they will loan material to Orinel to help them make their commitments impacted by the, so the drawdown of Cameco's inventory has occurred much faster than it would have on its own.

That really brings us to how much they will buy and when, and the analysts have a number of forecasts, but many are coming around the figure of eight to ten million pounds or more, of material purchased over the next six months. That's very significant in a uranium market that probably can't handle a million pounds spot demand given the thinness that we see on the offer side.

This is something that everyone in Monterey at the conference was clearly aware of, and folks are focusing on, and utilities are more and more focusing on what this means for them and their paternal plans. They had been content to kind of sit back and feed off of a very depressed spot market, and make small, medium-term commitments. At some point here - and that would be another major catalyst - when they enter into the market to renew the contracts that are falling off for them as well, we'll see a lot of pressure put on the market as a result.

Mike Alkin: So, Scott, let's dive into some details here. I want to get into some of the issues that I get asked a lot. I'm pretty public and have a public profile on uranium, so you can imagine I, like you, I get a ton of inbound with people coming at me with, Aha! Here's where you're wrong. I love to hear it, because I always want to keep challenging my thesis.

One of the things that I hear a lot about is, people say, Well, you know, the Kazakhs are a state-owned entity, and even though McArthur River could come offline, big deal. The Kazakhs have extremely low costs. I often hear people come at me with, Well, it cost them 15 bucks a pound, 12 bucks a pound, 10 bucks a pound, 18 bucks a pound - they're all over the place. People just pull numbers out. And they say, that's why there's going to ... they'll just flood the market.

What's your, how do you respond to that in terms of the Kazakh costs.

Scott Melbye: Well, I think people are drawn to that conclusion because they see some of the most competitive minds in the Kazakh portfolio reporting very low cash costs. That's wonderful. Those are some of the, those are probably the lowest cost mines in the world, and at the lowest point in the cost curve. Not all of the Kazakh operations have the same acid consumption, depth of deposits, other cost inputs. You probably need to look more broadly at their actions that have occurred, really, in the last 18 to 24 months. Speaking from someone who was there working with them on their strategy development, they began to feel real pain in that $20 uranium market. By that, there margins had been squeezed to very low levels that are not sustainable in terms of everything that they'll need to achieve, in terms of growing the company and being able to support social infrastructure and investments in local communities around the mine.

You saw a very concerted effort begin to really look at their uranium production strategy, and start to dial back production. Their strategy is very, there's probably five pillars of their strategy, but the first one they looked at was the production cut-backs. In 2017, in January of last year, they announced a 10 percent cut.

Now, more recently their executives have clarified that, well it looks like in the end that 10 percent cut was closer to a five and a half percent cut. They've been very transparent and open about it, that they implemented those cuts in January of the year, of the production year, and it was probably too late to impact those 20 mines,[inaudible 00:16:51]. It was a big ship, and it doesn't turn around that quickly.

The good news is, they did achieve a five and a half percent cut. Also good news is that they realized they need to be more consultative with their partners going forward, and that's what they've done in cutting out the subjective of the 20 percent reduction from planned out but over the next three years.

They've been working with their operations and J.V. partly to achieve that. Now, more recently, I think it's been reiterated by Kazatomprom lately, the production target for 2018 now appears to be a true cut, not cut from planned production or what their plans were, but a cut from 2017 levels of about 3.4 million pounds.

What we're seeing now is a concerted effort to really rationalize production, be more disciplined, show some constraint, and follow through on those objectives. This is all, I think they're coming to the conclusion that this is good business. It's good stewardship of their state assets, but it's also an imperative as they move forward on an IPO later this year, early next year, that they can be the biggest impact on the health of the uranium market and price.

They need to do things that are for good business purposes, but also in support of a healthier uranium market. So, you're seeing a lot of those actions now coming out of Kazatomprom.

Mike Alkin: You know, Scott, one of the things you mentioned early in that answer was cash costs, but we know the way they mine is in situ recovery, or in situ leach mining, ISL. When they are, the costs they have are, there's a lot of capital involved in those costs, so, while cash cost is one thing, there's ongoing maintenance, there's refurbishment of well heads, and a lot of capital involved. Miners look at an all-in cost. When I think about the Kazakh's all in cost, I come up with somewhere in the mid-20s to low 30s, depending on the mine.

How far off am I on that?

Scott Melbye: Yeah, well, I think given my role there, I can't disclose stuff that's under an NDA agreement, but again, I think you can look at it from company-wide, in terms of their profitability, that $20 uranium price is, margins are squeezed to nothing. You're right, the injection of solutions at the well head is sort of fuller cash operating cost, but there's a lot of well-field development.

Also, there needs to be development of new well fields, new deposits. That was something that a representative of Uranium 1 disclosed in a conference earlier this year, that the depletion rate of their resources over the next decade is quite substantial. It could be as much as 40 percent. In a sense, they're depleting their resources faster than they're adding to them, and the investments needed to sustain these production levels are significant. So, Kazatomprom and Kazakhstan, in general, was going through a peaking of production under the status quo conditions, but now I think they're kind of looking to bulldoze that peak of production into more of a plateau to spread these resources out longer into the future.

Again, another positive bullish point for the market.

Mike Alkin: That's just something that you touched on that I think it's, personally think, from my perspective, gets wildly misunderstood on the bear side. I had someone on Twitter reach out to me with this question, and it's something - Troy on Twitter - but it's something that I've talked about a lot, which is, with these depletion rates, and if you look at the capital spending of Kazatomprom over the last several years, it's imploded. There's been a big decline in cap/ex and so, the question was whether you think the recent cuts are even voluntary, or basically involuntary due to the lack of investment to replace what they've been mining?

It's almost as though they're going to have a hard time keeping up with these depletion rates.

Scott Melbye: Yeah, well I do. I think the steps that they have been taking the last year, and are implementing this year, are voluntary measures that they're making at specific mines, and JVS, but had they done nothing, and just continued on, there would be involuntary reductions as they just deplete assets in some of the best mines in the world. They don't run forever. Akdala, I believe, is one in Kazakhstan that is depleted, or will deplete its resources within the next five years. That's just something that any resource company, whether it's oil and gas or uranium, or anything else, needs to keep an eye on. Not only the current production levels, but your production sources for the next 10, 20, 30 years.

They realize that, but I think right now their focus is on what they can do to restore the health of their industry. They realize that producing more and more without any regard to what was the supply and demand conditions presently in the market was hurting them, and that they're making much more disciplined decisions going forward.

Perhaps another point to talk about, and it probably has even a bigger impact than a three and a half million pound cut in production this year, is the announced sale of Kazatomprom material to the yellow cake fund, emerging physical fund out of the UK. It's been announced quite widely that this purchase involved eight point one million pounds of uranium, which basically puts Kazatomprom in a sold-out condition here for the coming year which has profound impacts on the market. That's, in my mind, because it's materials going into a fund not a trader, this material goes off the market. It goes in a vault, and it is taken out of the supply and demand picture.

So, you can consider that eight million pound sale just as effective as an eight million pound production cut.[crosstalk 00:23:33]

Mike Alkin: And when you think about it, spot market last year was about 44 million pounds, so you're taking out almost 20 percent from that spot.

Scott Melbye: Yes, and again, it's important in the spot market we trade about 40 to 50 million pounds annually, but remember, a lot of those pounds are recycled and pass through many hands over the course of the year. What has the biggest impact are those fresh pounds being introduced into the spot market. So, when you turn off that faucet of new pounds coming into the market, whether it's Cameco at McArthur River, whether it's the Kazakhs, or the latest announcement was Langer-Heinrich. They're going in care and maintenance in Namibia. That's where you begin to see this accelerated rebalancing that is really the narrative.

I think that, going back to the conference and take-aways, I think that was the biggest take-away for me, is that this accelerated rebalancing is now happening in a very big way. It certainly happened faster than we were seeing two years ago.

Mike Alkin: I would argue that from a couple of the last conferences, the mood changed markedly from even six months ago, it feels like.

Let's talk a couple of big issues that are out there, and it's one that the bears will point to, which is the inventory. They will look and say, in a market that sells 190, 200 million pounds, when you add new reactors in the coming year, inventory a billion eight. That's a lot of inventory out there, but talk about the breakdown of inventories, and really, the mobile aspect of those inventories. Talk about how that works through the system to what's really available to people. Give them a feel for that.

Scott Melbye: Sure. It's important to understand it, because in our industry, it's fairly easy to determine how much reactors are consuming. It's pretty easy to determine how much mines are producing. The most opaque factor are those secondary supplies and inventories. One industry analyst here in US consulting did the work that determined this one point eight figure that is thrown around. Now, that's a figure of uranium in all forms, all hands, whether it's commercially viable or not. Whether it's strategic or pipeline, that is just the gross number from all sources.

They've also done a lot of work on matted, as many other analysts have, and try to un-peel the onion to really look at, well, what are those individual categories that make up that figure, and how liquid are these various categories of uranium? When you go through that exercise it's very encouraging because UXA believes, concluded that really, only 375 million pounds of that 1.8 billion would be considered excess.

They went on to say that, even more importantly in terms of price formation and supply and demand micro-market economics, is that only five to ten percent of that figure, that excess figure may be available to the market at any given time. That is consistent with what we see as a commercial manager for the UPCA enter the market to buy material on a regular basis as we raise funds to go out and add pounds to the fund. I can tell you, it's very difficult to go out and buy 500 thousand pounds, a million pounds without moving the market. We are not copper or gold, where it is a very big, liquid market. It's very thin, and even surprisingly small amounts of demand can move the needle.

When I heard UXC's explanation behind that inventory figure, it all was consistent with what I'm seeing in the market on a daily, monthly basis.

Mike Alkin: You know, one of the questions that I often get asked is, OK, we've heard the bull case before, and why now? One of the things I point to is, a couple of things - and I'd like to get your view on this - is, number one you have a market that is, A. Not, it doesn't have speculators. It doesn't have financial speculators in there. Unlike any of these commodity markets, you have really one big buyer that buys 95 percent of all the stuff that comes out of the ground, and those are the electric utilities.

The way the industry is structured, you have the contract market, which historically has been seven to ten year contracts. Recently, it's moved to a more medium term with one to four, with what the carriage rate is called, where the traders will finance shorter term contracts.

Real price discovery comes when a utility comes into the market for a contract of size. Because the carriage rate, because of very low interest rates, you've had traders willing to finance short-term purchases, and the utilities have been working off of long-term order books before Fukushima, and right around Fukushima. Now as these unwind, they need to come to market, because they need to secure supply about two years ahead of time, unless they just tap up with some spot purchases, which you just explained is hard to find. It takes them two years before they need it, to the time they negotiate and order it and get it in the form of fuel rods.

As long as they've been covered, their needs have been covered, you haven't seen that price discovery. We started to see that in the back half of 2017 with some requests for proposals from the utilities, and they were coming in with some pretty low prices. Well below the cost of the average global miner, and nobody really wanted to bid on those. Even with all these production cuts, and everything coming out, you haven't seen the utilities step in.

If we look at 2020 and a third of the utilities don't have uranium under contract, that would mean about now they need to come in.

Talk about the role of why we haven't seen price discovery, and the role Section 232 has played in that. And, explain 232 for listeners.

Scott Melbye: Sure. You're exactly right. When listeners may hear that utilities have needs in 2020 onwards, they might say well, OK, that's a long ways off. Not in the nuclear fuel cycle. You're normally buying to get the material into the fuel cycle, get it converted, get it enriched, get it fabricated into fuel over to your plant. Certainly by this point, you're contracting.

We haven't seen that return to the market in a big way from the utilities. It's an interesting phenomenon, because the utilities had been under, because of high prices in 2005 to 2007, and then returning going into 2010. You saw very high priced long-term contracts signed, and just as they're falling off now, for producers and leaving them unhedged, they're leaving the utilities unhedged as well, but they're looking at the low spot prices. This carry trade which was made very attractive by low interest rates and abundant stock supplies, well, guess what? Stock supplies are drying up, and much more quickly now, due to the production cuts and financial players coming into the market, and also interest rates, obviously, increasing.

That carriage trade option doesn't look as attractive. What's going to happen is this price discovery that you've mentioned, will play out, frankly, over the next 12 months, where utilities return to the market, and they're going to go to the producers, and say, OK, I'm ready to sign a long-term contract with you. I want a $30 base-escalated contract, and the producer's going to go, Well, sorry, it's much higher than that. They have to price based on what their production costs are, not what a carry trade economic play, buy and hold by a banker, or trader, will provide.

The utilities will have a choice. Either pay the higher price offered by the producer, or say now, that's outrageous, and then they'll have to turn to the stock market, and the stock market then will see increased pressure by near-term buying. When you get into this equilibrium, and going into under-supply, you begin to see the dynamic where everything kind of spins off each other to the upside, rather than the downside.

Now, why the utilities haven't began to come in sooner, there's a number of reasons for that. Another is the 232 petition that was filed by two producers in the United States. This is the same trade law that has been invoked in aluminum and steel, and now I understand, automobiles, but it's not a dumping case under trade law. It's more an international security threat from high levels of imports.

This case has been filed with the Commerce Department, and because of all the other activity in aluminum and steel and automobiles, Commerce has been slow to react to it. But, it does have a bit of a, it kind of freezes out the utilities in the time being until they really see what the rules of the game will be.

If you're a US utility, you're kind of reluctant to go out and make some big purchases now, until you see what if. It's an, if that will impact you. If you're a non-US utility, you're also kind of looking to that as well. That's certainly something that Wilbur Ross, the Secretary of Commerce, just spoke publicly within the last day, that a decision on that 232 is imminent, on whether they will receive the petition and investigate the foreign imports.

We'll just have to stay tuned and see how that plays out. Obviously Uranium Energy Corp. is a domestic uranium producer with significant license to pass through, and resources in both Texas and Wyoming.

Mike Alkin: Yeah, with the 232, what would the rationale be if they didn't pick it up? Paint that scenario, why would they not pick it up?

Scott Melbye: Yeah, well, I would have to say, if you look at Trump's position on trade, and one could argue that the national security implications toward uranium are greater - certainly greater than, I would think automobiles, but perhaps even aluminum and steel - so, I would have to believe that the probability of them accepting the case and investigating the imports is quite high. How it is ultimately remedied, is anyone's guess at this stage.

I think it's high probability it will get heard, and then goes into a 270 day process of investigating what's happening and what can be done.

Mike Alkin: So, you've been around this business for a long time, and you have been in this bear market for a long time. There have been false starts before. How do you gauge where we are today versus two years ago, when people got excited at other points in time throughout this downturn? What is it that you look to that gives you more optimism now than you've had in the past?

Scott Melbye: I think it all comes down to production. Nothing good was going to happen when you had seven years of declining prices, and production was continuing to increase year over year. It really was incumbent on uranium producers around the world to take a look at what they were doing and take a more disciplined, rational approach to production. I think now that that's happening, and happening in a big way, to me, that's your difference right there, because that's how rebalancing is going to occur, and accelerate. As each primary mine shuts in either permanently, or temporarily, you draw down those excess supplies much more rapidly, and that's what's going to ultimately impact the price.

I'm a lot more optimistic of what's happening right now, than I've been in a long time. I think it's also kind of comforting to see some very bright people in the investment community agree with my outlook, and are coming in and buying the equities, and buying physical, and believe that it's a very enticing entry-point for our particular commodity cycle.

Mike Alkin: The physical's interesting, because in the last cycle, and when you look at who is buying the physical, you saw the hedge funds come into this space, but they came in after it was ripping, and after it had been breaking out to new highs. Then, all of a sudden, that momentum brought to the market a bunch of people who wanted to participate in it, and hedge funds buying physical. Whereas now, and I saw this at the conference, there's, we see Yellow Cake is filed by 160 million dollars' worth of, or 170 worth of uranium from Kazatomprom, and they have an option for 100 million for the next nine years. But there were other real participants there looking to buy physical, and in talking to the people who store this stuff, there seems to be a lot more interest earlier in the cycle.

Based on your experience, are you noticing that as well? That it's a different point in the cycle that you're seeing it?

Scott Melbye: Yeah, you're exactly right. In 2005 to 2007, the catalysts there were years of under-investment in production which we're seeing now, but really brought to the forefront by some supply disruptions, and so the price started to take off. The hedge funds kind of came in. They didn't light the fire, but they came in - maybe throwing gasoline is a good analogy, on a fire that was already lit. In this case, they are getting out kind of ahead of the increase. That's just an interesting dynamic. I guess we'll have to see how that plays out, but I guess if I was a utility fuel buyer, I would be taking note of it. You've been looking at very attractive uranium prices for a number of years now, and I guess they're looking for a catalyst or real signs that it's time to move. I would take that as a pretty serious sign to get out and sign some contracts.

Mike Alkin: Yeah, you have, so having seen all this, what are the things that you, say, you know, we could be wrong here. What are the things that you're most attentive to, and worried about?

Scott Melbye: You know, I get that question of what do I lose sleep over? I've been watching the deregulated market pressures in the United States very carefully. In the United States, we really have two markets. In the regulated markets, in the Southeast, you see in a very healthy liquid power plant operation, economics, you're seeing plants built down there. Then you're seeing in the Midwest and the Northeast, in the deregulated markets - I call it so-called deregulated markets - nuclear plans under pressure. What's frustrating is these plants are not uncompetitive by any means.

They're three, four, five cents a kilowatt hour production costs. That can compete all day long with coal and three dollar gas.

What's put them under pressure is the distortion of the billions of dollars of subsidies to renewables. The least reliable sources of supply are given the first bite of the apple, and the most reliable 24/7 and clean air energy, is being impacted and in some cases, falling off the bubble. That has really concerned me, that there was a point where we could use a number of reactors in that deregulated market.

What's encouraging to me, though, is that the federal and state governments are taking action. I think it's been shown that when you lose a nuclear power plant, the impacts are dramatic to good stability, to carbon emissions, to tax base, and lakes. States like New York, Illinois, Connecticut, New Jersey, have all passed legislation to kind of level that playing field to not disadvantage nuclear in that marketplace.

We're still seeing that play out in Ohio and Pennsylvania, but I think the Trump administration with some of the actions they've taken, is really kind of imploring those states to take action to save nuclear plants in those states. Those are huge basilar sources of supply, but believe me, when we're in a polar vortex situation, the cold winters we've been having, or hurricane conditions, it's been the nuclear power plants that have been the workhorses.

That caused me to lose a lot of sleep. I'm now beginning to see that those concerns are being addressed. It's more at the state level, but also being helped by the Trump administration, and their policies.

Mike Alkin: Well, I thank you for joining me.

Scott Melbye: Yeah, as always, it's a pleasure.

Mike Alkin: We will have you back regularly to update us on your view on the markets, and I will see you out at the SPROD conference in July in a few weeks.

Scott Melbye: Excellent. No, that'll be a good time to catch up. There's a lot happening. The catalysts now are not far out into the future. We're going to see a lot of data points and catalysts occurring even in the next couple of months, so everybody stay tuned.

Mike Alkin: Great. Alright, Scott. It's great talking. Good catching up and I'll see you soon. Thanks!

Scott Melbye: Thank you, Mike. Bye.

Mike Alkin: Well, I hope you enjoyed the conversation with Scott. I always enjoy speaking with him about uranium. He brings a great perspective to it. He's been doing this a really long time, and I've been fortunate in the few years I've been really focusing closely on the uranium sector, I've gotten to know some really experienced veterans who've been through a lot of up and down cycles, and it's great to get that perspective.

I will be bringing more and more uranium talk. My goal is to bring things that are relevant, and that can help open some, open your eyes to different investment opportunities. This podcast is not about finding growth investments. It's not about crypto-currencies. It's not about a lot of things. It's about the style of investing that I practice, which is deep value, contrarian, out of favor stuff. For my money, the best risk/reward I've ever seen is in the uranium sector, so as the weeks and months roll on, I'm sure we'll be spending a lot more time talking about that.

So, I hope you enjoyed it, and I hope you have a great week. I look forward to speaking with you next week. Thanks!

Announcer: The information presented on Talking Stocks over Beer is the opinion of its host and guests. You should not base your investment decisions solely on this broadcast. Remember, it's your money, and your responsibility.