CANADA-KOREA URANIUM TRADE

ISSUE

Canada is a major supplier of uranium to Korea and, as a reliable and competitive uranium producer, wishes to expand its sales to Korea.

BACKGROUND

Korea relies on nuclear generation for more than 40% of its electricity. Next to Japan, Korea is the largest market for uranium in East Asia and its expanding nuclear programme offers prospects for further sales. Korea's annual demand for uranium is expected to increase to 1400 tonnes U annually in the early 1990's, but they may start to consider new contracts soon. Currently, the Korean market is supplied by Canadian, Australian and French uranium with a very small amount from the USA.

Korea is acquiring over one-third of its uranium supplies from Canada. The Korea Electric Power Company (KEPCO) has placed long-term contracts with Canadian uranium producers for about 5,000 tonnes U through to the early 1990's. At a rate of about 470 tonnes U per year over the next six years, Canadian uranium exports to Korea are currently valued at about $40 million per year. While the current contract terminates in 1993, a contract signed in 1987 calls for deliveries of 200 tonnes U per year from 1993 through 2002, with provision for extension to 2012. Virtually all Canadian uranium exports to Korea come from Saskatchewan.

Korea has turned to acquiring a significant portion of domestic uranium requirements through equity production offshore. While Korea had been active in uranium exploration in Canada ($800,000 was spent on exploration in 1985), exploration activity has dropped off in the last couple of years as emphasis was transferred to equity participation in development properties. The Korea Electric Power Company (KEPCO) has acquired a 2% non-voting interest in the Cigar Lake joint venture in northern Saskatchewan. The Cigar Lake property contains the world's richest known concentration of uranium; start-up of production is targeted for the mid-1990's. KEPCO also has minority interests in other uranium properties in Saskatchewan, but development of these properties is unlikely before 2000.

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