
Energy Insider by William Engdahl

The U.S. uranium industry: now an endangered sector

With the Reagan administration now proposing to lift restrictions on domestic production of certain strategic minerals and energy resources, the frightening state of our strategically vital domestic uranium-mining industry has gone almost unnoticed.

Leading domestic uranium industry sources contacted recently have told *EIR* that the U.S. uranium mining industry is expected to shut down almost totally during the next several years. The U.S. uranium industry has been caught in the bind of a faltering nuclear industry, suffering from lack of production of reactors for both domestic use and for export, largely the result of assaults by various environmentalist groups. In addition, the United States has a large stockpile of already mined uranium, waiting to be milled. Further, the depressed U.S. economy and the lack of competitiveness of U.S. uranium on the world market, with prices of around \$30 to \$35 per pound, yielding 2-3 pounds per ton of ore, as compared with foreign ore that at a comparable price yields 5 pounds per ton of ore, means that the U.S. uranium industry will be unable to bounce back on its own.

One leading industry analyst projected that by 1990 U.S. production of U_3O_8 , uranium oxide or yellowcake, will be at about 16 million pounds per year. The U.S. uranium industry mined and milled 42.5 million pounds of yellowcake in 1980.

In 1978, New Mexico produced 46 percent of the total United States U_3O_8 concentrate. The Grand Junction, Colorado office of the U.S. Department of Energy calculates that New Mexico holds well over 50 percent of total domestic uranium reserves and, in the higher cost \$50 per pound category, New Mexico holds approximately 16 percent of the total assured world uranium reserves in the noncommunist world. Given that almost half of the U.S. reserves lie on Navajo Indian tribe lands, or on federal lands, Interior Department policies are also important to the future of the uranium industry.

New Mexico boom

A belt stretching in a 30-mile wide swatch running for approximately 100 miles in the northwest portion of

New Mexico, the so-called Grants Uranium Belt, is the single largest reserve in the United States. But over the last 15 months, several of the nation's largest uranium producers have been declaring bankruptcy.

The Grants belt has been an important mining area, along with areas in Colorado and Wyoming, since the 1950 Haystack Mountain discovery near Grants sparked the early uranium boom. The uranium industry has been a recipient of major capital inputs by such companies as Anaconda, Kerr-McGee, United Nuclear, Homestake, and others. There have been some 16 major exploration and production operations during the 1970s peak in the Grants belt alone. In addition, in the last seven to eight years, \$1 to \$2 billion has been invested in mining and related infrastructure by these firms.

But today, the area is becoming economically depressed. The large Church Rock, N.M. United Nuclear facility (see *EIR*, Feb. 3, 1981, "Uranium Production Threatened") exists on a day-to-day extension from the New Mexico Environmental Improvement Division, operating at only one-third capacity. And the large joint venture between Conoco and Wyoming Minerals Corporation to build an underground uranium mine at Crownpoint, N.M. will close down this June, two years before mining was to begin, unless there is a dramatic act of Divine Providence.

Other firms, like Getty, have had heavy layoffs. Phillips is reportedly getting out of uranium altogether, and Anaconda closed its Jackpile open pit mine in February. One affected official told me, "We're killing the whole bloody industry." Uncounted smaller independent operations have also shut down.

'Scissors pinch'

A leading executive of a major Colorado uranium company told me that by his calculations, total uranium milling capacity for New Mexico, Utah, Colorado, Wyoming, and Texas has been reduced by more than 36 million pounds of yellowcake from the peak of 1980, when market price was \$43 per pound. Today, it is between \$24 and \$27 per pound. That price collapse and the astronomical increase in mining costs has helped

put U.S. uranium mining at the mercy of foreign sources, especially Canada, one of the five largest producers in the world. Unlike the United States, Canada has recently undertaken major exploration projects in Saskatchewan that will greatly increase its uranium production.

A close look at the reasons for this deadly economic "scissors pinch" of rising costs and collapsing market prices is in order. Details of the control of the world uranium market are as murky and sinister as the international diamond market. The machinations describing how the world uranium price market tracked the 1973-74 OPEC price hike by rising almost 400 percent to now collapse to nearly half uranium's January 1980 level of \$43 per pound is material for an entire exposé in itself. But such price oscillations would not have had such a disastrous impact on the U.S. economy were it not for the quiet, but effective, deployment against the uranium industry by the environmentalist movement, many paid with government funds from the Bureau of Indian Affairs, VISTA, or other sources, during the Carter administration.

The Crownpoint case

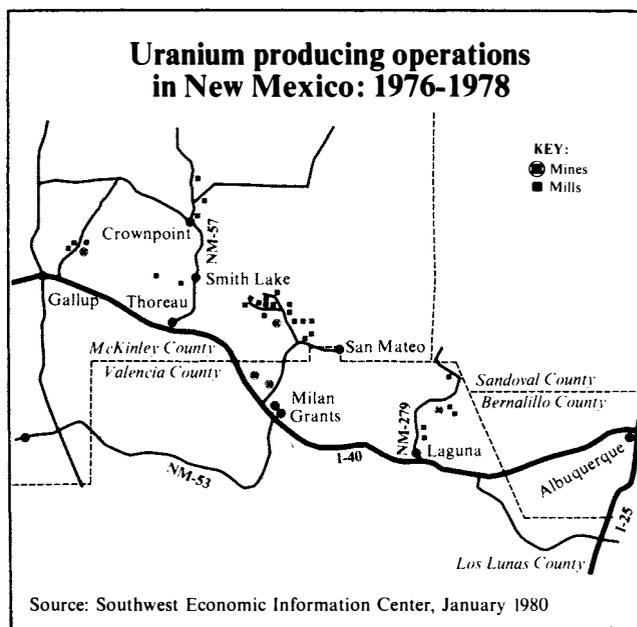
One of the best recent examples that illustrates the larger pattern is the environmentalist deployment against the Conoco/Wyoming Minerals joint venture at Crownpoint, N.M. With grant money provided by "environmentalist" oilman Robert O. Anderson's Aspen Institute, a handful of self-appointed guardians of the town of Crownpoint and the local Navajo tribe has set out to destroy this joint mining venture.

Among these "guardians" is a self-described ecologist, Donald Levering, of the Crownpoint Citizens Alliance, an unofficial "community organizing project," who is working with Paul Robinson, of the innocuous-sounding but arch-environmentalist Southwest Research and Information Center, and government-paid attorneys from the DNA People's Legal Services, Inc.

Robinson and Levering's environmentalist campaign has zeroed in on fostering hysteria in the community via the local press that the nearby uranium mines are depleting and contaminating Crownpoint's aquifer.

In their campaign, the environmentalists have omitted the fact that given the chronic water shortages of the desert Southwest, the state of New Mexico has passed strict laws that require that any water depleted by uranium mining must be replaced.

Spurious studies by the environmentalists and a legal-services organization called Crownpoint Energy Impact Review and Study Committee ostensibly show a 50-foot drop in the surrounding aquifer level, claiming that the uranium mining is the cause. Indeed, as Conoco



and other companies state, uranium mining uses water in its "de-watering" phase. But in conformity with New Mexico state law, the Conoco project has drilled new water wells that have increased Crownpoint's water supply. In addition, the Conoco mining project has not yet entered the de-watering phase.

Economic losses

As a result of the cost escalations and other obstructions, the Crownpoint project will never mine one ounce of uranium. Locally, the Navajos, over 50 percent of the mining labor force, will suffer direct losses. One frustrated, and slightly bitter commentator I spoke with acidly commented that the prime beneficiaries will be Levering, Robinson, and the Indian Health Service and People's Legal Services, since their "clientele" on the Navajo reservation will remain impoverished. When the British did this in India in the 19th century, good Americans called the perpetuation of such poverty and underdevelopment racism.

The Crownpoint case has been replicated in both Colorado and Wyoming. Substantial untouched reserves of uranium also exist east of the Mississippi, locked up on RARE II wilderness lands. Ultimately, as one industry source told me, "If we permit ourselves to become dependent on foreign supplies [of uranium], U.S. uranium mining will die on the vine. Hence, we will have painted ourselves into the same corner as with foreign oil dependence: hostage to supply and holdup tactics on price regardless of how many nuclear plants we build and operate."

Since *one pound* of U_3O_8 yields as much energy as *ten tons* of coal, does it make sense for the United States to kill off its uranium industry?