



## Why are Cameco's Shares Surging?

### Description

Better late than never. **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) announced that after years of delays, production at Cigar Lake has begun. In response the company's shares have climbed over 2% on a day when the TSX is down. The shares are now up over 50% since October.

Cigar Lake had a history of flooding going all the way back to 2006, but it wasn't until early 2010 that the mine was eventually pumped out. More recently, CEO Tim Gitzel said in September that production wouldn't begin until early 2014, the latest in a long string of delays. And it will take another four years for the mine to reach its full capacity of 18 million pounds of concentrate per year.

Nevertheless, the start-up is cause for celebration. Mr. Gitzel referred to Cigar Lake as "one of the most technically challenging mining projects in the world." He added that the start of production is "a tremendous achievement." And it couldn't have come at a better time.

### The Japanese restart

Since taking office in 2012, Japanese Prime Minister Shinzo Abe has made it clear that he believes nuclear power needs to play a role in Japan's future. And in late February, a draft government plan effectively overturns a phase-out of Japan's nuclear power industry. Once the plan receives cabinet approval, it could open the door to restarting some of the country's idle reactors.

This is something that Japan needs to do. Since shutting down its nuclear reactors after the March 2011 Fukushima disaster, Japan has relied more and more on fossil fuels, including liquefied natural gas imports. The LNG imports have come at record high prices, and have hurt Japan's competitiveness.

Importantly, the Japanese experience since Fukushima shows that eliminating nuclear power comes with dire consequences. A Japanese nuclear renaissance could even provide an example for other countries that have turned a cold shoulder towards nuclear, such as Germany.

### Renewed optimism

There is much more optimism surrounding Cameco than at any time since Fukushima. As noted in [a previous article](#), top billionaire money managers have also been putting their money into shares of Cameco.

Certainly hopes have been increasing for all uranium miners, not just Cameco. For example **Denison Mines** ([TSX:DML](#)) has seen its stock price increase by over 75% in less than six months. While Denison has had some operational successes, and been the subject of takeover rumours, the company provides another example of renewed hopes for the industry.

### **Foolish bottom line**

Cameco shares are still trading 34% below their peak, which of course was right before the Fukushima disaster. And this is despite the progress at Cigar Lake. So clearly there is still skepticism surrounding the company and nuclear power in general.

For investors who believe in nuclear power, Cameco shares are a great way to make that bet.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)
3. TSX:DML (Denison Mines Corp.)

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