



## The Case to Avoid Cameco Corporation...Forever

### Description

We all know the future of coal-fired power is in doubt.

Sure, technology is improving to make coal cleaner, and the fuel is cheap, but that's about all the positives you can say about it. With hundreds of coal-fired plants around the world either planning to convert or have already converted to natural gas with the encouragement of government, it's obvious the writing is on the wall. Even China, the last big growth area for coal power, is moving away from coal in a big way, turning to nuclear and solar energy for its long-term needs.

This creates an opportunity for investors. Thousands of coal plants will reach the end of their lives over the next few decades and will need to be replaced by cleaner burning fuels. Investors of **Cameco Corporation** ([TSX:CCO](#))([NYSE:CCJ](#)) are excited about this, hoping that nuclear power will step in and fill the void.

But will it? That's where I'm skeptical.

### Alternatives

For the most part, nuclear power is a feasible option. It's expensive to construct day one, but operating costs are much lower than other types of power. It's also a very efficient source of power, at least compared to burning things like coal. There's a lot of energy in uranium. There's also nuclear waste generated, but as technology improves, the amount of waste generated goes down.

But there's one huge downfall, and that's safety. Don't get me wrong, I'm not assuming nuclear power is unsafe even for a second. But the fact remains that when things go wrong, they can go very wrong. Because of that what-if scenario, many people have a love/hate relationship with nuclear power—they like it, just not in their backyard.

Then there are alternative sources of energy. Solar power is growing like a weed, constantly fueled by advances in technology and better efficiency. A recent research paper claimed that half of the United States' power would be generated by solar panels as soon as 2025. Wind power is also a factor, and we've barely explored alternatives like geothermal, wave, and thorium power.

As all these other alternatives gain more traction, what chance does nuclear have? These sources of power are cleaner, cost significantly less to develop, and don't have the same catastrophic consequences when something goes wrong.

It's not like the developed world needs tons of new capacity. From 2003 to 2013, reported electricity consumption in the United States rose from 3.49 million thousand megawatt hours to 3.72 million. That's just a 6.6% jump in a decade even though the number of paying customers rose by 8.8%.

In China, where consumption is growing much faster than 6.6% in a decade, they need all the new power they can get. In North America, we can afford to be more selective. Eventually, China will slow and will be able to be more selective, too.

### **The good news for Cameco**

On the surface, this doesn't look great for Cameco, the world's largest supplier of uranium. If there isn't growth in nuclear power, the price of the commodity will probably go down.

But fortunately for shareholders, it's not quite that simple. As the largest player in the industry, Cameco has the potential to outlast its smaller competitors, holding onto its market share as others are forced to pack it in.

Still, that's not a great position to be in. Even if Cameco survives a prolonged price drought, its reward is to be the leader in a crummy industry. I'm not sure I'd be hitching my wagon to an investment with that kind of long-term potential. There are just too many legitimate alternative energy sources to really get excited about.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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## Tags

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