



## Uranium Stocks – Time to Buy?

### Description

Nuclear energy is all the rage these days. The world is in an energy crisis, and countries are rushing to embrace nuclear in response to it. Just recently, the European Union (EU) voted to allow companies to describe nuclear energy as ‘green.’ It was a bold step toward nuclear adoption for a continent that, until recently, had largely abandoned it.

For investors, this situation presents interesting opportunities. There are many ways to invest in nuclear energy, both directly in Nuclear Power Plants, and indirectly in the form of Uranium. Last week, the research firm Breakthrough Institute put out a note touting Nuclear Energy’s ability to help the environment and enrich investors. In this article I will explore Uranium stocks and analyze whether they are worth investing in.

### Why nuclear is in vogue

Nuclear energy is in vogue right now because of the energy crisis the world is facing. There isn’t enough oil to go around, and renewables aren’t making up the difference. In such a situation, it’s natural to look to nuclear, and many countries are. The price of Uranium has doubled since the start of 2018, likely due to more countries embracing nuclear. In addition to the EU embracing nuclear, Japan also recently vowed to restart several nuclear reactors, more than a decade after that country’s notorious Fukushima incident.

Getting off fossil fuels is a major priority for the world’s leaders. Until now, most of the effort in that area has focused on renewables like wind and solar. Renewables are used in several countries, but rarely at a level that can power whole grids. For that kind of green energy, we need nuclear, which is gaining in popularity after years of being seen as dangerous.

### Uranium stocks

The obvious way to play nuclear energy is through Uranium stocks. Uranium is the fuel used at nuclear reactors. Many of the companies that produce Uranium are publicly listed, which means that you can

invest in them.

Take **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)), for example. It's a Canadian Uranium mining company that supplies fuel for nuclear reactors worldwide. The company has:

- 464 million pounds of proven Uranium reserves.
- 30 million pounds of annual Uranium production.
- Positive net income.

These are all desirable and promising characteristics. However, Cameco's long-term growth has not been so great. Over the last decade, Cameco's revenue has fallen rather than grown, and it's the same story with earnings. Part of this can be explained by the lack of interest in nuclear energy in recent years. After the Fukushima reactor incident, not many countries started new nuclear projects. That is changing, so perhaps Cameco will do better in the future.

However, Uranium mining will most likely never be a thriving industry in the way that oil and gas is today. The amount of Uranium needed to power a city is nothing compared to the amount of coal needed to do the same. Sure, demand for Uranium will increase, but it's so abundant compared to oil, that it doesn't look like an industry which is going to produce explosive profits. Scientists say there's enough Uranium in the oceans to power humanity's energy needs for 60,000 years. So Uranium is very useful, but it's not exactly a scarce commodity.

To me, the most interesting nuclear plays are electric utilities that [operate nuclear power plants](#). There are publicly traded [defensive stocks](#) like **Duke Energy** ([NYSE:DUK](#)) that fit this description. They let you share in the earnings of nuclear power production, but with far more revenue stability than a mining operation could ever have. However, being utilities, they operate in limited service areas that have regulated rates. It results in revenue growth that's slow and stable rather than explosive, as can be the case with mining upstarts. For example, Duke's revenue growth rate this year is 8.5%—decent, but not amazing. Owning a stock like Duke Energy is not as romantic as owning a Uranium mine that solves the world's energy crisis, but it's perhaps a little more practical.

## CATEGORY

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2. Investing

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#### **Date**

2025/08/18

#### **Date Created**

2022/07/21

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