Niger, Uranium, and the Coup d’etat

By Baba Freeman

The recent coup d'etat in Niger, a key supplier of uranium, has created some level of anxiety in the market and brought forward new questions for stakeholders across the industry and the West African sub-region. The event calls for a fresh look at the potential market impact and the way forward to resolving the current disputation in a manner that preserves Niger’s development agenda, minimizes political risk to investors, and aids the emergence of a more resilient global critical minerals supply chain.

Niger: A situational context

Niger supplies about 24 percent of the EU’s uranium requirements and its resources are essential to meeting global demand. Niger’s economic and social indices paint a picture of widespread impoverishment. Its 2022 GDP per capita was about US$533 and about 50 percent of its population lives on less than $2.15 a day. To compound this, it has been racked by religious insurgency which has taken the lives of thousands of its citizens and created many internally displaced persons.

Despite this, it has successfully attracted investments to develop its uranium resources and produces about 4 percent of global supply. It also made steady strides in oil and gas exploration producing about 20,000 barrels per day with plans to reach a production level of 110,000 barrels per day. Niger’s geographic location also puts it at a vantage point to host portions of the proposed Trans-Saharan Gas Pipeline (TSGP) which would carry natural gas from the Niger Delta to Western European markets via Algeria.

The coup and its aftermath

Niger’s natural resource development potential, the stability of the uranium market, and the energy security of large consumers of nuclear energy have all been shaken by the recent coup d’etat which overthrew its elected government in late July. In response, there has been widespread reaction from a diverse range of actors, and presently, the impact of a potential market disruption and its duration are hard to predict but may yet depend on the interplay of the range of planned interventions underway.

To start with, ECOWAS, the regional bloc has threatened to use military force to restore democracy if diplomacy does not yield results, and military mobilization is currently in progress as high-level military commanders convene to plan possible paths of action and the creation of a “standby force”. ECOWAS countries are however split as the Malian and Burkinabe governments, controlled by earlier military putschists, have sworn to join in the defense of the Niger junta against military intervention by ECOWAS. Notably, while military planning is underway, there is a general lack of support for military action. Weak
economic performance across the region may also make it hard to sustain the required effort. Nevertheless, despite these factors, violent conflict remains a credible possibility.

**Market impact, urgent questions, and the way forward**

An escalation of the current standoff may disrupt the supply of uranium and add to the recent price distress in European energy markets because nuclear power generators have fuel costs that are about 24 percent of fossil-powered steam-based generators, making operating nuclear power facilities very cost-competitive. Hence, it would be incredibly expensive for nuclear power-dependent countries such as France to cope with sustained shocks to uranium supply. This situation is further complicated by the ongoing decoupling of European energy markets from Russian sources which commenced after it invaded Ukraine. Even so, several countries such as South Korea are expected to increase the share of electricity they generate from nuclear power to stop the rise in retail power prices or reduce the probability of similar outcomes in the future.

Yet another key consideration is that nuclear energy is the second largest source of low-carbon power and is essential to achieving net zero emissions targets and limiting global warming. For these reasons, urgent questions have emerged regarding how nuclear power-consuming countries should respond to the threat of prolonged disruption to the supply of uranium from Niger.

The first good news is that Niger’s uranium output accounts for only about 5 percent of global supply. Yet another incremental 85 percent of global uranium production originates from countries (ex-China, ex-Russia) that are not currently in geopolitical competition or trade confrontation with Europe, the United States, or Canada where nuclear power comprises a large portion of electric power supply.

Secondly, the unremarkable change in uranium spot prices since the coup in Niger suggests the market does not foresee significant disruptions to global uranium supply. The low weight associated with variability in Niger’s uranium production may be driven by historical trends. For example, while global uranium production increased by 1.2 percent in 2020-21, Niger’s uranium output fell by almost 25 percent in the same period. Furthermore, in 2016-20 period, total expenditure (from domestic and overseas sources) on uranium exploration and development in Niger amounted to less than 1 percent of global expenditure. Recent studies also show that as prices rise to about US$58 per pound, uranium from other jurisdictions could displace about 38 percent of Niger’s uranium from the market (based on source proximity to committed production centers).

These insights support an inference that the recent military takeover in Niger is unlikely to have a significant long-term effect on global uranium supply. As such, it may be tempting to close the book and go home. However, given that Niger has been an enduring pro-western node in the uranium supply chain for decades, and welcomed substantial investments in developing its uranium resources, any politically-induced disruption to operations may have unpredictable effects on regional development and the attainment of the United States’ strategic goals. Accordingly, it behooves all stakeholders - public, private, domestic, regional, and international to commit to Niger’s political stability to minimize investment risks in the region. From the perspective of the United States, its ongoing effort to boost critical minerals supply from, and expand EV and battery supply chains that are less dependent on China makes this task a top priority.
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