

Uranium: Kazatomprom's Major Deals With CNNC and Rosatom

Copyright © 2023 [Energy Intelligence Group](#) All rights reserved. Unauthorized access or electronic forwarding, even for internal use, is prohibited.

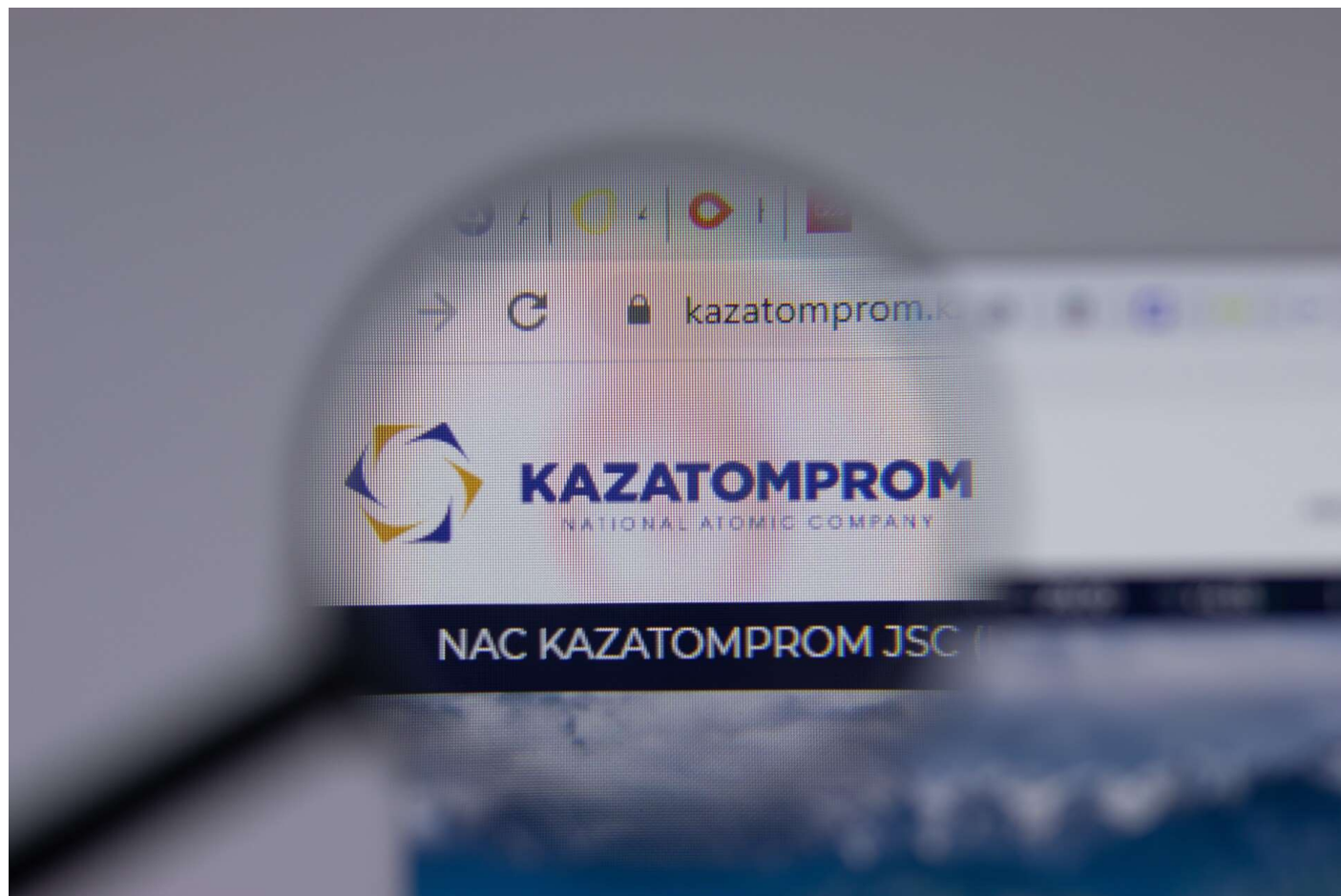
Fri, May 26, 2023

Author

[Grace Symes, London](#)

Editor

[Phil Chaffee](#)



Postmodern Studio/Shutterstock

Two recent Kazakh uranium deals — one the sale of a 49% stake in the country's second-largest uranium deposit to subsidiaries of Rosatom, and a long-term sales agreement with a Chinese nuclear champion approved this week — demonstrate Astana's deepening relationships with both China and Russia. In the 16 months since largely Russian troops quelled the [furious street protests](#) that threatened to bring down the government of President Kassym-Zhomart Tokayev in January 2022, Tokayev has resisted Belarus-style obeisance to Moscow, notably not recognizing Russia's annexation of eastern Ukraine and complying with anti-Russian Western sanctions. But Tokayev has also refrained from cutting ties with Moscow — Kazakh-Russian trade volumes have [grown](#) since Russia's invasion of Ukraine — even as he steps up commercial ties with long-standing partner China.

Last year, a Russian billionaire and Kazakh oligarch sold their 100% stake in Stepnogorsk Mining and Chemical Plant to two Rosatom subsidiaries, essentially giving Rosatom a 49% stake in the

Budenovskoye joint venture (JV), with Kazatomprom holding the remaining 51%. While Kazatomprom had no role in the deal, it gives Rosatom access to a massive mining operation under development in Kazakhstan. Then this week shareholders at Kazatomprom's May 25 Annual General Meeting approved a long-term supply contract with a subsidiary of China National Nuclear Corp. (CNNC), the ultimate value of which is more than 50% of the current total book value of Kazatomprom's assets. The shareholder vote "allows concluding other transactions" with CNNC Overseas, said Kazatomprom, as long as they don't exceed 200% of the total book value of Kazatomprom's assets.

China already accounted for on average 35% of Kazatomprom's total sales revenue over the last five years. But the newly approved CNNC Overseas contract cements China's place as Kazatomprom's top customer. And that's to say nothing of the yellowcake China imports from Kazakhstan via contracts with various Kazatomprom JV partners, such as Cameco or Orano.

As it gets more difficult for Kazatomprom to transport material to the West, exporting more of its production to China "makes sense," Marie Dumoulin, director of the Wider Europe Program at the European Council on Foreign Relations, told Energy Intelligence. "There is no [complex] transport element to it" — it just requires putting material on a train.

The deal with CNNC Overseas, however, doesn't appear to include any equity stakes in Kazakh uranium projects. Even though China General Nuclear (CGN) locked in Kazakh uranium equity years ago, the CNNC rival only has an equity stake in 21,560 tons of enriched uranium of reserves, or 3.7% of the total reserves of 588,800 tU booked by Kazatomprom's operating ventures and advanced exploration properties as of Dec. 31. Compare that to Rosatom subsidiary Uranium One, which last year had equity ownership of 90,930 tU of reserves (15.4%) before it apparently bought an indirect 49% stake in the JV developing Budenovskoye-6 and -7. That boosts Rosatom's total Kazakh uranium reserves to 146.9 tU, or 25% of Kazakhstan's commercial uranium in the ground.

While China and Russia are not necessarily competitors in Central Asia — "their interests are aligned pretty closely in a lot of ways — they want continued authoritarian rule, they want stability, they want basically the West to stay out of the region," one analyst told Energy Intelligence. The Budenovskoye-6 and -7 deal marks a major strategic nuclear sector victory for Russian President Vladimir Putin not yet matched by any Chinese deal.

A 'Backdoor Deal'

The enormous shift in Rosatom's position was first revealed in Kazatomprom's recently released 2022 operating results, which declared that there was "a change in the composition of the participants of Stepnogorsk Mining and Chemical Plant LLP," which now includes Uranium One Group JSC and NFC Logistics JSC, two Rosatom subsidiaries. These subsidiaries now own 100% of Stepnogorsk Mining, previously owned by Degevol UK. This, in turn, gives Rosatom a 49% stake in the Budenovskoye JV, which is building out an operation to mine the Budenovskoye-6 and -7 deposits. Kazatomprom continues to hold a 51% stake in the operation, which is set to come on line rapidly: production is expected to begin in 2024 and by 2026 ramp up to an annual output of more than 15 million pounds of U3O8 per year over the coming decades.

That will make Budenovskoye-6 and -7 one of the world's largest uranium mines, and it's notable that neither Kazatomprom nor Rosatom has until now made mention of the transaction beyond a sentence buried in the Kazatomprom filing. A Rosatom spokesperson did not respond to Energy Intelligence's questions on the matter.

"It's a backdoor deal imposed by the government," a Kazakh source told Energy Intelligence. "Kazatomprom got nothing out of it." The source speculated that the deal may have cost Rosatom nearly \$1.5 billion, although none of that money went to Kazatomprom. This is a stark contrast to the last time Astana allowed external players to take an equity stake in a uranium JV, when CGN took a 49% stake in the Ortalyk mine in 2021. In that instance, CGN received the stake in return for \$435 million, and for completing work on the Ulba fuel fabrication plant it had under way with Kazatomprom.

All of which begs the question: Kazatomprom may have had no say in the ultimate ownership of its partner at Budenovskoye-6 and -7, but why did Astana — which controls 75% of Kazatomprom's share capital through the sovereign wealth fund — allow such a valuable asset to shift hands?

The answer may be found in the asset's previous owner, Degevol UK. When this holding company was established in February 2017, a filing revealed the ultimate owners: a majority stake was controlled by Russian billionaire and (possibly former) Putin ally Vasily Anisimov, and a minority stake by Kazakh billionaire Yakov Klebanov. The latter figure was mentioned in the UK Parliament last February by MP Margaret Hodge, as she urged the UK government to target Kazakhs suspected of corruption. Klebanov and his father Alexander Klebanov "act as financial proxies" for the family of former Kazakh President Nursultan Nazarbayev, alleged Hodge, and "are thought to have helped" Nazarbayev's eldest daughter avoid an "unexplained wealth order" from the UK government.

Sources speculated to Energy Intelligence that the deal for Degevol to sell its stake in Stepnogorsk Mining to the Rosatom subsidiaries was an arrangement between the former president's network and the Tokayev government, as the latter works to dismantle the Nazarbayev power base, particularly in the energy sector. But it may also reflect the changing fortunes of Degevol majority owner Anisimov, who in June 2022 changed his citizenship to Cyprus and his official residency to Switzerland.

A Complex Triangle

No matter the origin of the deal, it's now clear that Rosatom will play an outsized role in the world's largest uranium producer, even as it is slowly cut off from supplying fuel to nuclear operators in Europe and the US. Indeed, Rosatom's pro rata equity offtake from Budenovskoye-6 and -7 will likely by itself surpass domestic Russian uranium output, raising the question of what Rosatom will do with all this material. One obvious answer would be to sell it to the Chinese, although it's not clear to what extent Moscow has any interest in selling on yellowcake — as opposed to low-enriched uranium or fuel assemblies.

For the Chinese part, the CNNC Overseas deal with Kazatomprom will surely make a dent in Chinese uranium demand going forward, given the scale hinted at by Kazatomprom's filings on the subject. During Tokayev's visit last week to the Chinese city of Xi'an, for a Central Asian summit hosted by

Chinese President Xi Jinping, a May 17 joint statement from the two leaders only mentioned uranium in passing, in a pledge to "continue to deepen cooperation in the fields of oil, natural gas and natural uranium." While the summit saw Tokayev sign 47 deals with China worth \$22 billion, including major deals between Kazakh state oil company Kazmunaigas and China's Sinopec and China National Petroleum Corp., there was no mention of any new commercial uranium deals.

With Rosatom on the ascendancy with Kazatomprom, the next area to watch in the nuclear sphere will be on the reactor side, where CNNC and Rosatom are both in the running to provide Kazakhstan's first nuclear power plant. But "how the war develops will dictate the future of their relationship," Dumoulin said of Russia and Kazakhstan. Kazatomprom is also wary of the impact of Western sanctions on its Russian partnerships and that Kazakh ties to Russia will damage its relationship with the West — where the EU is its biggest foreign investor and trading partner.

KAZAKH URANIUM PRODUCTION

Joint Venture	Ownership*	Deposits	Reserves* ('000 tU)	Resources* ('000 tU)	%Chg. in Production	2022	2021	2020	2019
Kazatomprom-SaUran	Kazatomprom (100%)	Uvanas, Eastern Mynkuduk, Kanzhugan, South Moinkum (southern), Central Moinkum	21.6	23.8	-15%	1,273	1,493	1,230	1,541
RU-6	Kazatomprom (100%)	North Karamarun, South Karamarun	12.7	12.7	4	830	800	660	864
Appak	Kazatomprom (65%), Sumitomo (25%), Kansai (10%)	Western Mynkuduk	15.4	15.4	0	803	805	633	800
Inkai	Kazatomprom (60%), Cameco (40%)	Inkai-1 a, b, c	127.7	148.0	-7	3,201	3,449	2,693	3,209
Baiken-U	Kazatomprom (52.5%),	North Kharassan-2	15.6	15.6	7	1,315	1,230	1,181	1,560

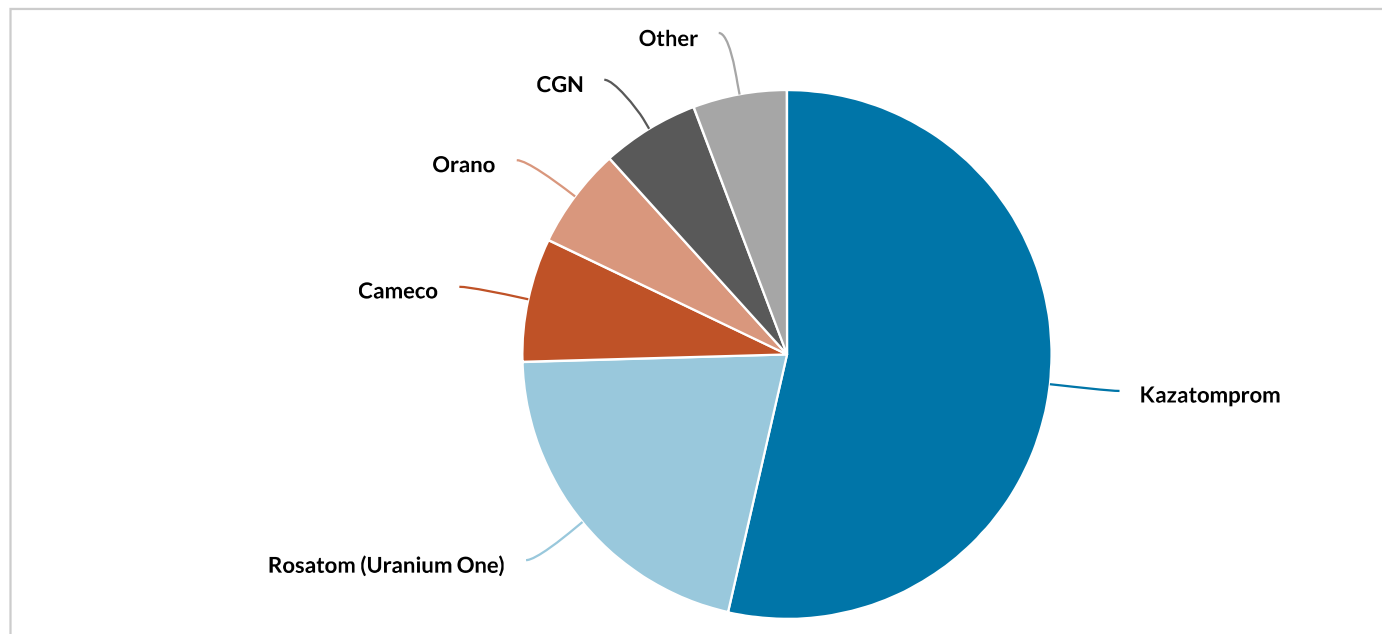
Energy Asia (47.5%)									
Ortalyk	Kazatomprom (51%), CGN (49%)	Central Mynkuduk, Zhalpak	35.4	35.4	4	1,650	1,579	1,308	1,694
Semizbai-U	Kazatomprom (51%) CGN (49%)	Irkol, Semizbai	8.6	20.2	-2	940	962	753	960
Karatau	Kazatomprom (50%), Rosatom (50%)	Budenovskoye- 2	35.9	35.9	0	2,560	2,561	2,460	2,600
Akbastau	Kazatomprom (50%), Rosatom (50%)	Budenovskoye- 1, -3, -4	36.2	36.2	0	1,545	1,545	1,363	1,550
Khorasan-U	Kazatomprom (50%), Rosatom (30%), Energy Asia (20%)	North Kharassan-1	34.8	34.8	0	1,580	1,579	1,455	1,599
Zarechnoye	Kazatomprom (49.98%), Rosatom (49.98%)	Zarechnoye	4.2	4.8	13	741	655	648	778
Katco	Kazatomprom (49%), Orano (51%)	Southern Moinkum (northern), Tortkuduk	51.1	56.1	-10	2,564	2,840	2,833	3,252
SMCC	Kazatomprom (30%), Rosatom (70%)	Akdala, Inkai-4	75.4	77.6	-4	2,225	2,321	2,260	2,401
Budenovskoye	Kazatomprom (51%), Stepnogorsk Mining & Chemical Plant (49%)	Budenovskoye- 6, -7	114.2	120.1	--	--	--	--	--
Kazatomprom	Kazatomprom (100%)	Inkai-2, -3, East Zhalpak, East Moinkum	--	125.1	--	--	--	--	--

Total	-3%	21,227	21,819	19,477	22,808
-------	-----	--------	--------	--------	--------

Note: tU as U3O8. *As of Dec. 31, 2022. Source: Kazatomprom and Cameco filings, Energy Intelligence

KAZAKH URANIUM PRODUCTION BY EQUITY OWNER, 2022

(tU)



Source: Kazatomprom filings

EQUITY OWNERSHIP OF KAZAKH URANIUM PRODUCTION AND RESOURCES*

Uranium Company	Reserves† ('000 tU)	Resources† ('000 tU)	%Chg. in Production	2022	2021	2020	2019	2018
Kazatomprom	365	525	-4%	11,373	11,857	10,797	13,368	12,712
Rosatom (Uranium One)	91	93	-1	4,454	4,479	4,254	4,624	4,392
Cameco	51	59	-22	1,606	2,049	1,539	1,346	1,104
Orano	26	29	-10	1,308	1,448	1,445	1,659	1,638
CGN	22	27	58	1,269	803	1,010	1,300	1,309
Energy Asia's Non-Kazatomprom	18	18	5%	941	900	852	1,061	1,108

Owners†					
---------	--	--	--	--	--

Note: tU as U3O8.*Ownership structure doesn't include the change in ownership of Stepnogorsk Mining & Chemical Plant. †Energy Asia Holdings and subsidiary Energy Asia (BVI) were both restructured in December 2018 to allow Kazatomprom participation: 16.06% in the former and 40.05% in the latter. The other owners of both companies are not public, although historically they were Japanese nuclear firms and the largest owner was Marubeni Corp., which did not respond to Energy Intelligence's questions on the matter. Kazatomprom's indirect ownership of uranium from Khorasan-U and Baiken-U is included in its own figures in this table. Source: Kazatomprom and Cameco filings, Energy Intelligence

Topics: [Nuclear Fuel](#), [Trade](#)