

Germany gives green light to Urenco sale

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Germany gave the green light to its utilities' plans to sell their stakes in Urenco, clearing the way for a long-awaited tender for the world's second-largest maker of nuclear fuel.

A consortium behind a former Urenco director told Reuters on Tuesday it was ready to make a bid for the unlisted uranium enricher, which it values at around €10-billion (\$13.2-billion).

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On Monday, sources told Reuters that Areva Group and Japan's Toshiba Corp. were considering bids for the company, co-owned by the British government, the Dutch government and Germany's utilities RWE and E.ON. Each has one-third.

"The government of the United Kingdom as well as RWE and E.ON are interested in disposing of their stake," the German economy ministry said in a written response to questions from a member of the German parliament. It added that any sale must respect the nuclear non-proliferation treaty.

The Dutch government reiterated its long-held position that it does not want to sell, but a source familiar with Urenco's shareholder structure said a sale of the British and German stakes would be possible if the Dutch authorities are convinced there is no proliferation risk.

"We are perfectly happy with the current ownership structure. Urenco is involved in enriching uranium and we think it is best to keep this knowledge in safe hands," said Esther Benschop, a spokeswoman for the Dutch Economy ministry.

She added the Dutch government had appointed ABN Amro to advise it, but said this will focus on how to handle any sale of the Dutch and German stakes.

She also said the Dutch government – like the German and British governments – has the right to veto any sale but it had not used it yet because there was no concrete proposal.

Urenco was set up in 1971 under the Treaty of Almelo between Germany, Britain and the Netherlands, which regulates the use of uranium enrichment for civil purposes.

Insiders say the three governments can sell their stake, but ownership of the shares does not provide access to the ultra-secret enrichment technology and that governments remain responsible for preventing proliferation.

Germany has already sold its stake to RWE and E.ON, who are considering offloading it following the country's decision to stop using nuclear plants for electricity generation.

“Urenco is not part of our core business,” RWE chief operating officer Rolf Martin Schmitz said on Tuesday. He would not comment on whether RWE planned to sell its stake or was in talks to do so.

German utilities are preparing for a nuclear-free future following the government’s decision to phase out atomic power in the wake of the Fukushima disaster in Japan in 2011.

According to people familiar with the matter, Urenco and its shareholders have started to prepare a sales process.

A banking source told Reuters that Urenco is looking for an investment bank to advise it and that it is preparing due diligence and an information memorandum for potential buyers.

Two people familiar with the deal said a price of €8-billion to €10-billion (\$10.7-billion to \$13.3-billion U.S.) – or roughly eight to 10 times Urenco’s expected 2012 earnings before interest, taxes, depreciation and amortization – was considered realistic.

A person close to Toshiba said the firm had considered a bid before Fukushima, adding it had no plan to buy Urenco but that if it found partners, it might consider a joint bid.

A former Urenco executive said a consortium of companies was ready to bid for the U.K. and Germany’s combined 66-per-cent stake.

Patrick Upson, former Urenco technology director and former chief executive of Enrichment Technology, a joint venture between Urenco and Areva, declined to name the consortium’s partners but said they would step forward once the tender was opened.

Mr. Upson said he valued Urenco at around €10-billion (\$13.3-billion), depending on the terms of the sale, and said the consortium would consider buying 100 per cent of Urenco if the Dutch government decided to sell its stake after all.

He indicated that the consortium, which has not yet been finalized, would consist of industrial and financial partners.

“We do remain in the running, very strongly,” Mr. Upson told Reuters on Tuesday, adding that he expected the tender to be launched around the end of March.

U.K. media reported in August that Mr. Upson was attempting to put together a consortium to bid for Urenco.

Urenco is the second largest of four major nuclear fuel producers, behind Russian firm Tenex and ahead of U.S. company USEC Inc. and Areva, according to World Nuclear Association data.

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