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Korea Electric Rises After Canadian Uranium Discovery (Update3)

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(Updates with closing share price in second paragraph.)

By Shinhye Kang

May 19 (Bloomberg) -- Korea Electric Power Corp., South Korea's biggest electricity producer, climbed the most in a week in Seoul trading after announcing a high-grade uranium discovery in Canada.

The shares rose 3.5 percent, the biggest gain since May 13, to close at 32,400 won. The stock is the best performer in the MSCI AC Asia Pacific utility index, which excludes generators in Japan. The benchmark Kospi index dropped 0.8 percent.

South Korea, which imports almost all of its energy and minerals needs, is competing with China, India and Russia in the search for uranium to power nuclear reactors. About 200 gigawatts of atomic capacity are planned or under construction globally as demand for clean energy rises, according to a report by Nomura International in January.

"The uranium discovery would be a positive factor in the long term," said Yoo Deok Sang, an analyst at Dongbu Securities Co. Investors who seek safety in utilities during market uncertainty are buying Korea Electric shares, and weaker crude prices also supported the stock, said Yoo.

Crude oil, trading near seven-month lows, will help cut raw-material costs for the utility.

Exploration Spending

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Korea Electric and its partners have spent \$15 million since January 2008 on exploration in the Waterbury Lake area, the state-run utility said in a statement today, without giving details including reserves and the expected timing of production.

Annual uranium consumption in South Korea may rise to 7,600 metric tons by 2020 from about 4,000 tons, Chang Joo Ok, vice president of Korea Electric, said on March 19. South Korea plans to add eight atomic plants by 2016.

Partners in the Canadian venture include Korea Hydro & Nuclear Power Co., Korea Nuclear Fuel Co., Hanwha Corp. and Gravis Capital Corp. Among the Korean companies, Korea Electric holds the biggest stake of 20 percent while Korea Hydro owns 15 percent. The other three companies have 5 percent each. Canada's Fission Energy Corp. has 50 percent.

Canada, Australia and Kazakhstan collectively supply about 60 percent of the world's uranium, Ivan Lee, an analyst at Nomura, said in the January report.

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