U.S. Department of Energy Awards Peabody's Mustang Energy Project With a Clean Coal Power Initiative Grant

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U.S. Secretary of Energy Spencer Abraham today announced that Peabody's Mustang Energy project will be presented with a $19.7 million Clean Coal Power Initiative grant for demonstrating technology to achieve ultra-low emissions at the proposed 300 megawatt generating station near Grants, N.M.

The Clean Coal Power Initiative was established by Congress to assist with research and development of technologies to improve emissions from coal-fueled electric generating plants. Mustang is one of a number of grant recipients.

The Mustang Energy project is under development by Peabody using lands and coal reserves owned by the company. If successfully completed, the project would provide clean, low-cost electricity for Southwest families and would create skilled, high-paying jobs and millions of dollars in annual economic benefits.

Mustang would be built near Peabody's Lee Ranch Coal Company operations and would be fueled by about 1 million tons of coal each year. The power plant and coal mine would create 150 to 200 permanent jobs and would annually inject more than $15 million into the New Mexico economy in wages and benefits.

"This project showcases the value of coal to our nation's energy security," Secretary of Energy Spencer Abraham said. "Coal is our most abundant energy resource and, when it's used to power a clean coal plant such as Peabody's Mustang Energy project, it benefits everyone involved."

"Our goal for Mustang is to demonstrate technology that will continue to improve emissions from coal-fueled generating plants," said Roger B. Walcott Jr., Peabody's Executive Vice President for Corporate Development. "Peabody will continue to advocate research, development and deployment of advanced clean coal technologies."

Under the grant, Peabody would team up with Airborne Clean Energy, Veolia Water North America and Icon Construction in a commercial-scale demonstration of the Airborne Process™ scrubber, regeneration and fertilizer production systems.

The Department of Energy grant would be used to create a commercial scale demonstration of proprietary technology that operates in a manner similar to a traditional scrubber system. The system will employ sodium bicarbonate (baking soda) in the scrubber and is expected to achieve 99.5 percent removal of sulfur dioxide, 98 percent removal of nitrogen oxide and 90 percent removal of mercury. Byproducts from the scrubbing process -- sulfur and nitrogen -- will be used to create high value, granular fertilizer. The Mustang demonstration would be the largest application of the Airborne technology to date.

In addition to the ultra efficient scrubbing system, Mustang will minimize emissions and water use by employing low-NOx burners, fabric filtration and a dry cooling system. Mustang will repay the Department of Energy grant as the technology is demonstrated.

The site for Mustang was selected for its access to coal, land, transmission and rail services. The permit for the mine to supply Mustang's coal has been submitted to the state, and the project will require additional environmental review and permitting. Mustang would move forward after permitting is completed, the majority of the plant's electricity is sold and a partner is identified.

Peabody Energy is the world's largest private-sector coal company, with 2003 sales of 203 million tons and $2.8 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and more than 2.5 percent of worldwide electricity.

Airborne Clean Energy, based in Terrace Park, Ohio, owns the proprietary Airborne Process™ for reducing emissions from coal-fueled generating plants. Airborne Clean Energy holds the exclusive rights to the patented Airborne technology throughout the United States and Canada.

Veolia Water Systems is a subsidiary of Veolia Environment (Euronext Paris: VIE), which is the largest environmental services company in the world with more than 295,000 employees in about 100 countries and annual revenues of more than $25.6 billion.

Icon, Inc., headquartered in Dayton, Ohio, is a private minority corporation that specializes in providing engineering, construction and facility operating services for industrial applications. Icon's extensive experience with pan granulation, agglomeration and material handling is directly applicable to Airborne's fertilizer production facility.

Editor's Note: The U.S. Department of Energy will host a 2 p.m. news conference to announce the grant on Thursday, Oct. 14 at the Inn at Loretto in Santa Fe, 211 Old Santa Fe Trail. A schematic showing the proposed plant technology and a location map may be downloaded at http://www.peabodyenergy.com/ .

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