

Peabody Energy and ArcLight Capital Explore Sites for Major Coal-To-Natural-Gas Project

PRNewswire-FirstCall
ST. LOUIS

Peabody Energy today announced that it has entered into a memorandum of understanding with ArcLight Capital Partners, LLC to advance project development of a commercial-scale coal gasification project in Illinois that would transform coal into pipeline-quality synthetic natural gas. The initial project would be designed with ConocoPhillips "E-Gas™" Technology, featuring an oxygen-blown gasification system. ConocoPhillips and Fluor have begun preliminary engineering design work for the project.

The plant would be one of the largest coal-to-natural-gas plants in the United States and would be sited in Illinois. Peabody would develop a coal mine to fuel the plant using its Illinois Basin reserves, and ArcLight, through an affiliate, would contribute its Illinois-related coal-to-natural-gas development assets.

The project would require at least 3 million tons of coal per year to fuel two gasifier trains that could produce more than 35 billion cubic feet of synthetic natural gas.

"This partnership combines the strength of industry leaders in advancing a major Btu Conversion opportunity that provides an alternative to scarce U.S. natural gas," said Gregory H. Boyce, Peabody President and Chief Executive Officer Elect. "Btu Conversion technologies will significantly expand the market for coal and more fully utilize America's 200-year supply to improve energy security."

Gasification has been used for the refining, chemical and power industries for 50 years. The "E-Gas" process would combine a coal-water mixture with oxygen and steam to produce a synthesis gas (syngas), which is further upgraded at the site to produce pipeline-quality natural gas.

"The agreement with Peabody represents a major step in bringing to reality the development effort initiated by ArcLight several years ago," said Robb Turner, Senior Partner at ArcLight. "We look forward to a successful partnership with Peabody that will result in an environmentally-friendly coal-use project."

Peabody Energy is the world's largest private-sector coal company, with 2004 sales of 227 million tons of coal and \$3.6 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and 3 percent of worldwide electricity.

ArcLight Capital Partners, LLC is one of the world's leading energy infrastructure investing firms with more than \$2.5 billion under management. ArcLight invests throughout the energy industry value chain in hard assets that produce high current income and capital appreciation. More information about ArcLight can be found at www.arclightcapital.com.

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