

Peabody President & CEO Greg Boyce Outlines Eight-Point Plan to Improve U.S. Energy Security & Lower Costs With Clean Coal Technologies

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Peabody Energy President and Chief Executive Officer Gregory H. Boyce today outlined an eight-point plan to dramatically enhance U.S. energy security, reduce reliance on foreign oil and natural gas, and lower energy costs during an address to America's largest energy consumers, the Industrial Energy Consumers of America (IECA).

Citing key findings from a National Coal Council (NCC) study supported by economic research from Pennsylvania State University, Boyce said that doubling the amount of coal used annually for clean electricity, natural gas, transportation fuels, hydrogen and ethanol over 20 years would drive down energy prices 33 percent, create 1.4 million jobs by 2025 and provide a \$3 trillion net-present-value economic infusion.

"The economic damage from high natural gas and oil prices has been devastating to industry and families," said Paul Cicio, President of the IECA. "Implementing this plan will lower energy costs, reinvigorate our industrial base and provide energy security for Americans." The U.S. manufacturing industry consumes about 25 percent of all U.S. energy.

The year-long NCC study was conducted by the Council following a request by U.S. Secretary of Energy Samuel Bodman. The report identifies using an additional 1.3 billion tons of U.S. coal reserves annually and investing \$515 billion (present value of \$350 million) in Btu conversion technologies to create the new energy infrastructure that would support:

- 100 gigawatts of new electricity generation;
- 2.6 million barrels per day of refined liquid products;
- 4 trillion cubic feet (TCF) of natural gas production; and
- Ethanol production, enhanced recovery of oil and coalbed methane, and hydrogen production.

"Our vision for greater utilization of our most abundant and secure energy resource will greatly enhance energy security, lower energy costs and improve the quality of life for American people," said Boyce, who chaired the NCC study.

"Technology provides the path for a new energy manufacturing industry in the United States that can transform our energy landscape while creating millions of new jobs, ensuring a competitive economy and improving the environment."

The U.S. Energy Information Administration (EIA) projects that energy consumption will increase 27 percent through 2030. Substantial coal reserves to meet these growing needs are available in more than 25 states, allowing for widespread coal production, liquefaction and gasification. As a result, the standard of living for all Americans will increase due to lower energy prices, a surge of industrial activity and creation of wealth. America has enough coal reserves to support this robust use for more than a century.

IECA is a non-profit member-led organization that promotes the interests of manufacturing companies founded on the belief that a robust, diverse and affordable supply of energy is required to sustain economic growth, quality of life for citizens and competitiveness of industry in domestic and world markets.

The National Coal Council is a private, nonprofit advisory body chartered by the U.S. Secretary of Energy in 1984 under the Federal Advisory Committee Act. Members of the National Coal Council are appointed by the Secretary of Energy and reflect diverse interests from business, industry, academia and other groups.

Peabody Energy is the world's largest private-sector coal company, with 2005 sales of 240 million tons of coal and \$4.6 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. and 3 percent of worldwide electricity.

AN EIGHT-POINT PLAN FOR IMPROVING ENERGY SECURITY & LOWERING COSTS

1. COAL-TO-LIQUIDS TO PRODUCE 2.6 MILLION BARRELS PER DAY

Using coal-to-liquids technologies will relieve cost and supply pressures on transportation fuels by producing 2.6 million barrels per day of ultra clean coal-derived diesel fuel while utilizing an additional 475 million tons of coal per year. This will enhance the U.S. oil supply by 10 percent.

2. COAL-TO-NATURAL GAS TO PRODUCE 4.0 TCF PER YEAR

Using coal to produce natural gas will ease supply pressures by providing an alternative to at least 15 percent of America's annual consumption, or 4 trillion cubic feet (TCF) per year. This supply would help moderate natural gas prices and would use an additional 340 million tons of coal per year.

3. COAL-TO-CLEAN ELECTRICITY

Constructing 100 gigawatts of coal-to-clean electricity plants by 2025 would satisfy more than 60 percent of the expected increase in electricity generating capacity by using an additional 375 million tons of coal per year. Increased coal-to-clean electricity capacity also would relieve price pressures on natural gas. The administration's FutureGen project is a major step toward developing the next generation of coal-based electric power plants targeting zero emissions with a siting and selection process under way.

4. COAL TO PRODUCE ETHANOL

Increasing use of coal for heat and electricity to produce ethanol would reduce costs and displace oil and natural gas by significant amounts while utilizing an additional 40 million tons of coal per year, thereby freeing up natural gas for other uses and relieving price pressures.

5. COAL-TO-HYDROGEN

Developing a fleet of coal-to-hydrogen plants would satisfy at least 10 percent of the nation's transportation needs with Freedom Car efficiencies. This application would use an additional 70 million tons of coal per year. The United States has identified the Freedom Fuel and Freedom Car Initiatives as ways to transition the country to a hydrogen economy and use coal-fueled energy to power fuel cells.

6. ENHANCED OIL AND GAS (COALBED METHANE) RECOVERY AS CARBON MANAGEMENT STRATEGIES

Developing major regional carbon storage projects, including enhanced oil recovery, could potentially lead to production of an additional 2 million to 3 million barrels of oil per day, assuming a technically recoverable reserve base of up to 89 billion barrels in 10 basins. Captured carbon dioxide can also be used to produce methane from coalbeds.

7. DELINEATE U.S. COAL RESERVES AND TRANSPORTATION CONSTRAINTS AS PART OF

AN EFFORT TO MAXIMIZE U.S. COAL PRODUCTION

Existing data analyzed by the NCC demonstrates that the mining industry and a U.S. transportation infrastructure can be expanded to accommodate growth in coal production by over 1.3 billion tons per year by 2025. Maximizing coal production would build a platform for strong new job creation and economic growth for Americans.

8. STIMULATE ECONOMIC GROWTH AND ENHANCE NATIONAL SECURITY THROUGH THE DEVELOPMENT OF U.S. COAL RESERVES

Developing an additional 1.3 billion tons of coal per year by 2025 for Btu conversion technologies would stimulate economic growth, and America's vast supply of coal would fulfill these needs for at least 100 years. The capital investment needed for large-scale coal conversion projects would be approximately \$515 billion (present value of \$350 billion).

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