

Peabody Energy and Rentech Partner to Develop Major Coal-to-Liquids Projects

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Peabody Energy and Rentech, Inc. today announced that they have entered into a joint development agreement to evaluate sites in the Midwest and Montana for coal-to-liquids projects that would transform coal into diesel and jet fuel. Projects would be sited where Peabody has large reserves and would be designed using Rentech's proprietary Fischer-Tropsch coal-to-liquids process.

"We're seeing an overwhelming need for coal-to-liquids developments in the United States to offset reliance on expensive imported oil, and projects like these represent a major part of our energy solutions," said Peabody President and Chief Executive Officer Gregory H. Boyce. "Because of Peabody's leading reserves, we are uniquely positioned to capitalize on this significant emerging market for coal. We're pleased to partner with Rentech, one of the world's leading developers of Fischer-Tropsch technologies."

The U.S. Energy Information Administration projects that global energy consumption will increase by more than 70 percent by 2030, and the United States will import 62 percent of its oil. At the same time, the U.S. Department of Defense recently has issued a request for proposals for significant quantities of Fischer-Tropsch fuels.

The plants could range in size from producing 10,000 to 30,000 barrels of fuel per day (bpd). A 10,000 bpd plant would use 2 to 3 million tons of coal annually, and a 30,000 bpd plant would use 6 to 9 million tons of coal annually, based on the quality of coal. With more than 9.8 billion tons of reserves, Peabody has dozens of sites in the United States that it is evaluating for Btu Conversion projects.

"We are delighted that Peabody has selected Rentech as a partner to develop advanced clean fuels projects," said Rentech, Inc. President and Chief Executive Officer D. Hunt Ramsbottom. "This partnership reflects a major milestone in the development of clean domestic energy solutions using Rentech's coal-to-liquids technology."

Fischer-Tropsch's technology produces ultra low sulfur fuels, which will become increasingly valuable as new diesel fuel standards take effect. The technology has been in use since the 1920s, and today South Africa powers about one-quarter of its transportation fleet from coal.

Rentech is one of the world's leading developers of Fischer-Tropsch coal- to-liquids and gas-to-liquids technologies. The company has developed an advanced derivative of the well-established Fischer-Tropsch process for manufacturing ultra-clean diesel fuel, other fuel products and clean chemicals.

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 more than 10 percent of all U.S. electricity generation and 3 percent of worldwide electricity.

Use of the words "Peabody," "the company" and "our" relate to Peabody, our subsidiaries and our majority-owned affiliates.

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