

Peabody and Rentech Enter Into Development and Coal Supply Agreements for First Commercial U.S. Coal-to-Liquids Facility

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Peabody Energy today announced it has entered into agreements with Rentech, Inc. to fund up to \$10 million of engineering and development costs for Rentech's planned coal-to-liquids project in Illinois and to supply the facility with nearly 1 million tons of coal annually. As part of the agreement, Peabody has an option to acquire a 20 percent equity interest in the project through increased funding.

Rentech is converting its existing fertilizer production facility in East Dubuque into a coal gasification complex that would produce ultra-clean transportation fuels using Rentech's patented processes that are based on widely recognized Fischer-Tropsch technology. The facility also would continue to produce nitrogen fertilizer products. Converting the plant from expensive natural gas to affordable coal is expected to significantly reduce operating costs. The project would be the first commercial coal-to-liquids facility developed in the United States.

"Oil prices have increased more than 70 percent in the past five years, and the United States continues to depend on expensive oil imports from unstable regions to meet our needs," said Peabody President and Chief Executive Officer Gregory H. Boyce. "Transforming America's abundant coal reserves into clean transportation fuels is an important step for strengthening U.S. energy security. Our Rentech partnership demonstrates the synergies we can achieve by fueling clean energy solutions using our large reserve base."

The Rentech plant is expected to produce approximately 400,000 barrels per year of clean Fischer-Tropsch fuels. It will also produce approximately 545,000 tons of nitrogen fertilizer products per year. The project is under development, and the plant conversion is scheduled to be complete by 2010.

"We are very pleased that Peabody is supporting the development of this coal conversion project," said D. Hunt Ramsbottom, Rentech's President and Chief Executive Officer. "Both companies have a tremendous commitment to providing clean energy solutions and to moving the United States toward energy security."

Fischer-Tropsch fuels are cleaner than conventional diesel because sulfur and other oil byproducts are removed. The facility also would be carbon- capture ready, designed with a process unit that would capture pure carbon dioxide (CO₂) and separate it from the gas stream. Rentech is evaluating CO₂ marketing opportunities with bottling companies and sequestration opportunities including potential use for enhanced oil recovery.

Separately, Peabody has entered into a long-term agreement with Rentech to supply nearly 1 million tons of coal annually to the coal conversion facility from its Illinois operations, providing a reliable source of fuel for the project.

Development of coal-to-liquids facilities is gaining increasing interest around the nation and has strong bipartisan support. The Southern States Energy Board, in its 2006 American Energy Security Study, is calling for producing 5.6 million barrels of diesel per day from coal to achieve energy independence. This would require about 1 billion tons of U.S. coal annually.

Rentech develops technologies that transform domestic resources into valuable and clean alternative fuels and chemicals. The company has developed an advanced derivative of the well-established Fischer-Tropsch process for manufacturing ultra-clean diesel fuel and other fuel products.

Peabody Energy is the world's largest private-sector coal company, with 2006 sales of 248 million tons of coal and \$5.3 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity.

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