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Peabody has pact to build new coal-upgrading plant Project with Australian company to increase energy density of coal will be built at mining complex in Wyoming.

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By Jeffrey Tomich

Peabody Energy Corp. is teaming with White Energy Ltd. of Australia to build a coal-upgrading plant in Wyoming's Powder River Basin - the first of what could be several such projects.

The project was announced late Wednesday and will be developed at one of Peabody's three mining complexes in northeast Wyoming.

In addition to the plant, the agreement gives Peabody the right to participate in similar projects in North America and China and an option to buy a 15 percent stake in Sydney-based White Energy, the companies said. Additional terms were not disclosed.

The upgrading plant would increase the energy density of coal by crushing, drying and compacting it to remove water and reduce volume.

Many electric utilities, especially in the Midwest, switched to PRB coal in the 1990s after the federal Clean Air Act was amended. The act further restricted emissions of sulphur dioxide and other pollutants.

While PRB coal contains less sulfur than eastern coals, it also has less energy, so utilities had to burn more of the black rock to generate the same amount of electricity. Doing so led to higher emissions of carbon dioxide, the heat-trapping gas most closely linked to global warming.

Coal upgraded with White Energy's technology can be used interchangeably with coals that naturally have a higher energy content, Peabody said.

"We view this technology as a way to unlock further value in our reserves in the Powder River Basin," Richard A. Navarre, Peabody's president said in a statement.

Engineering and permitting for the Wyoming plant could take two years to complete, the company said. The plant would initially be able to process more than 1 million tons of coal a year and could be expanded to process as much as 20 million tons.