

Coal & Energy Price Report Article

Peabody, White Energy in deal to bring upgrading plant to PRB, maybe to China

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Peabody Energy and White Energy have signed an agreement to pursue development of a coal upgrading plant that would be sited at a Peabody operation in the Powder River Basin.

Under terms of the agreement, Peabody also has the first right to participate in new coal upgrading development projects that White Energy undertakes in North America and China. Peabody further has a right to acquire a nearly 15 percent equity interest in White Energy.

The coal upgrading plant would utilize White Energy's patented coal briquetting technology, a mechanical process that upgrades lower Btu coals. The process increases the coal's overall energy content by approximately 35 percent. The resulting product is "higher quality, more efficient and cleaner, with lower carbon and other emissions," White Energy said.

The upgraded coal can be used interchangeably with high rank thermal coal for a number of applications, including power generation, industrial processes and Btu conversion, such as coal-to-gas and coal-to-liquids.

"We view this technology as a way to unlock further value in our reserves in the Powder River Basin and at other locations to create new marketing opportunities for U.S. or export customers," Richard A. Navarre, Peabody's president and chief commercial officer, said. "Coal has been the fastest-growing fuel for each of the past five years and will continue to be the world's primary source of electricity".

Peabody and White Energy are proceeding with engineering design and permitting activities for the first plant that are expected to require up to 24 months. The plant would be built in phases, with the first phase expected to produce more than 1 million tons of upgraded coal per year. Subsequent phases could increase plant capacity ultimately to more than 20 million tons annually.

Peabody expects substantial global growth opportunities using this technology that will initially focus on applications in North America and China.

"The United States is a significant consumer of coal, and public sentiment supports that we move to a market with viable clean coal options as soon as possible. Peabody, as the world's largest private-sector coal company, is rightfully taking a leadership position in this initiative," John Atkinson, CEO of White Energy, said. "White Energy is delighted to be partnering with Peabody to build a significant clean coal business in the United States and also to work together to develop opportunities in the China market."

The agreement with Peabody "complements projects we have done in other key coal markets around the world and represents another important step for White Energy in positioning itself as one of the world's leading providers of clean coal solutions," Atkinson said.

"We are pleased to be partnering with White Energy to develop a coal product with expanded market reach," Navarre said.