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White Energy signs up Peabody

May 15, 2009

Clean coal hopeful White Energy has signed up the world's biggest private coal producer, US-based Peabody, as it seeks to expand into the US and Chinese markets.

The partners plan to build an ambitious coal upgrading plant in the Powder River Basin in the US, a hub for low quality coal, and Peabody has acquired options to buy 15 per cent of White Energy.

The plant will initially process 1 million tonnes of coal a year with the long-term aim of upgrading 20 million tonnes of coal a year - about 5 per cent of the area's supply.

Peabody has also gained the right to work with White Energy in China, the world's biggest coal producer and consumer.

Peabody's US president, Richard Navarre, said the technology would "unlock further value" in the company's reserves, and might also create export opportunities.

White Energy's coal-briquette technology cuts the carbon emissions of poor-quality coal by lowering its water content, also making it easier to transport.

Parts of the coal industry in Australia and the US have warned of the dangers of a carbon price, but the deal suggests some within the business remain confident they will continue to burn coal for many years.

The chairman of White Energy, John McGuigan, said the push for energy independence and cleaner coal in the US could create a strong demand.

Shares in the company, which has a market value of close to \$250 million, rose by 4 per cent to \$1.66