BTU Headquartered in the Heartland … with Global Reach

**Major Presence in Mining Regions from U.S. to Australia**

<table>
<thead>
<tr>
<th>Market Position</th>
<th>Sales</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyoming PRB</td>
<td>#1</td>
<td>137</td>
</tr>
<tr>
<td>Midwest</td>
<td>#1</td>
<td>32</td>
</tr>
<tr>
<td>Colorado</td>
<td>#1</td>
<td>8</td>
</tr>
<tr>
<td>Southwest</td>
<td>#2</td>
<td>15</td>
</tr>
<tr>
<td>Australia</td>
<td>#5</td>
<td>22</td>
</tr>
</tbody>
</table>

Tons in millions. 2009 sales volumes for consolidated results. Reserves are 2008 proven and probable. Peabody has a non-controlling equity interest in the Venezuelan Paso Diablo Mine.
Coal’s Essential Role in America’s Energy Future

*Key Themes*

- Affordable coal generation is a global competitive advantage and path to prosperity and higher quality of life for billions

- Building on strengths: low electricity cost states have 60+% of their electricity from coal generation keeping their industries competitive

- States’ choices have different costs and consequences: A review of the options from declining oil reserves to volatile gas to unreliable renewables

- Coal will fuel the future with “Green Coal” technologies
Coal: The World’s Fastest Growing Fuel, World’s Largest Source of Electricity

Global Coal Consumption Grows 37% in Past 6 Years


Global Energy % 2008*

- Coal: 37%
- Natural Gas: 21%
- Oil: 25%
- Hydro: 2%
- Nuclear: 6%
- Natural Gas: 35%
- Oil: 21%
- Hydro: 2%
- Nuclear: 6%

*Note: Biomass/Wood Waste and Wind Growth Percentages Not Shown.
The Energy Action in 2010: Asia Builds… America Drifts

Global Coal Use Estimated to Grow 55% by 2025… 80% of Coal Plants Coming On Line During 2010 in China, India & Asia

Coal-Fueled Generation Starting up in 2010 (GW)

New Coal Plants Starting Up in 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>GW</th>
<th>Tonnes in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>35</td>
<td>132</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
<td>80</td>
</tr>
<tr>
<td>Other Asia</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td>USA</td>
<td>7</td>
<td>25</td>
</tr>
<tr>
<td>Russia</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Europe</td>
<td>1.5</td>
<td>4</td>
</tr>
<tr>
<td>South America</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>75</td>
<td>294</td>
</tr>
</tbody>
</table>

Source: Platts Worldwide Power Plant Database and Peabody analysis.
U.N.: Access to Affordable Energy is Key to High Quality of Life

2.3 Billion People in China/India Moving Up Energy Curve

Electricity Use Per Capita Tracks the U.N. Human Development Index

Electricity Usage Per Capita

Passenger Vehicles Per Capita

Facts on the Ground: Countries Develop Using Low Cost Energy

Low Energy Prices Fuel Enormous Growth in Asia

- China and India’s 2.3 billion peoples’ standard of living is improving dramatically
- China and India GDP growth at 8.7% and 6.0% for 2009
  - U.S. growth at -2.5%, EU -4.0%+
- China – not U.S. – to be the dominant energy user in the future
  - China has surpassed U.S. as largest new car market; over 12 million in sales, growing 15% per year
  - China already uses 2.5 times as much coal as U.S. annually
- India projected to use equivalent amount of coal as U.S. by 2020
  - India coal use growing by more the 120% in next 10 years
America’s Economy is Powered by Coal

Electricity Consumption in the U.S. has Grown 54% Since 1990

U.S. Fuel Reserves

Electricity Fuel Sources

- **Coal**: 85%
- **Gas**: 10%
- **Oil**: 5%

America’s Economy is Powered by Coal

Electricity Consumption in the U.S. has Grown 54% Since 1990

U.S. Fuel Reserves

Electricity Fuel Sources

- **Coal**: 50%
- **Nuclear**: 20%
- **Natural Gas**: 20%
- **Hydro**: 6%
- **Other**: 3%
- **Oil**: 1%

Ultimately recoverable demonstrated reserves on Btu basis. Source: USGS, National Assessment of United States Oil and Gas Resources, U.S. Coal Reserves; Energy Information Administration Monthly Energy Review, March 2008 Table 7.2b, 2008 data.
Global Coal-Fueled Build-Out: Over 225 GW Under Construction

16 GW in U.S. Under Construction Requiring 65 – 70 MTPA of Coal

The 1,600 MW Prairie State Energy Campus in Southern Illinois leads the largest build-out of coal power in a generation and has 3,000 constructors on site.

Coal-Fueled Plants Under Construction

Includes units under construction and newly completed for 2009. Global coal volumes reported on a metric ton basis. U.S. volumes reported on a short ton basis.
A Partnership for Affordable Energy Proceeding in Our Backyard

Prairie State to Serve 2.5 Million Families Covering Nine States

- AMP-Ohio: 368 MW
- Illinois Municipal Electric: 240 MW
- Indiana Municipal Power: 200 MW
- Northern Illinois Municipal Power Agency: 120 MW
- Prairie Power, Inc.: 130 MW
- Missouri Joint Municipal Electric Utility Commission: 195 MW
- Prairie State Energy Campus
- Southern Illinois Power Cooperative: 125 MW
- Kentucky Municipal Power: 124 MW
Coal’s Essential Role in the U.S.’s Energy Future

Key Themes

- Affordable coal generation is a global competitive advantage and path to prosperity and higher quality of life for billions

- Building on strengths: low electricity cost states have 60+% of their electricity from coal generation keeping their industries competitive

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- Coal will fuel the future with “Green Coal” technologies
High Energy Costs Hurt American Families

The Cause: Average Cost of Fuel Delivered for Generation

<table>
<thead>
<tr>
<th>Fuel</th>
<th>2001</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>$2.06</td>
<td></td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$9.34</td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>$11.70</td>
<td></td>
</tr>
</tbody>
</table>

The Result: Average Americans are Pinched at the Switch

For families earning less than $50,000 annually, energy consumes 9% more after-tax income.

Electric Customers Pay Some of the Lowest Rates in the Nation Due to Coal-Fueled Generation

¢ = average retail price per kilowatt hour for CY 2008
% = percent of total generation from coal for CY 2008

Source: Energy Information Administration, March 2009.
Coal-Fueled Electricity is Our Low-Cost Solution

Low Electricity Cost States Obtain 60+% of Electricity from Coal

Source: Energy Information Administration, March 2009.
Facts on the Ground: Jobs & Growth Chase Low-Cost Energy

Low Energy Prices Critical to U.S. Industry in Global Market

- **Steel** - China produced 5% of global steel in 1980; 45% in 2009
  - China steel production grew at 13% in 2009
  - U.S. steel production off by 40% in 2009
- **Aluminum** - China is ~33% of aluminum smelting globally, electricity >50% of cost
  - Only remaining U.S. aluminum smelters in low power cost states, <7 cents/kWh (MO, IN, KY and WA)
- Electricity/energy prices matter to other major industries: Metals; Pulp & Paper; Chemicals; Agri-processing; Plastics; etc
- 2009 Industrial production (IP) in U.S. -9.8%; Germany -16.7%; Japan -22.4%
  - China’s IP for 2009 +10.8%; India +5.6%
- 2010 IP projections, China +14.5%, India +7.8% while the U.S. at +3.8%
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Our Energy Options are Limited by Supply and Availability

**All Energy Forms Needed for Diversity of Supply**

- **OIL**
  - Repeat price spikes;
  - reserves declining;
  - risky sources

- **NUCLEAR**
  - Valuable but constrained by cost, safety and waste disposal concerns

- **RENEWABLES**
  - No growth in hydro, low availability, still some public resistance

- **ETHANOL**
  - Clean but energy inefficient, strains food supplies, cellulosic years away

- **NATURAL GAS**
  - Near-term glut masks long-term challenge with declining reserves and volatile sourcing

- **ENERGY EFFICIENCY**
  - Global population and consumption trends demand more energy, despite greater energy management and conservation
Coal: Lower Cost, Lower Price Volatility

Natural Gas Price Spikes Cost the Economy
5+ Million Manufacturing Jobs this Decade

Natural gas is volatile: prices swung nearly 45% in 2008 and cost 340% more than coal in 2008

Delivered cost of fossil fuel at steam electric generating plants.
Easy Oil is Gone: The Challenge Ahead

“Most of the World’s ‘Easy’ Oil Has Already Been Extracted, or is in the Hands of Nationalist Governments that Won’t Allow Foreigners to Exploit it.” -- The Economist

“Rising oil prices may “take the wheels off an already derailed world economy.””
-- Ali al-Naimi, Saudi Arabia Oil Minister

“If economic GDP growth gradually rises through 2011 and 2012 ... then oil demand will come back and by 2014 you will have a supply crunch.”
-- Nobuo Tanaka, International Energy Agency

“Oil firms must find another Saudi Arabia’s worth of oil every two years just to maintain their production at today’s levels.”
-- Francisco Blanch, Merrill Lynch
The New Balance of Gas Power: Shift to Unstable Supply

Venezuela, Iran and Russia Discuss Plans for Cartel

What Happens When the Wind Quiets & It’s Cloudy? No Power

**Eastern U.S is. Wind Poor and Northern/Eastern U.S. Not Sunbelt**

What is baseload power?
The minimum amount of electricity a utility or distribution company needs to reliably meet customer demand.

- **Renewables are not baseload**
  - Wind and solar are too scarce in Eastern U.S.
  - At 25% availability, they’re too intermittent
  - And they require conventional backup and transmission

- **After 50 years and $50+ billion, wind and solar are just 1% of U.S. mix**
  - 80+% of global energy in 2030 still to come from conventional fuels

No Contest: Coal Provides the Best Deal for Baseload Power

Replacing current U.S. coal generation would require:
- 2,400x solar capacity
- 40x wind farms
- 250 new nuclear plants
- 17+ trillion cubic feet of natural gas
- 500 Hoover Dams

All resources at 90% utilization except for stand-alone wind at 25%
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Technology Driving Greater Coal Use and Economic Growth With Lower Emissions

Electricity from Coal Has Tripled Since 1970 While Emissions Have Been Significantly Improved

Clean Coal Technology: A Technological Success Story

Reduction in \( \text{SO}_2 \) and \( \text{NO}_x \) Over Time
\( \text{SO}_2 \) and \( \text{NO}_x \) Emissions Down 15% and 9% in 2008

* NOx reductions mandated by 2009.
New Technologies For Coal “Refining”
Caps Prices for Other Fuels

- STEEL
- ELECTRICITY
- INDUSTRIAL GAS
- PIPELINE SNG
- SPECIALTY CHEMICALS
- ETHANOL
- DIESEL
- JET FUEL
- HYDROGEN
- COAL
Coal with CCS Recognized as Low-Cost, Low-Carbon Option

**European Union**
- Costs of achieving climate goals would be 40% higher without carbon capture and storage

**International Energy Agency**
- Without CCS, cost to meet climate goal is $1.3 trillion more by 2050
  - 71% higher than if coal with CCS is included

**Carnegie Mellon Study: Coal with CCS**
15% to 50% Below Nuclear, Wind or Natural Gas with CCS
Clean coal use triples as regulated emissions decline 80%+; Green coal now provides a path to near-zero emissions.
Peabody Advancing a Dozen Global Technology Projects and Partnerships

- Advancing development of clean coal technology through participation in Australia’s COAL21 Fund, China’s GreenGen and U.S. FutureGen projects
- Founding member of Australia’s Global Carbon Capture and Storage Institute
- Advancing research through Consortium for Clean Coal Utilization via Washington University in St. Louis
- Founding member of U.S. Department of Energy National Carbon Capture Center
- Pursuing clean coal-to-gas plants with ConocoPhillips and GreatPoint Energy
National Conference of State Legislatures

Coal Fueling America’s Future

January 29, 2010

Jacob Williams
Vice President of Global Energy Analytics
Peabody Energy