'Global Coal Supercycle Alive and Well': Peabody Energy's Chairman and CEO Presents at Howard Weil 2012 Energy Conference

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ST. LOUIS, March 26, 2012 /PRNewswire/ -- Peabody Energy Chairman and Chief Executive Officer Gregory H. Boyce today said the global supercycle for coal was 'alive and well' with strong market trends related to rising electricity generation and steel demand in China and India, along with constrained global coal supplies.

Presenting at the Howard Weil 2012 Energy Conference in New Orleans, Boyce said, 'Coal has been the fastest-growing major global fuel and is expected to become the world's largest energy source. The seaborne coal market has exceeded 1 billion tonnes for the first time, and the cost of coal is just a fraction of global oil and liquefied natural gas (LNG).'

'While concerns about the global economy make headlines, recent data support the coal supercycle thesis for both met and thermal coal,' said Boyce. 'Chinese steel production is coming off of trough levels set in November 2011. China just announced 20 million tonnes of coal imports in February, and the last four months of coal imports are up more than 40 percent from prior-year levels. India's thermal coal imports rose 35 percent in 2011, and last week the country moved to eliminate its coal import tariff.'

Boyce said that Peabody, as the world's largest private-sector coal company and the only global pure-play coal investment, was uniquely suited to succeed going forward:

- Achieving record safety results and financial performance in 2011 and targeting another very strong year in 2012;

- In Australia, expanding both met and thermal coal exports to serve high-growth Pacific markets, targeting 8 million to 11 million tons of additional volumes in 2012 with more in 2013;

- In the United States, being fully committed for 2012 production and the leader in the regions at the low end of the cost curve - the Powder River and Illinois basins;

- Designing an investment program to sustain growth over the next five to 10 years and beyond; and

- Having both volume and price upside potential moving forward.

Boyce's market observations covered a broad range of supply and demand fundamentals including:

New Coal-Fueled Electricity Generating Plants

'China and India are leading the global buildout of coal-fueled generation. Over the next five years, we see generation growing 370 gigawatts (GW)... and that requires more than 1.2 billion tonnes of additional coal. To put this in perspective, this is equivalent to one new 500 megawatt power plant every three days... through 2016.'

Global Steel and Metallurgical Coal Growth

'We see growth in metallurgical coal markets to serve steel production that is expected to grow by some 40 percent this decade, which would require approximately 400 million tonnes of additional metallurgical coal. And if India, Brazil and China reached a traditional level of maturity in steel intensity of more developed countries, global metallurgical coal use would more than double and add 1.2 billion tonnes of annual consumption. We believe there will be continued structural shortages for metallurgical coal particularly at the high end of the quality scale... for both coking coals and PCI products.'

China Economic Growth

'China's economic growth has exceeded targets every single year this century. In fact, while targets have been between 7 percent and 8 percent, the actual performance has averaged nearly 3 percentage points higher, with actual growth of up to 14 percent per year. And China is now a global economic power with a much larger base than last decade. So even the targeted 7.5 percent GDP increase in 2012 would be greater economic growth than a 13 percent GDP increase in 2006.'

China Coal Imports

'China's GDP largely tracks its generation growth, which in turn translates into higher coal use. Coal use consistently exceeds targets. During the 10th five-year plan, 1.1 billion tonnes of coal use was targeted for the last year while 2.3 billion tonnes were actually consumed. During the 11th five-year plan, 2.5 billion tonnes of coal use was targeted for the last year and 3.5 billion tonnes were consumed. If you assume 8.5 percent economic growth, China's 2015 coal consumption would reach 5.0 billion tonnes.'

'Coal-fueled power rose 14 percent last year, driving a similar increase in net coal imports. In 2012, domestic coal production is targeted to increase just 3.7 percent while generation growth is targeted at double that rate. We believe that China's net coal imports could exceed 300 million tonnes per year by 2016.'

India Coal Imports

'India was the fastest-growing coal importer in 2011. Coal-fueled generation rose 9 percent in 2011 and thermal coal imports rose 35 percent, evidencing the growing need for seaborne coal.

Nearly 40 GW of coal-fueled generation is expected to start up in the next two years, requiring 140 million tonnes of added coal, much of which could come from imports. And India has a trillion dollars planned in infrastructure needs in its five-year plan, requiring steel and power to put into place.'

Coal Supply Constraints

'We see major coal supply constraints around the world. Domestic production in China is experiencing higher costs, declining metallurgical coal qualities, and a long haul for thermal coal as the supply base moves to the north and west over time. India faces major production issues and rapidly growing coal imports. Ownership and domestic market obligations affect both Indonesia and South African coal exports. Infrastructure challenges impact many of the exporting nations, whether due to remote mining locations such as Mongolia... or rail and port access that isn't keeping up with demand in places such as Australia, Canada and the U.S. West Coast.'

Peabody Energy is the world's largest private-sector coal company and a global leader in clean coal solutions. With 2011 sales of 251 million tons and $8 billion in revenues, Peabody fuels 10 percent of U.S. power and 2 percent of worldwide electricity.

Certain statements in this press release are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on numerous assumptions that the company believes are reasonable, but they are open to a wide range of uncertainties and business risks that may cause actual results to differ materially from expectations as of Mar. 26, 2012. These factors are difficult to accurately predict and may be beyond the company's control. The company does not undertake to update its forward-looking statements. Factors that could affect the company's results include, but are not limited to: demand for coal in the United States and the seaborne thermal and metallurgical coal markets; price volatility and demand, particularly in higher-margin products and in our trading and brokerage businesses; impact of weather on demand, production and transportation; reductions and/or deferrals of purchases by major customers and ability to renew sales contracts; credit and performance risks associated with customers, suppliers, co-shippers, trading, banks and other financial counterparties; geologic, equipment, permitting and operational risks related to mining; transportation availability, performance and costs; availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires; successful integration and management of the newly acquired Macarthur Coal operations; successful implementation of business strategies, including our Btu Conversion and generation development initiatives; negotiation of labor contracts, employee relations and workforce availability; changes in postretirement benefit and pension obligations and funding requirements; replacement and development of coal reserves; access to capital and credit markets and availability and costs of credit, margin capacity, surety bonds, letters of credit, and insurance; effects of changes in interest rates and currency exchange rates (primarily the Australian dollar); effects of acquisitions or divestitures; economic strength and political *stability of countries in which we have operations or serve customers; legislation, regulations and court decisions or other government actions, including new environmental and mine safety requirements; changes in income tax regulations or other regulatory taxes; litigation, including claims not yet asserted; and other risks detailed in the company's reports filed with the Securities and Exchange Commission (SEC).*

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