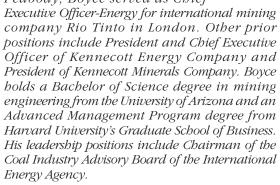
Coal's Important Role in Powering Lives and Economies

An Interview with Gregory H. Boyce, Chairman and Chief Executive Officer, Peabody Energy

EDITOR'S NOTE *Greg Boyce is the only* Chief Executive Officer to be named among the top chief executives for both the energy and mining sectors, garnering recognition from Institutional Investor magazine and nominations from the Global Energy Awards. Boyce joined Peabody Energy in 2003 as President and Chief Operating Officer, assumed responsibility for the company as President and CEO in 2006, and became Chairman the following year. Prior to joining Gregory H. Boyce Peabody, Boyce served as Chief



COMPANY BRIEF Peabody Energy (Peabody *Energy.com)* is the world's largest private-sector coal company and a global leader in sustainable mining, energy access, and clean coal solutions.

What is the heritage of Peabody Energy?

Peabody started as a distributor of coal for home heating and cooking in the Chicago area in the late 1800s. The company diversified into coal production in the early 1900s and made some acquisitions around 1950, and then grew with their Western and Eastern U.S. coal assets through the '60s,'70s, and '80s. It went through ownership changes for 20 years leading up to an LBO, when they were acquired by Lehman Brothers in 1998. This subsequently led to an IPO in 2001 of Peabody as a U.S.-producing coal company.

In 2003, I joined with a view that we needed to expand globally, as the coal markets would change in the subsequent 10 years. We restructured to increase our access to high-growth markets, which was determined to be the Pacific Rim, and we wanted to focus our U.S. platform on the large-scale low-cost operating platforms of the Illinois Basin, the Powder River Basin, and the



Today, half of our earnings are coming out of Australia and we have the largest operating position in the Powder River Basin and one of the largest positions in the Illinois Basin in the U.S. We also have a major metallurgical coal platform and thermal coal platform in Australia today to service the Pacific Rim - China, India, Korea, Taiwan, and Japan, and their growing needs.

What are the advantages that coal offers as an energy source today?

Coal has been the fastest-growing major fuel in the world for the past 10 years, and sometime over the next several years, it will be the largest single source of energy on the globe.

Globally, it is a little over 30 percent of the total energy mix. In the U.S. today, people are surprised to hear it still produces around 42 percent of our electricity; in China, that number is as high as 65 percent and, in India it's even higher.

So coal is an absolute mainstay that is vital to the global economic activity we have today. It's what drives low-cost electricity, which drives economic development not only in developed countries, but also in many developing countries. They are building economic growth on the back of the use of coal. This is projected to continue for a number of decades driven by urbanization and the growth of the middle class in China and India - these countries will account for 85 percent of global demand growth for coal through 2030.

There are 70 million people per year being added to cities over the next 10 to 15 years. That means massive infrastructure growth, which requires energy-intensive materials such as steel, and it requires a lot of energy power to meet the electrical demands of those populations.

What drives this is the underlying premise of energy poverty or energy inequality. You can't have economic development without having access to energy, and half of the world's population doesn't have adequate access to electricity.

What approach does Peabody take to ensure the safety of your workers?

Safety has been an enormous success story at Peabody, with steady improvements over the past decade. We've taken these best practices in safety around the world.

The industry looks to leaders like us to set examples, not only in the U.S. but also globally, where we know at times the focus on safety and



Peabody Energy's reclaimed mine property in Caballo, Wyoming, now rangeland and wildlife habitat

safety standards has not historically been where it needed to be.

A number of years ago through the National Mining Association, a group of CEOs created a program called Core Safety. We have been able to finalize that program, and it's starting to make a difference in the U.S. and elsewhere.

How is technology changing your business today?

One aspect of our technology is the equipment we use, be it our surface mining equipment or our underground equipment. This is always advancing in terms of the electrical, mechanical, and automation technologies that are components of that equipment – it's changing in the technology of steel and rubber for tires that allows us to go to larger and more productive equipment. But we have also spent a lot of time developing ways to use data around our equipment usage and operating team usage, including Internet technologies to be able to communicate.

The secret is mining this data to use it to provide our operating management and engineering management teams with real-time information and analysis that helps drive better performance and productivity, lower maintenance costs, lower operating costs, and improve performance within our operating platform.

What progress is being made in creating a national energy policy in the U.S.?

As a country, we have to determine what we need to do to drive energy access, energy affordability, economic activity and growth, and environmental improvement.

If we look at our energy policy through those lenses, it will tell us that we need all forms of energy: certain types of energy are great for baseload electricity generation; certain types are great for home heating and cooking; certain types work for an industrial manufacturing base; and certain types are good for peaking power, for distributed

There is talk today about limiting ourselves to one or two energy forms, but Europe has found itself in trouble now as a result of doing just that.

We have a great situation in the U.S. where we have unmatched coal reserves, and wonderful access to shale gas and unconventional oil. We also have growing solar and wind, but they have to be put in the context of making sure that every American can afford to pay their energy bills. If we keep our overall energy mix at a very competitive cost on a global basis, it will drive economic activity in the U.S.