

Peabody Energy: Not a Good Neighbor

Peabody Energy is based in St. Louis, Missouri with mining operations in Colorado, Illinois, Indiana, Kentucky, West Virginia, Arizona, Wyoming, New Mexico, Australia and Venezuela.

Peabody Energy recently announced its plan to sell its Appalachian holdings, which include mine operations in West Virginia and one mine in eastern Kentucky. It still operates a number of mines in western Kentucky.²

Environmental Record

Peabody Energy and its subsidiaries operate 15 mines in West Virginia and eastern Kentucky, where mountaintop removal and other forms of radical strip mining have destroyed hundreds of thousands of acres of land and hundreds of miles of headwater mountain streams. In 2001, massive flooding caused an estimated \$143 million in damages across seven counties in West Virginia. Peabody Energy, Massey Energy, and other large coal companies were sued for practices that contributed to the widespread flood damage.³



A fact-finding delegation of religious leaders visited communities in western Kentucky in July 2006 to learn about conditions facing workers in Peabody Energy's Midwestern coal mines. Their report found that "Peabody Energy is systematically de-unionizing its mines, reducing miner health protections, and eliminating job security and retirement benefits...Miners are being denied their hard-won voice in life and death workplace decisions."⁵

In 2006, 500 religious leaders signed a letter to Peabody Energy saying, "Don't intimidate and threaten miners who want a union." Many local governments in Kentucky, including the city councils of Henderson, Sturgis, Nortonville, and White Plains, have passed resolutions calling for the company to respect workers rights.

Peabody Energy's push to subsidize coal-to-liquid and coal-to-gas

Peabody Energy has taken the lead in promoting coal-to-liquid and coal-to-gas technologies. In 2006 Peabody Energy executives chaired a committee of the National Coal Council (NCC) which released a report in March of 2006 called "Coal: America's Energy Future."

Peabody Energy's vision calls for production of 2.6 million barrels per day of synthetic transportation fuel from coal by 2025. The Natural Resource Defense Council (NRDC) calculates that this would require an expansion of coal mining of 43% above today's level⁶ and increase carbon dioxide emissions by more than 2 billion tons above current projections for 2025.⁷ This projection of additional CO₂ pollution is conservative, since it is based on the industry's unsupported claim that 30% of the carbon dioxide generated by coal conversion will be injected and stored underground. (See reverse for an excerpt of NRDC's assessment of the coal industry's economic analysis.)

In 2006 Peabody:

- Reported its fifth consecutive year of record profits with a net income of \$600.7 million, which is 342% increase in profits since 2004.
- Ranked 453 on the list of the 500 largest U.S. companies.
- Is the world's largest private-sector coal company.

Labor Record⁴

According to the United Mine Workers of America, Peabody Energy has "systematically closed its union mines and replaced them with non-union mines over the past 15 years." Currently 9 Peabody Energy mines are unionized in the US, while 19 are non-union.



Below is an excerpt of Natural Resources Defense Council's (NRDC) critique of Peabody Energy's economic analysis of coal conversion:

Peabody Energy's Zero Cost Energy Fantasy⁸

The NCC report calls for burning an additional 1.3 billion tons of coal in 2025 on top of the 1.6 billion tons of coal in the business as usual forecast of the Energy Information Administration's (EIA's) 2006 Annual Energy Outlook. This coal would be used to produce 12.7 quadrillion BTUs (quads) of liquid and gaseous fuels and electricity in addition to the 127 quads of energy use forecast in EIA's reference case.

The economic "analysis" offered to promote this scenario amounts to assuming that the extra 12.7 quads of energy in 2025 is produced essentially for free. The claimed GDP and employment benefits are unsupportable, having been calculated by simply ignoring energy production costs and using patently false economic assumptions. It would be as if you could balance a bank account by accounting only for deposits while ignoring all withdrawals!

The calculations are the sum of three components:

- The \$500 billion in capital costs to build the coal "conversion" facilities is not treated as a cost to the economy, but only as an economic stimulus with an economic multiplier of 2.61 and an employment multiplier of 3.23.
- The incremental 12.7 quads of energy production is valued based on simply multiplying by projected energy prices (with the same economic multipliers as the capital expenditures), completely ignoring the economic (let alone the environmental) costs incurred to produce this energy.
- The largest and most absurd economic benefit claim comes from assuming that the extra 12.7 quads of free energy reduces energy prices by 33% because this is the price reduction needed to stimulate the demand for this extra energy. This price reduction is assumed to have no impact on energy supplies, as if U.S. energy companies meet Soviet-style production quotas regardless of demand. The assumed price reduction is then used to calculate an increase in GDP of 1.6 percent (\$322 billion) based on historic relationships between energy prices and economic output. By this logic the government could stimulate the economy at any time by buying additional oil from Saudi Arabia and dumping it on the market for free, regardless of how much it paid.



These absurd assumptions are justified with the mild-mannered caveat that "Representation of how equilibrium energy prices and quantities adjust in each of these markets and their interactions in response to coal-based energy manufacturing is impossible given the resources and time frame for this project."⁹ An additional, equally understated, caveat notes in part that, "In addition, such large scale coal utilization could increase equilibrium prices for basic materials and services used to produce BTUs from coal. To estimate these impacts, a general equilibrium model of energy markets and the economy is needed."¹⁰ No such modeling is attempted. Nor is basic input-output modeling used to account for even the partial-equilibrium costs of producing BTUs from coal. Instead of real analysis, then, the report merely offers another version of Peabody Energy's ad slogan, "Yeah, Coal can do that."

1. Source: Peabody Energy Press Release, January 25, 2007

2. Source: The State Journal, Peabody Energy announces plans to shed Appalachian holdings, by Pam Kasey, April 26, 2007. www.statejournal.com/story.cfm?func=viewstory&storyid=23079

3. Peabody BTU Quarterly Report, 8.7.2002. <http://sec.edgar-online.com/2002/08/07/0000950134-02-009121/Section9.asp>

4. Source: www.justiceatpeabody.org

5. Source: Peabody Energy: Rights Denied and Promises Broken, a report of fact-finding by religious leaders for coalfield justice and interfaith worker justice, July 16-17, 2007

6. Testimony by David Hawkins of Natural Resources Defense Council on April 24, 2006 before the US Senate Energy and Natural Resources Committee. http://docs.nrdc.org/globalwarming/glo_06042401a.pdf

7. Natural Resources Defense Council, Peabody's Energy Fantasy: America's Nightmare

A Reader's Guide to the National Coal Council Report, March 28, 2006. http://docs.nrdc.org/globalwarming/glo_06032801a.pdf

8. Natural Resources Defense Council, Peabody's Energy Fantasy: America's Nightmare A Reader's Guide to the National Coal Council Report, March 28, 2006. http://docs.nrdc.org/globalwarming/glo_06032801a.pdf

9. Volume 2, page 69 of the National Coal Council's report.

10. Volume 2, page 61 of the National Coal Council's report.