



**Prepared Statement of L. Cartan Sumner, Jr.
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Testimony before the U.S.-China Economic & Security Review Commission
Hearing on “China’s Green Energy and Environmental Policies”
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Chairman Slane, Vice Chairman Bartholomew, hearing co-chair Commissioner Reinsch, hearing co-chair Commissioner Shea and other distinguished Commissioners of the U.S.-China Economic & Security Review Commission.

Good afternoon. It is a great privilege as well as an honor for me to participate in today’s public hearing on the subject of “China’s Green Energy and Environmental Policies”. My name is Cartan Sumner and I serve as Vice President of International Government Relations with Peabody Energy based at our headquarters in St. Louis, Missouri.

Peabody Energy is the world’s largest private-sector coal company. Our coal products fuel 10 percent of all U.S. electricity generation and approximately two percent of the world’s power. We are among *Fortune’s* Most Admired companies and ranked among the top 25 in the *Forbes* 2009 Platinum List of Best Managed Companies. Last year, we achieved more than 30 awards for corporate and financial leadership, safety and environmental performance.

Peabody participates in every coal market in the world. The company owns majority interests in 28 coal mining operations located in the United States and Australia. Last year, we sold coal to electricity generating and industrial plants in 23 countries on six continents. Peabody holds approximately 9.0 billion tons of coal reserves and has a global workforce of more than 7,000 people. We are expanding our global footprint in developing Asia with offices in Beijing, Jakarta and Ulaanbaatar and a new trading hub in Singapore.

Peabody has a distinguished history dating back 126 years. However, it was not until recent years in 2005 that Peabody entered China to pursue potential long-term growth opportunities there. Since helping to establish our Beijing office five years ago, I have been fortunate to travel to China frequently – most recently last week – to support Peabody’s efforts to participate in the market.

My role within the organization is to work with governments to create a policy friendly framework for the greater use of coal to meet growing energy needs and support Peabody’s global expansion. A key part of these duties is to involve Peabody in partnerships to advance the development of clean coal technologies on a global basis. An example of such partnerships is GreenGen, one of China’s leading clean energy initiatives. Another is the U.S.-China Energy Cooperation Program, which was established late last year.

One of the issues which you encouraged me to address is the role of private companies in fostering U.S.-China cooperation on clean energy and environmental issues. Our view is that private companies can play a meaningful role in this area. In this prepared statement, my objective is to brief you on the role which Peabody is playing to foster such bilateral cooperation and the details of our energy partnerships in China.

Peabody's Operating Principles

In the United States, Peabody has the largest production and reserve position in the Powder River Basin of Wyoming and in the Illinois Basin. Our flagship operations are located in the Powder River Basin – in the heart of a six-square-mile area which accounts for 20% of America's energy – where coal is extracted at enormous scale in modern and technologically-advanced open-cut (or surface) mining facilities. Our largest mine there alone produces 10% of America's annual coal production.

In Australia, Peabody is the fastest-growing coal producer but has a long history as well. In 1962, our company built Australia's first major export mine and today has nine coal mining operations. Peabody's production in Queensland and New South Wales is sold primarily into the seaborne export market for steelmaking and electricity generation in countries such as Japan, South Korea, India and most recently, China.

“When the mining is complete, we will leave the land in a condition equal to or better than we found it.” This is a sentence taken from Peabody's mission statement and a core principle of our company. Environmental excellence is part of the fabric of our organization. This is evidenced by the more than 25 awards earned by Peabody in the past three years for land restoration, revegetation and good neighbor practices. Reclaimed lands are typically even restored to a condition that is more productive than before mining occurred.

Safety is also core to Peabody Energy's mission. Our company strives relentlessly to operate with not just zero injuries, but zero incidents of any kind. The last three years have been our safest and in 2009, the company earned 11 industry awards for excellence in safety and emergency preparedness. When our Chairman and Chief Executive Officer Greg Boyce came to Peabody, his priority was to instill a culture of safety within the organization. Mr. Boyce introduced the practice of beginning every meeting with a safety contact and today, the first measure of overall performance at Peabody is safety.

Cooperation with China

We believe that sustainability and safety are pertinent to this hearing because they are elements of how we seek to forge cooperation with China. In China, Peabody's aspiration is to be a long-term strategic energy partner. We seek to develop large-scale, modern and efficient open-cut coal mining facilities similar to those we operate in the United States and Australia. In doing so, we will bring to the Chinese market best-in-class environmental and land restoration practices while embedding safety in every aspect of mining.

This is one role which a private company such as Peabody can play in fostering U.S.-China energy and environmental cooperation. Another is in the area of clean energy technology.

Peabody is promoting the development of clean coal technologies that would reduce the emissions from the use of coal. We are doing so by participating in more than a dozen initiatives to advance technology in the United States, China and Australia. The company is a founding member of the FutureGen Alliance in the U.S., the Global Carbon Capture and Storage Institute in Australia and the U.S.-China Energy Cooperation Program. In addition, we are supporting university research programs such as the Consortium for Clean Coal Utilization at Washington University in St. Louis.

We also seek to work collaboratively with major partners in China to advance the development of near-zero emissions technologies enabling clean energy solutions from coal. One example of this is Peabody's participation in GreenGen.

GreenGen Clean Energy Project

GreenGen is China's centerpiece climate initiative. It is a partnership between several major Chinese energy companies and Peabody Energy to develop a commercial-scale, near-zero emissions coal-fueled power plant with carbon capture and storage. GreenGen is China's first integrated gasification combined cycle (IGCC) power project. It is being developed in phases, will serve as a carbon research center and construction is well underway. The first electricity is expected to be generated next year when the initial 250 megawatt unit is commissioned.

Peabody was invited to become the only non-Chinese equity partner in GreenGen. Our joint venture agreement was executed on November 17th last year at a ceremony at the Great Hall of the People in conjunction with President Obama's visit to Beijing and before U.S. Secretary of Energy Steven Chu. That same day, the GreenGen signing was recognized among the measures announced by President Obama and President Hu to strengthen bilateral cooperation on clean energy.

GreenGen represents a significant step in the area of energy and the environment between the United States and China. The partnership is establishing a model for international collaboration on these issues. We are very privileged to be involved in one of the world's signature climate initiatives and proud that Peabody's involvement is fostering increased strategic cooperation between our two nations.

Coal has been the world's fastest growing fuel each of the last six years. Over the next 20 years, global coal use is forecast to grow 53% or more than 1.5 times the combined growth rate of all other energy sources. To further illustrate the importance of GreenGen, consider that:

- Today China uses coal to fuel 80% of its electricity
- Over the next 20 years, China's Gross Domestic Product is projected to climb 340%
- By the year 2020, China predicts it will need an additional one billion tonnes of coal per year, equivalent to the annual production of the entire United States

The power of coal lifts economies. In the case of China, coal has provided affordable electricity for millions over the last 20 years. A 76% increase in electricity access for Chinese citizens between 1990 and 2005 corresponded with a 300% increase in GDP. From a socioeconomic standpoint over the same period, poverty decreased 45%, infant mortality declined 39% and China rose 22% on the U.N. Human Development Index. Indications are that this is about to start happening in India as well, where the scale of latent demand for electricity is astounding.

As the world continues to increase its use of coal, we must do more to achieve the world's climate policy goals and work toward near-zero emissions. The path for achieving reduced emissions is technology and GreenGen provides a template.

U.S.-China Energy Cooperation Program

Another channel for private companies to engage with China in the area of clean energy is the new U.S.-China Energy Cooperation Program (ECP).

The ECP was established last October as a public-private partnership to leverage the resources of leading Fortune 500 and other companies for advancing a broad array of commercially-viable clean energy projects in China. It is part of the implementing mechanism for the *U.S.-China Ten Year Energy and Environment Cooperation Framework* which was signed in 2008 and operates in consultation with the U.S. Department of Commerce, the U.S. Department of Energy, the U.S. Trade and Development Agency and certain key agencies of the Government of China.

The ECP is a platform to bring U.S. industry into the field of clean energy in China while promoting shared policy objectives of our two countries. It will hasten projects which could range from coal-based power generation with carbon capture and storage to smart power grid development to clean transportation, including electric cars. In addition to being one of 21 ECP corporate founding members, Peabody participates in the executive committee together with Boeing, Cummins, Intel and GE.

Technology R&D Initiatives

There is at least one other role which private companies can also play to foster U.S.-China cooperation on clean energy and the environment. This is through direct financial sponsorship of joint scientific research and development initiatives.

One such initiative is the Consortium for Clean Coal Utilization at Washington University in St. Louis. Washington University is one of America's foremost research institutions and ranks among the nation's leaders in higher education. With funding from Peabody and other industry partners beginning in 2008, the university established the Consortium for Clean Coal Utilization dedicated to addressing the scientific and technological challenges of ensuring that coal can be used in a clean and sustainable manner.

Through Washington University's leadership, the Consortium is quickly becoming a valuable resource to industry for the advancement of technologies which foster clean utilization of coal. It is doing so through international partnerships with other universities and government organizations. I recently visited its partner in India – IIT Bombay – and observed cutting edge laboratory research on underground coal gasification technology. The Consortium also has similar collaborative engagement with Tsinghua University in China.

In the context of formal bilateral cooperation, efforts are underway to establish Washington University as a satellite research site of the *U.S.-China Clean Energy Research Center* launched last November. Our hope is that by combining one of America's finest universities with the support of local private industry, an international hub for clean coal technology development will emerge in America's heartland, bringing more of the world's brightest scientific and engineering talent to our region.

Conclusion

There is common ground among the leaders of the United States and China on the necessity of accelerating the development of clean energy technology. As it relates to specifically to clean coal, U.S. Secretary of Energy Steven Chu articulated this imperative when he wrote to the world's climate ministers last year that "(w)e must make it our goal to advance carbon capture and storage technology to the point where widespread, affordable deployment can begin in 8 to 10 years."

Peabody Energy is aggressively supporting this objective, which to be achieved requires shared commitment on the part of government officials and industry from both nations. Our hope is that in doing so, Peabody is playing a constructive role in broadening the extent of strategic cooperation between the United States and China.

I would again like to express my gratitude for the opportunity to testify before you today on this important topic. Thank you.