

Wyoming Eyed for New Coal-To-Gas Plants

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Wyoming's Powder River Basin Eyed for New Coal-To-Gas Plants

BILLINGS, Mont. (AP) -- Peabody Energy Corp., the world's largest private coal company, announced Friday it has joined with a Massachusetts firm to develop multiple coal-to-natural gas plants in Wyoming's Powder River Basin that would produce cleaner-burning fuel and less pollution.

The basin, which straddles the Montana-Wyoming border, produces about 40 percent of the country's coal, primarily for electricity generation.

St. Louis-based Peabody and GreatPoint Energy of Cambridge, Mass., said they are in the early stages of jointly developing "gasification" plants that would convert some of that coal into synthetic natural gas. Financial terms were not disclosed.

Coal-derived gas is considered a cleaner fuel than raw coal. It also has the potential to produce fewer greenhouse gases emissions -- a fundamental issue for the coal industry as it faces mounting pressure over climate change.

For Peabody and GreatPoint to be successful, they will have to buck a trend of coal plant delays and cancellations that have swept the country in recent months.

The companies said their plants would use a GreatPoint-licensed technology to capture some carbon dioxide, considered a contributor to global warming. If the synthetic gas was used for electricity generation, carbon dioxide emissions could be reduced by up to 40 percent compared to a conventional coal-fired power plant, Dan Goldman, GreatPoint vice president, said.

Rising construction costs and environmental worries -- coal plants are the nation's largest contributor of greenhouse gasses -- have led companies elsewhere to abandon or defer at least four dozen coal plants. Those included both conventional and gasification plants.

However, University of Wyoming economist Ed Barbier said Peabody and GreatPoint could overcome that trend through the economic advantages of building plants next to the Powder River Basin's abundant coal reserves.

A coal-to-gas plant near one of the basin's mines could tap into the region's extensive pipeline network and transport the fuel offsite at minimal expense. Peabody produced 138 million tons of coal from its three mines in the basin in 2006.

Barbier said another factor working in the industry's favor is a desire by state officials for projects that go beyond mining coal.

But he added that volatility in the industry -- in part due to global warming -- means even promising projects can stall.

Only a handful of gasification plants now exist.

"What we want to do is advance the technologies," said Peabody's Beth Sutton. "We see real opportunities there given the high cost of natural gas."

GreatPoint's Goldman said his company also is exploring coal-to-natural gas projects in Montana, Alberta and the U.S. Gulf Coast, after building a successful pilot project in Illinois.

On Wall Street, Peabody shares added \$4.12, or 7.9 percent, to \$56.07 in Friday trading. The stock has ranged from \$37.20 to \$63.97 in the past year