



“Full Steam Ahead”

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The recent Copenhagen Summit provides an excellent time to stop and reflect on the state of science, politics, economics, energy security, and human development. Three words may best capture the promise of energy use and technology development post-Copenhagen: full steam ahead.

By “full steam ahead,” I mean first that the world has turned the corner on the global financial crisis, and many countries have returned to development and energy expansion. Energy development is a good thing, a basic need met by fuels that advance lifestyles and drive economies. Energy is as basic as food, shelter, clothing, or oxygen. More is better, within reason and used efficiently.

By “full steam ahead,” I also mean that the disappointments of Copenhagen can be turned into positive energy, by redirecting efforts and capital into carbon capture and storage (CCS) technologies that are energy-efficient, cost-effective, and evolutionary.

Five statements summarize my views on the aftermath of Copenhagen:

1) *Copenhagen represented less than meets the eye.* Those who view Copenhagen as a disappointment quite likely had too-high expectations. Years of Oscars, Hollywood thrillers, demagoguing, and movements have turned a basic long-term challenge into a contrived near-term crisis. For these acolytes of climate orthodoxy, the temple was sure to be shaken and unrealistic expectations were sure to be dashed. And they were. For Copenhagen to have succeeded, the world needed to move beyond caricature positions and rigid groupthink, toward steady progress to a lower-emission world. And that takes me to point two.

2) *Advancing the means is far better than dreaming of the ends.* While goals are important, there is a fine line between a vision and a hallucination. It has long puzzled me that those who are willing to set impractical long-term goals for greenhouse gas reductions are commended, while those who set about the hard work of developing the technology to reduce carbon dioxide (CO₂) are criticized. We need to spend more time working on real technology solutions and less time dreaming of artificial targets to avoid modeled disasters.

It is also essential to be practical regarding what can and cannot occur. Calling for the death of fossil fuels may make some applaud, but the claim is dismissed by most policymakers as flippant posturing. And that leads me to point three.

3) *Mark Twain was right.* Rumors of the death of fossil fuels have been greatly exaggerated. Take coal, which has been the fastest growing fuel in the world for each of the past six years. Going forward, the energy from coal demand growth through 2030 is expected to exceed the combined increase from oil, gas, nuclear, solar, and wind power. In 2010 alone, 72,000 megawatts (MW) of new coal-fueled generating plants are expected to come online, using nearly 300 million tonnes of new coal per year. With the large appetite for energy from the developing world, future years should bring about a comparable buildout.

The question is not, “Can coal survive in a low-carbon world?” but rather, “Given that the world will use much more coal tomorrow than today, can we find ways to use it in a low-carbon fashion?” And that brings me to my fourth point.

4) *Let the past be prologue.* The US has a proven history of tackling emissions, since passing the Clean Air Act of 1970. Electricity use from coal and GDP has more than tripled since then and regulated emissions such as particulates, sulfur dioxide, and nitrogen oxides have been reduced 84% per MW hour.

We can make the same progress over time with CO₂. Carbon capture and storage technologies can place the ultimate green goal of near-zero emissions from coal within reach. World leaders have set aside more than \$30 billion for projects and President Obama has just asked a multi-agency team to accelerate CCS development. The European Union and International Energy Agency (IEA) have both stated that CCS is essential to achieve long-term climate goals. IEA says that the cost of doing so without CCS would be \$1.3 trillion higher than going the CCS route.

The trick is capturing and storing carbon while providing low-cost energy. That’s why we’re encouraged by research that suggests that coal with CCS will be the low-cost, low-carbon energy solution—some 15–50% less expensive than nuclear, wind, or natural gas with CCS according to Carnegie Mellon studies. And that leads to my final point.

5) *The first priority always remains human development.* This is exactly what the Copenhagen agreement says. And coal delivers. Coal is abundant and enhances the energy security of major nations such as the US, China, and India. It drives the largest and best economies of the world, and it also pulls hundreds of millions of people out of poverty.

For example, I can picture villagers in Indonesia using coal-fueled electricity for the first time, allowing them to stop burning fuel wood in unvented homes. They would

experience a leap in technology that propels their lives, creates economic growth, and improves their environment. While some debated higher-order concerns in Copenhagen, many of the globe's citizens went on with their lives, made a bit better by low-cost energy. Copenhagen came and went without their knowledge. But the next Copenhagen cannot succeed without the world's policymakers knowing and caring for the billions of people seeking a better quality of life through abundant and affordable energy. Copenhagen failed in part because it only addressed perceived future costs of greenhouse gas emissions while ignoring the enormous societal benefits that basic energy affords.

So, what does this mean for investors? The need for investment certainty has never been greater. For instance, it is this need that continues to drive US manufacturing offshore and create the major mismatch between developing economies and the more-dormant economies of the US and Europe.

This need for investment certainty also means keeping our feet planted firmly on the ground, as the path is littered with too many "next big things" that ultimately don't work out either in substance or in a timeframe that matters. The allure of eco-bling can be dazzling, but what shines brightest for investors may be that which satisfies growing energy demand in the near term—such as coal and other fossil fuels that will continue to drive developed and developing economies for a long time. This is where the lion's share of value will be created in coming years, even as some companies promising energy and environmental technologies, such as CCS, may provide outsized returns over time, many will not. Successful investors search for greater certainty, and this is challenging in the emerging technology field. History shows that many companies will come and go, and only a few will actually provide good investor returns. This, for investors, is the true hallmark for sustainability.

Promoting realistic solutions for real problems—that should be the promise of the next Copenhagen. To which I say, "Full steam ahead."

Biography

Rick Navarre is President and Chief Commercial Officer at Peabody Energy in St. Louis, Mo. He is a frequent speaker on energy, industry and company trends and topics.

Mr. Navarre has responsibility for global sales and trading; business development; strategic planning; resource development opportunities; international growth initiatives; business performance; investor relations and corporate communications.

With more than 25 years of financial experience, Mr. Navarre served as Chief Financial Officer from 1999 through 2008. He joined the company in 1993 and has held a series of financial and commercial positions with the company, including executive responsibility

for departments as diverse as Sales, Marketing, Trading and Transportation; Legal; Information Technology; Materials Management; and Post-Mining Reclamation.

Mr. Navarre led the company's financial and capital market initiatives through the company's leveraged buyout and subsequent initial public offering in 2001, and shaping of the capital structure, directed Peabody's largest acquisitions, and leads our initiatives to serve the fast-growing Asia market. During his tenure, the company has been one of the leading investments in the world.

Mr. Navarre also led the company's largest acquisition: the \$1.8 billion purchase of Australian coal producer Excel Coal in 2006. Mr. Navarre has been recognized as America's Best CFO in the Metals and Mining Sector by Institutional Investor Magazine. Since taking the company public in 2001, Peabody has also joined the S&P 500 list, Forbes Platinum List of America's Best Big Companies, and Fortune's ranking of Most Admired Companies.

Mr. Navarre is a member of the Hall of Fame of the College of Business at Southern Illinois University Carbondale; a member of the Board of Advisors of the College of Business and Administration and the School of Accountancy of Southern Illinois University Carbondale; a member of the International Business Advisory Board of the University of Missouri – St. Louis; a member of the Board of Directors of the Regional Chamber and Growth Association of St. Louis. He is a Director of the United Way of Greater St. Louis; a Vice Chair of the Missouri Historical Society; a member of Financial Executives International and the Civic Entrepreneurs Organization; Fellow, Foreign Policy Association and a former chairman of the Bituminous Coal Operators' Association.