Peabody, Arch Coal Combine PRB, Colorado Assets

Two of the top coal producers in the U.S. are joining forces. Peabody Energy and Arch Coal have entered into an agreement to combine their Powder River Basin and Colorado assets in a joint venture. The joint venture will strengthen "the competitiveness of coal against natural gas and renewables, while creating substantial value for customers and shareholders," the companies said.

The joint venture has a value of $820 million and will be 66.5% owned by Peabody and 33.5% owned by Arch Coal. The companies said they expect to generate $120 million per year over the first 10 years of operation.

"The Peabody/Arch joint venture is an extraordinary example of industrial logic targeted to strengthen the competitive position of our products and create significant value for multiple stakeholders in a low-cost combination with exceptional physical synergies," said Peabody President and CEO Glenn Kellow. "The transaction unites two strong, culturally aligned workforces with a commitment to core values such as safety and sustainability."

The combination will create one of the lowest-cost thermal coal suppliers in the U.S., according to the two companies.

"We are excited about this transaction's potential to enhance the value of Arch's top-tier thermal coal assets," said Arch CEO John W. Eaves. "This new joint venture should allow us to realize the full potential of our valuable assets in the Powder River Basin and Colorado and benefit our customers in the process."

The joint venture will combine Peabody's North Antelope Rochelle Mine (NARM) and Arch's Black Thunder Mine into one complex. The companies said this synergy will allow the joint venture to reduce costs.

Other assets included in the venture are Arch's West Elk Mine, which the companies believe will enhance Peabody's Twentymile Mine in Colorado. The Caballo, Rawhide and Coal Creek mines will also be integrated.

The joint venture will have a five-member board of managers appointed by Peabody and Arch. Each party will have voting rights in proportion to its ownership percentage, with certain items requiring supermajority approval. Peabody will be the operator and manage all activities, including the marketing of coal.

In 2018, on a combined basis, the assets shipped 206 million tons of coal and had a workforce of approximately 3,300, with combined proven and probable reserves totaling 3.4 billion, as of December 31, 2018.

Pro Forma Production Figures for the Peabody-Arch JV

(millions of tons)			2017	2018
North Antelope Rochelle	Peabody	PRB	101.6	98.3
Black Thunder	Arch	PRB	70.5	71.1
Caballo	Peabody	PRB	11.1	11.3
Rawhide	Peabody	PRB	10.3	9.5
Coal Creek	Arch	PRB	9.0	8.0
			202.5	**198.2**
West Elk	Arch	Colorado	4.6	4.8
Twentymile	Peabody	Colorado	3.0	3.8
			7.6	**8.6**

Adani Can Begin Construction on Carmichael Mine

On June 13, the Queensland government gave the final environmental approval of Adani's Carmichael mine in Central Queensland. The project, which has been in the planning stages for eight years, can now begin construction.

The Department of Environment and Science approved the Groundwater Dependent Ecosystems Management Plan for the project.

"This is confirmation the plan complies with all regulatory conditions set by the Australian and state governments, bringing to a close a two-year process of rigorous scientific inquiry, review and approvals," Adani Mining CEO Lucas Dow said. "This includes relevant reviews by Australia's pre-eminent scientific organizations CSIRO and Geoscience Australia."

Dow said the company will finalize contracts, mobilize equipment, and recruitment will continue. Then construction, including fencing, bridge and road upgrades, water management and civil earthworks, will start on the mine site.

He added that 1,500 direct and 6,750 indirect jobs will be needed during ramp up and construction.

"It has been more than 50 years since a new coal basin has opened in Queensland," Sen. The Hon. Matt Canavan, minister for resources and Northern Australia, said. "So, this development is of huge importance to the economic future of Queensland."

EPA Finalizes ACE Rule

The U.S. Environmental Protection Agency (EPA) issued the final Affordable Clean Energy (ACE) rule, which will replace former President Barack Obama administration's Clean Power Plan (CPP). The new rule "restores the rule of law and empowers states to continue to reduce emissions while providing affordable and reliable energy for all Americans," the EPA said.

A review of the CPP was done in response to President Donald Trump's Executive Order 13873-Promoting Energy Independence and Economic Growth issued in March 2017. In 2016, the Supreme Court issued a stay of the CPP.

"Today, we are delivering on one of President Trump's core priorities: ensuring the American public has access to affordable, reliable energy in a manner that continues our nation's environmental progress," said EPA Administrator Andrew Wheeler. "Unlike the CPP, ACE adheres to the Clean Air Act and gives states the regulatory certainty they need to continue to reduce emissions and provide a dependable, diverse supply of electricity."