March 16, 2016

BY CERTIFIED MAIL
***RETURN* RECEIPT REQUESTED**

Glenn Kellow
President and Chief Executive Officer
Peabody Energy
Peabody Plaza
701 Market St.
St. Louis, MO 63101

Re: Peabody Must Acknowledge the Need to Move Beyond Coal

Dear Mr. Kellow:

Peabody Energy faces a very uncertain financial future. We understand that Peabody Energy will likely soon be filing for Chapter 11 bankruptcy. Even under bankruptcy, the prospects of Peabody's survival are grim. As the world unites to combat climate change, it is increasingly clear that carbon-intensive energy sources, such as coal, do not have a realistic future. Put another way, we are at a point where the world can no longer afford to rely on coal.

Given these circumstances, we are writing to call on you to acknowledge that Peabody Energy is not viable in the long-term, particularly when faced with the need to confront global climate change. We further call on you to take steps to ensure the company undertakes an orderly end to its coal business, even as it may seek the protection of restructuring.

To this end, we urge you to commit to taking key actions that can address near-term financial difficulties faced by Peabody Energy, respond to the needs of the various interests currently depending on the company, including communities, workers, and tribes, and serve the American public interest. These actions include:

- **Withdrawal of all pending federal coal lease applications:** Peabody Energy currently has at least two applications for new publicly owned coal leases in the western United States that are pending before the U.S. Department of the Interior. These include a lease modification application that would expand the company's Foidel Creek mine in

Colorado by 310 acres and 340,000 tons of coal, and a lease modification application for the company's Rawhide mine in Wyoming that would expand the mine by 291 acres and 26 million tons of coal. If Peabody were to obtain these leases, the company faces significant financial commitments, not only for the purchase of the rights to mine the publicly owned coal, but royalty payments for any coal produced, rentals for the acreages, and bonding costs to maintain the leases.

To this end, Peabody should withdraw its applications for pending leases. Such a withdrawal would send the signal that the company is not facing significant additional expenses and would ensure that it would not shoulder future costs associated with the processing of new leases. Withdrawing these applications will also serve to eliminate future climate liabilities.

- **Relinquishment of all federal coal leases where production is not occurring:** Peabody is the second largest holder of publicly owned coal leases in the western United States. All told, the company holds more than 67,000 acres of publicly owned coal leases in the states of Colorado, New Mexico, and Wyoming.

  Among its holdings, Peabody has numerous leases where coal production is no longer occurring; yet the company continues to shoulder costs. These include leases associated with the company's Williams Fork, Seneca, and Yoast coal mines in Colorado, and the company's Shoshone and Caballo mines in Wyoming.

  An example of this is the company's recently acquired Caballo West coal lease in the Powder River Basin of northeastern Wyoming. Although Peabody acquired this 130 million ton coal lease from Alpha Resources in 2012, the company has not commenced mining of the lease as the Interior Department has issued no mining plan approval. In the meantime, Peabody is paying rentals and is maintaining bonds.

  Furthermore, Peabody maintains leaseholds in northwestern Colorado where production has ceased and reclamation has largely been completed, yet the company still maintains bonds and shoulders other related costs.

  Relinquishing federal leases where coal production is not occurring will eliminate future climate costs and current financial liabilities tied to their maintenance.

- **Commitment to expeditious final reclamation deadlines at existing mining operations:** Peabody Energy has extensive reserves where it is currently producing coal. Under the U.S. Surface Mining Control and Reclamation Act, the company has posted bonds to cover the costs of reclamation at these mines. These bonds, whether posted as sureties or as self-bonds by the company, represent significant liabilities for Peabody. In Wyoming alone, the company's self-bonding liabilities amount to more than $800 million. The only legal way for Peabody to eliminate these liabilities is by fully completing reclamation at its mines. Unfortunately, there are no deadlines in place for the company to complete reclamation, meaning these liabilities are currently indefinite.

A deadline to complete reclamation by dates certain will resolve liabilities and ensure certainty around the future of existing mining operations.

In light of this, Peabody should commit to enforceable deadlines for the completing of full reclamation (i.e., Phase III reclamation under the Surface Mining Control and Reclamation Act) at all of its mining operations. These deadlines should be as expeditiously as possible. Given the company has asserted its bonding commitments are backed by adequate financial guarantees, committing to expeditious and enforceable deadlines should be more than feasible. Further, such a commitment would provide assurances that significant liabilities will be reduced and/or eliminated by dates certain.

- **Commitment to worker/retiree benefits, community support for transition:** As Peabody confronts its financial woes, we urge the company to ensure that worker and retiree benefits are priority considerations. For years, Peabody's past and present employees have helped to keep the lights on in America. Now, in an era where climate concerns are paramount, past and present employees face an increasingly uncertain future in the coal industry. This situation, however, should not prevent Peabody from ensuring its current and former workers are appropriately compensated and cared for, even as the company's coal business is not likely to survive in the long-term.

  We also urge Peabody to provide direct support for coal-dependent communities, particularly tribal communities in the American Southwest, as they develop and implement plans to transition away from coal. We know that Peabody cares deeply about the communities that its operations have supported. Providing support, such as job re-training, educational scholarships, economic development grants, heavy equipment donations, and more, would ensure that as Peabody's coal business wind down, communities remain strong.

  With billions in assets, there is no reason that Peabody cannot ensure that a transition away from coal is as smooth as possible and leaves communities well-positioned to develop more sustainable economies.

More importantly, we urge Peabody energy to be honest and upfront with shareholders, workers, government officials, tribes, and the broader public that the future of coal is bleak. As we rise to the challenge of confronting climate change, it is clear that we cannot reasonably rely on coal as an energy source. This will necessarily mean that Peabody's business will come to an end in the long-term. In light of this reality, it is incumbent upon the company to do everything possible in the interim to shed extraneous liabilities, fully close out existing operations, and ensure the concerns of shareholders, workers, tribes and other interested parties are effectively resolved.

Although Peabody's current finances are rough, a smooth path forward exists for Peabody Energy to confront these difficulties. For our climate and our future, we urge you to move quickly and decisively to follow this path.

The alternative paths certainly indicate this is the right move to make. With questions around whether Peabody is appropriately self-bonding its mining operations, the company faces the prospect of either having to secure more than $1.4 in reclamation guarantees or cease coal production at its mines pursuant to the Surface Mining Control and Reclamation Act. If the company cannot produce coal, the company cannot possibly remain viable in the near-term. It would appear wiser to chart a more orderly end to your coal business, rather than a chaotic collapse.

We appreciate your time and attention to this matter. If you have any questions or concerns, please don't hesitate to contact us. Thank you.

Sincerely,

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cc: Sally Jewell, Secretary, U.S. Department of the Interior
Janice Schneider, Assistant Secretary, U.S. Department of the Interior
Neil Kornze, Director, U.S. Bureau of Land Management
Joe Pizarchik, Director, U.S. Office of Surface Mining Reclamation and Enforcement