

Illinois granted 'superpriority' claims to Peabody's self-bonding obligations

Written by Logan Drilling Group

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VANCOUVER (miningweekly.com) – The US state of Illinois has reached a 'superpriority' settlement agreement with major coal producer Peabody Energy relating to the company's self-bonding obligations in the state.

This is the fourth superpriority settlement agreement, following agreements with Wyoming, New Mexico and Indiana that were approved by the bankruptcy court on August 17.
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Self-bonding enables a company to operate mines without putting up sums of money or collateral for future site restoration.

The superpriority agreements provide the relevant state authorities with the ability to receive cash first in priority as additional assurance for Peabody's performance before distribution to any lender or other pre-petition creditor, up to the full amount of the company's \$200-million bonding accommodation facility.

Illinois and the three other states are entitled to a percentage of the company's \$200-million bonding accommodation facility based on their proportion of self-bonding relative to the company's total obligation as of April 12, when it filed for Chapter 11 bankruptcy protection.

The motion for the Illinois agreement is expected to be heard by the court on September 15. Peabody has three surface and underground operations in Illinois that employ about 500 workers. These operations injected more than \$715-million into the region in direct and indirect economic benefits last year, according to the company.

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Peabody's \$800-million debtor-in-possession financing facility, which includes the bonding accommodation facility, provides financing for up to 18 months during the Chapter 11 process.

According to the company, land restoration is an essential part of the coal mining process. Over the past decade, Peabody has spent about \$185-million to restore nearly 20 000 ha. As of June 30, the company had about \$1.14-billion of self-bonding and \$320-million of surety bonds supporting reclamation activities outstanding.

COMPLIANCE CONCERNS

Meanwhile, the US Department of the Interior's Office of Surface Mining Reclamation and Enforcement last week issued an unprecedented advisory regarding financial assurance practices in the coal mining industry, in response to the significant market shifts facing major coal companies and associated financial difficulties that could affect their ability to carry out obligations for reclamation of the lands disturbed by their surface mining operations.

The policy advisory suggests that guidance be issued to state agencies in terms of regulated surface coal mining and the restricted use of self-bonding. It also provides recommendations for surety requirements, cash or collateral bonds to ensure that coal companies have adequate financial resources to properly restore lands disturbed by surface mining activity.

Source: MiningWeekly.com [August 23, 2016](#).