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Ceres Power Holdings plc
('Ceres Power', 'Ceres' or the 'Company')

Feed-in Tariff Announced for Residential CHP

Ceres Power welcomes UK Government announcement of Feed-in Tariff for residential mCHP

Ceres Power welcomes the announcement made yesterday by the UK Government's Department of Energy and Climate Change (DECC) of the introduction of a Feed-in Tariff from April 2010 for residential micro Combined Heat and Power (mCHP), including Ceres Power fuel cell mCHP products. The introduction of the Feed-in Tariff will help to accelerate the sale of Ceres Power's mCHP products.

The Feed-in Tariff (FIT) is designed to bring about a significant increase in the amount of locally produced green energy, as a contribution to the wider shift of the UK energy mix to low carbon. The FIT will provide a financial incentive to homeowners for small-scale low carbon electricity generated in homes.

Peter Bance, Chief Executive Officer of Ceres Power, said:

"We are pleased that the UK Government has recognised the low carbon benefits of fuel cell micro CHP. We believe this incentive will accelerate the uptake of our low carbon micro CHP products by increasing the financial benefits to households. This will also create green jobs and be a major boost to the UK economy."

Ceres Power's mCHP unit uses fuel cell technology to produce both low carbon electricity and heat in the home and substantially reduces the need to buy electricity from the grid. Under the FIT, a household installing a Ceres Power mCHP product will receive, for a period of ten years, a generation payment of 10p/kWh for all electricity generated plus an additional export payment of 3p/kWh for any electricity that is not consumed in the home and is fed back into the grid. Importantly households will still retain the efficiency savings on their energy bills, providing an incentive to consume any electricity generated on-site, in preference to exporting to the grid.

As an example, the impact of the FIT on a household with a Ceres Power mCHP unit (assuming annual electricity generation of 3,500 kWh, of which 10 percent is exported to the grid), would be an annual cashback to the household of £360 in addition to the energy bill savings from consuming the electricity generated on-site. If the FIT payments over the ten year period are capitalised as a single up-front payment (for example by a bank or energy supplier), this would significantly reduce the price premium compared to a condensing boiler and potentially further accelerate uptake. For further details of the FIT and a worked example, please see:

http://www.cerespower.com/store/files/150-MCHP_feed_in_tariff.pdf

An objective of the FIT is to provide long-term certainty for investors but recognising that it is important to review and adapt it as circumstances change (e.g. technology costs), DECC will undertake reviews every three years to coincide with the Renewables Obligation reviews beginning in 2013. DECC has announced an interim review for mCHP that will help establish the appropriate FIT levels that will apply after the first 30,000 units have been installed.

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Note for editors:

1. A typical UK home uses electricity generated by a central power station and transmitted through the electricity grid network and uses a boiler to meet its heating and hot water needs. Centralised generation wastes a significant proportion of the energy it produces, through heat losses in the power station and in the transmission and distribution network. A fuel cell micro Combined Heat and Power (mCHP) product installed in a home avoids these losses, and captures the heat for use within the home.

2. The FIT incentive scheme recognises the benefits of creating electricity at the point of use so that overall efficiency of fossil fuel use can be improved from around 35% for centralised generation to up to 90% for residential mCHP. In the Ceres Power presentation `UK Government Feed-in Tariff for residential mCHP` the financial benefits of the scheme design, tariff setting and reviews are outlined for Ceres Power`s mCHP product.

3. The Ceres Power fuel cell mCHP product`s electricity generation qualifies for the FIT. It is designed to replace a conventional central heating boiler and will operate on mains natural gas or liquefied petroleum gas (LPG), generating all of the heating and hot water and the majority of the electricity requirements of a typical UK home. The wall-mountable mCHP product uses the same gas, water and electricity connections as existing boilers and is therefore suitable for retrofit into the existing housing stock, as well as new build. With its low heat to power ratio, a Ceres Power mCHP unit can generate electricity that is matched to the daily electrical demands of the home and thereby maximises the benefits of onsite use of electricity. The mCHP unit`s controllability and load-following capability allows it to be used to manage and/or reduce the home`s power demand thereby reducing strain on the electricity grid and provide valuable load balancing for intermittent renewables.