Press Release

Ceres Power selected to help shape UK's energy future
Founder member of the country's public-private energy alliance

January 26, 2006: AIM-quoted Ceres Power is pleased to announce its selection as the only fuel cell company in the government's new Energy Research Partnership (ERP), launched yesterday.

Chancellor Gordon Brown set up the ERP so that private and public funders of energy research can work together to identify a coherent national energy policy. It is chaired by the government's Chief Scientist Sir David King and co-chaired by E.ON Chief Executive Paul Golby.

Ceres will work closely with key energy companies including BP, Shell, E.ON, ITI Energy, Scottish & Southern Electricity, BNFL, Alstom, Mitsui Babcock and National Grid, as well as public sector organisations including DEFRA, the DTI and the Carbon Trust.

The inclusion of Ceres reflects government interest in microgeneration projects to produce energy in the home, rather than in power stations. This approach is much more efficient, reducing valuable fossil fuel usage and carbon emissions, and simultaneously slashing energy bills for consumers.

Ceres is working with British Gas to develop microgeneration products that run off natural gas and other clean fuels. These produce hot water and heat like a conventional domestic boiler, but also create enough electricity to run numerous home appliances. Such 'combined heat and power' systems extract maximum energy from fuel, and directly address the UK's current energy debate.

Ceres Chief Executive Peter Bance, who will represent Ceres in the ERP, said: "We are delighted that Ceres' leading status in commercialising fuel cell technology has led to our inclusion in this important partnership. We see it as a clear indication that fuel cell products running on natural gas are positioned to make an early and exciting contribution to energy and environmental savings, and are seen as a major solution by both government and industry."

The key objectives of the ERP are to identify policy drivers, regulatory changes, emerging technologies and new R&D areas that could result in material contributions to the UK's energy security, carbon emissions targets and sustainable economic growth.

In April, the government is expected to launch its "Microgeneration Strategy" identifying home microgeneration as a major technology suited to mass market up-take.

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Background follows/

Ceres and British Gas

British Gas announced in August 2005 that it is working on a commercial development programme with Ceres Power to provide domestic boilers that produce electricity as well as heat.

Powered by Ceres' low-cost fuel cells, the revolutionary new "boilers" have the potential to dramatically reduce household energy bills and cut carbon dioxide emissions. British Gas has stated that it believes the technology is immediately accessible by the 14.5m UK households with a gas central heating system.

The two companies are working to determine how the world-leading fuel cell developed by Ceres can best be tailored to meet the needs of UK homeowners. It will provide household electricity as well as heat for hot water and central heating.

The Ceres fuel cell will use natural gas already piped into the home. It generates both heat and electricity when fuel is passed across its surface, and has already undergone many thousands of hours of successful testing.

A cube of cells, each about the size of a CD case but wafer-thin, will form the heart of a new generation of home boilers.

Ceres Power CEO Peter Bance said: "The insight British Gas can provide into the requirements of home owners will be invaluable in helping us tailor the design for this exciting mass-market application."

Mr Bance added: "This important commercial agreement brings together a world-leading, high-tech UK growth company and the country's largest energy supplier. Our ultimate goal is to enable people to have a highly efficient, extremely safe and environmentally-friendly miniature power station in their homes, saving them money on their energy bills and enhancing Britain's energy security."

Dominic Shorrocks, Director of New Growth, British Gas Home Services, said: "Making green energy a reality is a core part of our strategy. Fuel cell-powered boilers will make far more effective use of hydrocarbons than a conventional boiler and will help our customers save money."

About the Energy Research Partnership

For more information go to www.energyresearchpartnership.co.uk

About Ceres Power

Ceres Power is a successful AIM-listed fuel cell business targeting a range of global market applications including on-site/back-up generators, residential combined heat and power, and auxiliary power units for transport. Critically, the technology uses low-cost materials and existing mass-production techniques. And unlike many fuel cells, the Ceres cell can run on widely available fuels like Liquefied Petroleum Gas (LPG), propane and natural gas as well as on hydrogen.

The company received major recognition for its green credentials when it became the 2003 winner of the prestigious Carbon Trust Innovation Award. More recently, Ceres secured the industry's top accolade by winning the Institute of Materials, Minerals and Mining's Gold Medal for 2005.

Since its formation in 2001, Ceres Power has raised over £25 million of funding through two rounds of private equity and an AIM IPO in November 2004. The company has many blue chip City institutions as financial backers including Fidelity, Morley and Jupiter.

How a fuel cell works

Fuel cells are solid-state electrochemical devices that convert fuel directly into electricity and heat in an extremely efficient and environmentally friendly way, offering significant energy savings and emissions reductions over traditional combustion technologies.

While fuel cells are like engines, in that they convert fuel into other forms of energy, their design and construction is more akin to batteries with their flat electrolyte layers sandwiched between electrodes. The challenge facing the fuel cell industry has been to develop economic, robust solutions based on commercially available fuels.

The patented Ceres fuel cell technology has distinct technical and commercial advantages over the alternatives. Operating temperatures well below traditional solid oxide fuel cells (SOFC) enable the use of commercially available steels for the stack and other components in the fuel cell system. The metal support for the electrochemical cell provides the basis of durable products for end-users. The absence of expensive precious metal catalysts commonly found in polymer electrolyte membrane (PEM) fuel cells means that Ceres is not limited to operation on pure hydrogen and the minimal fuel processing requirements involve simple, compact solutions. Through these unique benefits, Ceres technology can provide cost-effective products for a range of on-grid and off-grid mass-market applications.