

FuelCell Energy Selected by U.S. Department of Energy to Develop a Coal-Based Multi-Megawatt Solid Oxide Fuel Cell System

Company to develop large-scale solid oxide fuel cell/turbine (SOFC/T) power plant with near-zero emissions that efficiently converts coal to electricity for central power generation

DANBURY, Conn.--(BUSINESS WIRE)--Feb. 27, 2006-- FuelCell Energy, Inc. (NasdaqNM:FCEL), a leading manufacturer of ultra-clean and efficient electric power generation plants for commercial and industrial customers, today announced it has been selected by the U.S. Department of Energy (DOE) as a prime contractor of a third project team to develop a coal-based multi-megawatt solid oxide fuel cell (SOFC) system. The total project award for the 10-year, three-phase Fuel Cell Coal-Based System program is approximately \$85 million. The project is subject to negotiation of a final agreement.

The program's goal is to develop a multi-megawatt SOFC power system, 100 megawatts and larger, with at least 50 percent overall efficiency in converting energy contained in coal to grid electrical power. This compares to today's average U.S. coal-based power plant with an electrical efficiency of approximately 35 percent. Other program goals include capturing 90 percent or more of system's carbon dioxide emissions and meeting a cost of \$400 per kilowatt (exclusive of coal gasification unit and carbon dioxide separation subsystems).

"Coal technology development is a keystone of the President's new Advanced Energy Initiative," said Wayne Surdoval, DOE National Energy Technology Laboratory's Solid State Energy Conversion Alliance (SECA) Technology Manager. "The clean and efficient use of coal is vital to our nation's energy security. Research conducted under DOE's Fuel Cell Coal-Based Systems Program should ultimately lead to fuel cell power plants that use this abundant and cost-effective resource with near-zero emissions."

The DOE selected FuelCell Energy to be prime contractor for this program based on the company's high temperature fuel cell expertise, which includes: progress on its SOFC development in Phase I of the SECA Program, development and commercialization of sub-megawatt and multi-megawatt carbonate Direct FuelCell(R) (DFC(R)) power plants, previous experience with operating DFC power plants on coal gases, and successful results of its Direct FuelCell/Turbine(R) (DFC/T(R)) combined-cycle product in the DOE's Vision 21 Program. FuelCell Energy recently announced an electrical efficiency milestone of 56 percent for the DFC/T power plant, a record for a combined cycle sub-megawatt fuel cell power plant.

FuelCell Energy will be responsible for the overall systems development of its coal-based multi-megawatt SOFC/T power plant. Other team members include: Versa Power Systems, Inc. (Versa), providing state-of-the-art SOFC stack technology development; Gas Technology Institute (GTI), providing fuel cell pressurization tests; and Nexant, providing coal gasification expertise.

"This award by the DOE recognizes the strength and leadership of our high temperature megawatt-class fuel cell products," said R. Daniel Brdar, President and CEO of FuelCell Energy, Inc. "The experience we have gained with over 40 DFC power plants at customer sites, including

the development of multi-megawatt systems, as well as the record-setting electrical efficiency of our DFC/T alpha unit, will be great assets for us in the SOFC/T product development."

The objective of Phase I, a 3-year, \$10.5 million program, is to focus on the design, cost analysis, fabrication and testing of large-scale SOFC stacks amenable for incorporation into 100-megawatt systems. Phases II and III will focus on fabricating and aggregating larger SOFC systems, as well as proof-of-concept systems to be field tested for a minimum of 25,000 hours.

"Being part of this new DOE program will enable us to begin scale-up of our 5 to 10 kilowatt SOFC stack that has demonstrated successful performance under the SECA program," said Robert Stokes, President and CEO of Versa of Littleton, Colo. "We look forward to continuing our successful collaboration with FuelCell Energy to develop the fuel cell technology required for large central power stations to produce affordable, efficient and environmentally-friendly electricity from coal."

Coal is a cost-effective energy source and, with approximately 250 years of reserves, is America's most abundant fossil fuel. Improving the ability to use this domestic energy supply reduces America's dependence on foreign markets and increases energy security.

Fuel cell systems are ideally positioned to capitalize upon the nation's coal resource. Fuel cells do not rely upon combustion, enabling them to produce affordable, highly efficient and environmentally friendly electricity from coal. As a result, fuel cells are one of the most attractive power generating technologies for the future.

Advances made under the Fuel Cell Coal-Based Systems program are expected to become key enabling technologies for FutureGen, a planned DOE demonstration of advanced power systems that emit near-zero emissions, have double today's electric generating efficiency, co-produce hydrogen, and sequester carbon dioxide.

FuelCell Energy joins two other project teams -- one led by General Electric Hybrid Power Generation Systems and the other by Siemens Power Generation, Inc. -- to leverage knowledge gained in the DOE's Solid State Energy Conversion Alliance (SECA) Program, and extend coal-based SOFC technology to large central power generation stations.

This latest SOFC technology development program continues FuelCell Energy's ongoing fuel cell development work with the DOE that dates back to 1976. FuelCell Energy completed an 11-year development program in 2004 for its DFC power plants that it is commercializing today, and has been a prime contractor in the SECA program since 2003. All phases of the coal-based SOFC program will be cost-shared between the DOE and the FuelCell Energy in amounts to be determined.

About FuelCell Energy

FuelCell Energy Inc. develops and markets ultra-clean power plants that generate electricity and heat with higher efficiency than conventional fossil fuel plants and with virtually no air pollution. Fuel cells produce base load electricity giving commercial and industrial customers

greater control over their power generation economics, reliability and emissions. Emerging state, federal and international regulations to reduce harmful greenhouse gas emissions consider fuel cell power plants in the same environmentally friendly category as wind and solar energy sources -- with the added advantages of running 24 hours a day and the capacity to be installed where wind turbines or solar panels often cannot. Headquartered in Danbury, Conn., FuelCell Energy services over 40 power generation sites around the globe that have produced more than 80 million kilowatt hours, and conducts R&D on next-generation fuel cell technologies to meet the world's ever-increasing demand for ultra-clean distributed energy. For more information on the company, its products and its worldwide commercial distribution alliances, please see www.fuelcellenergy.com.

Direct FuelCell, DFC and DFC/Turbine are registered trademarks of FuelCell Energy, Inc. All other trademarks are the property of their respective owners. The Company's sub-megawatt DFC fuel cell power plant is a collaborative effort combining its Direct FuelCell technology with a Hot Module(R) balance of plant design from MTU CFC Solutions, GmbH.

This news release contains forward-looking statements, including statements regarding the Company's plans and expectations regarding the development and commercialization of its fuel cell technology. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Factors that could cause such a difference include, without limitation, the risk that commercial field trials of the Company's products will not occur when anticipated, general risks associated with product development, manufacturing, changes in the utility regulatory environment, potential volatility of energy prices, rapid technological change, and competition, as well as other risks set forth in the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained herein speak only as of the date of this press release. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based.

SOURCE: FuelCell Energy, Inc.