PRESS RELEASE January 26, 2011

**European Commission approves state support for development of second generation biofuels**

**The European Union has approved the SEK 500 million (€55 million, $75 million) R&D grant awarded by the Swedish Energy Agency towards the industrial scale demonstration biofuels plant based on Chemrec’s gasification technology at the Domsjö Fabriker biorefinery in Örnsköldsvik, Sweden. The plant will produce the renewable and environmentally compatible biofuels biomethanol or bioDME using forest harvest residues as energy feedstock.**

The European Commission has approved the Swedish R&D support of SEK 500 million (€55 million, $75 million) towards the construction of a demonstration plant for the production of second generation lignocellulosic biofuel using novel technology. The assessment of the Commission is that the R&D support is compatible with the priority objectives of the EU.

Chemrec AB and our partner the Domsjö Fabriker biorefinery were awarded the R&D support in September 2009 by the Swedish Energy Agency. The plant will be based on the Chemrec black liquor gasification technology combined with advanced technology for fuels production. The project investment cost is estimated at approximately SEK 3 billion for a production capacity of 140 000 ton biomethanol or 100 000 ton bioDME per year in a dual product plant.

Chemrecs CEO Max Jönsson says:

– Biofuels produced using our gasification technology reduce carbon dioxide emissions by approximately 95% compared to gasoline or diesel and replace imported fossil fuels with renewable fuels. The global potential of the technology is equivalent to replacement of approximately 30 million tons of diesel oil. The Domsjö plant will have the capacity equivalent to the fuel demand of over 2000 heavy trucks.

– We are proud to work with Domsjö, a company with a history of early recognition of the opportunities in biorefining, of commercialization of innovative wood chemistry, who now have identified the Chemrec technology as an opportunity. It is very gratifying that Domsjö now in interaction with the foresight shown by the Swedish Energy Agency and the Ministry of Enterprise sees an opportunity to catalyze a pioneering project.

Domsjö CEO Ola Hildingsson expressed his pleasure that the European Commission has recognized that the project can contribute to meeting the objectives for R&D, climate, energy security and employment that the EU has set up:

– Our main product is specialty cellulose for textile production. This project will give us the opportunity to develop another branch of our biorefinery tree. The project will result in the creation of about 100 new direct jobs. Additional jobs are created in the engineering and construction phase of the project as well as during operation in feedstock supply and product distribution, says Ola Hildingsson.

– The project has come this far through a broad-based Swedish cooperative effort including the Ministry of Enterprise, the Energy Agency and private enterprise. It is with great humility we accept the future challenges of this project and we want to meet them in continued cooperation with all the parties that have brought the project this far. We also value the trust that the Energy Agency, the Ministry of Enterprise and the European Commission have placed in us. Our hope is that the demonstration plant will make it easier and considerably less risky for other companies in the sector to implement this technology thereby contributing to a more sustainable energy supply within the EU and increase the added value and GDP contribution of the forest industry, an industry of particular importance to Sweden.

For more information, please contact Chemrec AB:

Max Jönsson, CEO Ph. +46 73 628 58 40, e-mail max.jonsson@chemrec.se

Jonas Rudberg, COO Ph. +46 70 662 35 71, e-mail jonas.rudberg@chemrec.se

Ola Hildingsson, VD Domsjö Fabriker AB, Ph. +46 660-756 11, +46 70 602 7799

Picture material is available at <http://www.chemrec.se/Chemrec-pictures.aspx>

**About Domsjö Fabriker**

The biorefinery Domsjö Fabriker produces specialty cellulose, lignosulfonate and ethanol at its facilities near central Örnsköldsvik, 550 km north of Stockholm. The biorefinery employs about 340 persons and generates about SEK 2 billion (€220 million, $300 million) in revenue.

For more information see [www.domsjoe.com](http://www.domsjoe.com)

**Om Chemrec**
Chemrec is a Swedish company developing and commercializing technology for black liquor gasification, which when integrated into a pulp mill gives to possibility produce large quantities of renewable motor fuels or power from biomass. The company’s shareholders include VantagePoint Venture Partners, Volvo Technology Transfer, Environmental Technologies Fund and Nykomb Synergetics.

For more information see [www.chemrec.se](http://www.chemrec.se).