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Pacific Ethanol Among Four Companies Selected by US Department of Energy to Research Commercial Cellulose Technology

Leads Consortium to Build First Cellulose Pilot Plant in the Pacific Northwest

SACRAMENTO, Calif., Jan. 29 /PRNewswire-FirstCall/ -- Pacific Ethanol, Inc. (Nasdaq: PEIX), the largest West Coast-based marketer and producer of ethanol, today announced the U.S. Department of Energy has included Pacific Ethanol in a matching award totaling \$24.32 million to build the first cellulosic ethanol demonstration plant in the Northwest United States. The plant will employ a technology to produce ethanol from wheat straw, wood chips and corn stover and will be co-located at the site of Pacific Ethanol's existing corn-based ethanol facility in Boardman, Oregon. Pacific Ethanol's partners in winning this competitive process are, BioGasol ApS and the Joint BioEnergy Institute (Lawrence Berkley National Laboratory and Sandia National Laboratory). BioGasol ApS has developed the proprietary technology and the Joint BioEnergy Institute will be providing support and specific research and development on enzyme technology.

The pilot plant, which will be designed to produce 2.7 million gallons of ethanol annually, will demonstrate the potential of a technology developed by BioGasol ApS to produce ethanol from a diverse mixture of biomass that is readily available in the area of the Boardman plant. Current plans call for the plant's completion in 4th quarter 2009 and matching criteria will include in-kind contributions that will be finalized with further negotiations with the Department of Energy.

"We are pleased to be working with the DOE, BioGasol and the Joint Bioenergy Institute on commercially demonstrating cellulose to ethanol production technology," said Neil Koehler, CEO of Pacific Ethanol. "Pacific Ethanol is committed to being a leader in developing new methods to convert a variety of biomass resources into ethanol. Success in this industry-wide effort to commercialize cellulose to ethanol technology will allow our country to replace a significant proportion of imported oil with US produced renewable resources and reduce CO2 emissions by millions of tons annually, delivering long term value to the economy, the environment and our shareholders."

"Our strategy of destination plants has always been to exploit the vast amounts of biomass that are available for use in the regions where we operate. Our objective is to utilize a successful cellulosic demonstration plant to scale up the technology throughout our network of production facilities," Koehler added.

Birgitte Ahring, CEO of BioGasol added, "The sustainability and flexibility of our process technology could set the standard for second generation biofuels production. The cost effectiveness of our proprietary process concept has already been validated in pilot plant scale and we believe that the future production cost can be competitive with other transportation fuels when the technologies are fully matured. The DOE grant gives us an excellent opportunity to bring our process concept one step closer to commercial viability and we look forward to working with Pacific Ethanol and DOE's Joint BioEnergy Institute to realize the full potential of this project."

About Pacific Ethanol, Inc.

Pacific Ethanol is the largest West Coast-based marketer and producer of ethanol. Pacific Ethanol has ethanol plants in Madera, California, and in Boardman, Oregon, and has two additional plants under construction in Burley, Idaho, and in Stockton, California. Pacific Ethanol also owns a 42% interest in Front Range Energy, LLC which owns an ethanol plant in Windsor, Colorado. Central to Pacific Ethanol's growth strategy is its destination business model, whereby each respective ethanol plant achieves lower process and transportation costs by servicing local markets for both fuel and feed. Pacific Ethanol's goal is to achieve 220 million gallons per year of ethanol production capacity in 2008 and to increase total production capacity to 420 million gallons per year in 2010. In addition, Pacific Ethanol is working to identify and develop other renewable fuel technologies, such as cellulose- based ethanol production and bio-diesel.

About BioGasol ApS

BioGasol ApS is an engineering and biotechnology company founded in January 2006 to commercialize cellulosic ethanol production technology validated in a pilot facility at the Denmark Technology University in Copenhagen. The BioGasol process utilizes proprietary process technologies and equipment designs and process technology throughout the pre-treatment, fermentation and methane production units. BioGasol is already engaged in a demonstration plant in Denmark - the BornBioFuel ("BBF") project - where BioGasol will build own and operate a feedstock flexible plant that uses local available agricultural residues and other low cost cellulosic feedstocks. Construction of BBF has already started and the first ethanol will be produced from this plant in early 2009.

About the Joint Bioenergy Institute (JBEI)

The federally funded research center Joint Bioenergy Institute (JBEI) draws on the expertise and capabilities of three national laboratories (Lawrence Berkeley National Laboratory, Sandia National Laboratories and Lawrence Livermore National Laboratory) and three leading US universities (University of California campuses at Berkeley and Davis and the Carnegie Institute at Stanford) to create the transformational discoveries needed to convert the energy stored in lignocellulose into renewable biofuels. Established scientists from the participating organizations lead teams of researchers to solve the key scientific problems in converting lignocellulosic biomass into transportation fuels and other important chemicals, to develop the tools and infrastructure that will enable other researchers and companies to more rapidly develop new biofuels and scale production to meet US transportation needs, and to develop and rapidly transition new technologies to the commercial sector.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

With the exception of historical information, the matters discussed in this press release are forward-looking statements that involve a number of risks and uncertainties. The actual future results of Pacific Ethanol could differ from those statements. Factors that could cause or contribute to such differences include, but are not limited to, the ability of Pacific Ethanol to successfully and timely complete, in a cost-effective manner, construction of its ethanol plants under construction, as well as the new cellulosic ethanol demonstration plant; the ability of Pacific Ethanol to obtain all necessary financing to complete the construction of its other planned ethanol production facilities, as well as the new cellulosic ethanol demonstration plant; the ability of Pacific Ethanol to timely complete its ethanol plant build-out program and to successfully capitalize on its internal growth initiatives; the ability of Pacific Ethanol to operate its plants, including the new cellulosic ethanol demonstration plant, at their planned production capacities; the price of ethanol relative to the price of gasoline; the effect of federal and state governmental regulations on the demand for ethanol; the effectiveness of BioGasol's and the Joint Bioenergy Institute's technologies; Pacific Ethanol's ability to expand the processes at the new cellulosic ethanol demonstration plant to its other ethanol production facilities; and the factors contained in the "Risk Factors" section of Pacific Ethanol's Form 10-K filed with the Securities and Exchange Commission on March 12, 2007.

SOURCE Pacific Ethanol, Inc.