



For Immediate Release

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Sapphire Energy Calls Algae Industry to Action

Industry partnerships essential to new energy policy advocacy

SEATTLE – Jason Pyle, Sapphire Energy CEO and co-founder, today called for the algal biomass industry to put aside competitive differences and come together to address national energy policy that affects the algal industry as a whole. Pyle spoke on a panel explaining the politics of energy policy in the United States at the 2008 Algae Biomass Summit.

“We have reached a pivot point in the development of our industry, where challenges and barriers at the national level are presenting themselves to the collective industry and we have the opportunity to break through,” said Pyle, who’s company is creating renewable transportation fuels – gasoline, jet fuel and diesel.

Pyle also spoke of the urgent need to address energy policy issues in a timely manner. Energy and scientific experts agree that algae technologies can create tremendous opportunities to develop new transportation fuels; significantly increase energy security; lower our carbon footprint by sequestering hundreds of millions of tons of carbon; and give America a leadership role in changing the world’s energy future. Yet, while there has been increasing interest in algae-based alternatives, current policy provides limited incentives to algae-based products. Pyle called for technology neutrality in the Renewable Fuel Standards, so the entire renewable energy sector competes on a level playing field, regardless of technology platforms.

“Both presidential candidates have proposed ideas on how to meet energy demands as well as on how to combat climate change including hundreds of millions of dollars in scientific research, market incentives, and loans for more efficient and environmentally friendly transportation fuels,” said Pyle. “Algae alternatives should have a space in these plans.”

About Sapphire Energy

Sapphire Energy was founded to address the overwhelming inadequacies of current biofuel approaches. The company has built a revolutionary platform using sunlight, CO₂ and microorganisms such as algae to produce renewable fuel products – gasoline, jet fuel and diesel that meet ASTM standards. The final product is not ethanol or biodiesel. Sapphire is led by a

team of entrepreneurs and experts in cell biology, plant genomics and algal production, as well as investors with long histories of taking innovative technology to market, including co-founder ARCH Venture Partners, along with the Wellcome Trust, Cascade Investment and Venrock. Sapphire's scientific supporters include The Scripps Research Institute; University of California, San Diego; the University of Tulsa, and the Department of Energy's Joint Genome Project. The company is located in San Diego. For more information, visit www.sapphireenergy.com and www.greencrudeproduction.com .

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**Remarks of Jason Pyle, Sapphire Energy CEO, to the 2nd Annual Algae Biomass Summit
Seattle, Washington
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Good morning. I'm pleased to have this opportunity to present to you today. This is an exciting time in our industry and I think we'll look back on this 2008 meeting of the ABO as a watershed moment in its development.

I suspect there will be a lot of discussion during the course of this conference about the hope and promise of algae. New ideas and perspectives will be exchanged. I believe everyone should walk away from this week feeling a bit more resolute and confident in the overall direction of the algal biomass industry. We should all feel that the promise of algal energy is within our grasp.

But I wanted to take this time with you to share a slightly different outlook. Now I'm not a pessimist, and I am certainly not pessimistic about Sapphire Energy and the promise of algae. **But I believe we have reached a moment in the development of the industry—a pivotal point—where the challenges and barriers at the national level are now presenting themselves to the collective industry – we have two choices: individually let this opportunity slip by, or join together, and as a group, engineer a real break-through.**

There is no doubt about it: Political **CHANGE** is coming to the United States and we as an industry will change accordingly. In 13 days, this country will elect a new president. At the top of both candidates' agendas for America are significant new priorities addressing two of the most urgent issues of our time . . . energy security and climate change.

Regardless of who is elected President on November 4th, it is clear he will propose a broad national energy plan. The plan will address the need for energy security and the global challenge of climate change. We as an industry have a clear interest in this new national energy plan, as the plan will support new technologies and new industries. The question is, will we be included? What I'm here to speak with you about is how we can become part of this debate. I can't promise that if we engage with the new national energy policy that the algal industry will benefit. I can assure you that if we chose not to, we will be left behind.

Each of the presidential candidates has different ideas about how to address energy policy, but both have made clear their desire to see this country become less dependent on imported oil. Senator Barack Obama recently said, "We've got to fix our energy policy that's giving our wealth away;" and Senator John McCain said we should "eliminate our dependence" on Middle Eastern and Venezuelan oil." They have promised action to the American people. They have stated this action as a top priority.

It is likely both candidates will propose hundreds of millions of dollars in scientific research, market incentives, loans and grants. This will be the catalyst that launches a new era of domestically-produced, environmentally-sensitive, transportation fuels. We have something to say about these programs. We are the innovators of a technology that knows something about accomplishing these goals. Who will

educate and inform our policy makers of the promise this technology holds? Don't you think it should be us? The people who know best the risks and rewards?

The candidates differ on how the country should break its reliance on foreign energy. McCain's approach to new energy sources contains nuclear power as a centerpiece of the plan. Obama has placed greater emphasis on renewable energy, and sees a bigger role for the federal government to promote it. But, a center piece of most plans is greater ethanol and biofuels subsidies. Fuels made from algae should have a defined space in these plans.

Both presidential candidates say climate change is a real, man-made problem that warrants federal action. The promise of algae meets this challenges, as well. Not only are we promising domestic energy, but we offer the world a way to create fuels **from** carbon dioxide, not release **new** carbon dioxide, as is the case with fossil fuels. There a good chance you will see a broad new national policy on climate change. In Washington they call it Cap and Trade. This will probably take the shape of a new national program to cap carbon emissions and to establish a free market system for trading carbon credits. Who profits and who pays for carbon dioxide impacts every energy, oil and industrial business in the entire country. Do not think this is a win for algae fuels in all forms. How and where carbon credits will be measured and assigned will be determined by these policies – and there are many powerful voices that have been weighing in on this for many years. The structure of these policies are essential to our businesses. We must be part of the discussion.

We have a great platform to stand on. Many energy experts agree that our technologies have the potential to create tremendous opportunity—an opportunity to significantly increase this country's energy security; an opportunity to lower our carbon footprint by sequestering hundreds of millions of tons of carbon; and, most importantly, an opportunity to give America hope and to present our nation as a leader in the world's energy future. We are at the forefront of a new industrial era. Regardless of what we do, in our lifetimes, we will see the fall of petroleum. What will rise in its place? Are we prepared to take on the challenge to provide a renewable, and carbon neutral source of transportation fuels? I think so, but we must do it together.

And that's where our opportunities and challenges begin. We have the wind at our backs. We have the faith and support of scientists, executives, financiers and policy experts. But as an industry, we have just begun to participate. And as an industry, we have not contributed to the policy debate in this nation's Capitol. I applaud the individual work of several companies here, but it is not enough. Our industry doesn't have a collective voice on Capitol Hill. Without a collective voice, we cannot hope to influence policy makers in a manner befitting the promise of our industry.

We, as an industry, must actively participate in the national debate. In fact, we must help frame the debate. We must be present in the halls of Congress, because when the doors close behind us, decisions will be made about **our** future and the future of **our** country. I do not expect that others will speak for our interests or of the promise of our industry. It is our responsibility to our businesses, our nation, and our world to assist in the formation of a national energy policy that advances algal fuels as the most promising of renewable & carbon-negative liquid fuel sources. We need Washington's help to build a new energy category that is essential to the future development of the industrial world.

So what can be done? And why the urgency? The first thing to realize is that we are up against entrenched political forces that have been working the halls of Congress and the White House for many, many years. They are not bad people, in fact many want the same thing we want - free this country and

our world from its addiction to foreign sources of crude, rebalance the geopolitical landscape, and repair this planet from the perils of climate change. We hold such a promise in our labs and in our companies. But, we as an industry had better get to work or we **WILL** be cut out. It won't be by better technology, but by a coalition that is better organized and well established with the policy makers in our nation's capital. They were where we are today just a few years ago. They had technology & investors willing to think big. It didn't matter whether it was a perfect solution or not. They effectively translated their ingenuity and investments into government policies which gave birth to a new industry ushered along by federal research, programs, incentives and investments. We should have no less fortune. In fact, the promise of algae should be even more warmly embraced.

Unlike other technologies, we have embarked on a solution which, when fully developed, will transform us from being a nation dependant on foreign sources of crude to a nation which will contribute to the world's need for energy in an entirely new way. A clean and renewable crude oil, changing forever, the energy balance, and landscape for our children and our children's children.

In this room are leaders and founders of what last year was hardly even an industry. Today, some of us are making fungible fuels like gasoline, diesel and jet. We are transcending those industries who came before us at a more rapid pace than was thought possible. We are ushering in a new era of carbon neutral transportation fuels made from microorganisms such as algae. Now who would have thought that could have been possible five years ago? It is possible, and WE did it. So I would like to ask all of you here to prepare yourselves for the next step. We now have the collective responsibility to guard the industry from our foes and to shine the light on the path to success. The day for us to act on that responsibility has been determined for us - by external forces, by the imminent actions of policy makers at the federal level of government and change that is coming. The time to act is **now, and 13 days from now, and in the first 100 days** of the new administration along with the new 111th Congress. We need to engage in this country's political process and be heard. The time is now and we are behind.

So how do we start?

We, you and I, understand what we need to address the public policy issues we face collectively, as an industry. This process starts with a commitment to common interests. That means for a moment we set aside our competitive interests and engage in a dialogue. It means we quickly that we will come together before policy makers in support of our industry. Then we must agree on a structure to present our face to the folks in Washington DC. Whether that structure already exists, perhaps right here within the ABO, or whether we all agree with the ABO, that another structure is preferred. Then, within that forum, we will discuss, compromise and agree on a set of common principals and ideas that serve our industry and the national interest, both now and into the future.

Once we are united, then the work begins.

We must implore the 111th Congress to bring technology neutrality to a long list of federal policies on feedstock, fuels, and carbon. For instance, we must convince Congress to fix the Renewable Fuel Standards to make them neutral to the type of fuel technology platform, so the entire renewable energy sector, from ethanol to biodiesel to algae, competes on a level playing field. To me, this is just common sense. The products we make are not only economically the right direction for this country they make the most environmental sense.

We must work hard to obtain funding and financial incentives for more research and development at our national laboratories and universities to deal with the vital issues of our industry. We must actively seek appropriations to support the development of refineries and infrastructure to create an industry

that can supply this nation, and the world, with transportation fuels that contribute to the health of this world and its people. And because we are clean and the first renewable source of existing transportation fuel, we deserve tax parity... that is the same tax incentives handed to other sectors in the business of making liquid transportation fuels like traditional oil companies, ethanol and biodiesel.

Congress must know that by supporting and believing in our industry, the United States can make immediate strides toward greater energy independence and environmental stability. And we must prove to our friends in the environmental community that this industry intends to not let them down by being transparent and addressing the challenges we face head-on and in partnership with people who care about the future of this earth as much as we do.

Then there is the new President and his policy team. We have much, in the way of solutions, to the next President. Our industry needs to help shape the agenda, and the next President's energy proposal. Many forms of biofuel have fallen into disfavor in recent times. We must engage with the new policy team to educate them on the benefits of algal fuels. How we are different than the ethanol and the biodiesel they are currently familiar with. It is this kind of engagement that will assist us in creating a national interest.

As I begin to wrap up, I wish I could tell you that this will come without cost to us. For starters, there are a few specific commitments we will all need to make: First, there will of course be a financial commitment. Second, we must spend our time to develop and maintain common & consistent policy positions. Then, we'll set out on the path of advocacy. We'll conduct regular coordinating conference calls. We'll attend regular lobbying visits to Washington D.C. We'll organize an annual "lobby day" or other Capital Hill events. We'll develop white papers and advocacy letters to express our common positions. And, last but certainly not least, we must create and financially support a Political Action Committee, or PAC. As a policy expert once said, " money is the 'mother's milk' of politics."

I wish we had more time to do all of this, but the imperative is crystal clear: **we must engage in the first 100 days of Congress or we will be left behind.** I don't know about you, but for me, being left behind simply isn't an option—the stakes are too high, the challenges are too great, and the potential to reshape our energy landscape is right in front of us. I ask you to show your support for a serious and focused federal advocacy coalition that gets to work immediately on the task of representing our industry in the first hundred days of the new administration and beyond.

I've pledged Sapphire Energy to this cause. We recently made a very strategic and visible commitment to this arena by hiring as one of our top executives, Tim Zenk, Sapphire's Vice President of Corporate Affairs. Tim is a seasoned policy and government affairs expert who knows the importance of national coalitions and politics. He knows exactly how to implement a program of this type. I've directed Tim to focus on developing this coalition, either in conjunction with the ABO or if it is the will of the industry, separately. Tim is making the rounds to reach out to all of you to gauge your commitment to this very important coalition. Please reach out to Tim, either here during these meetings or thereafter. With his assistance, we collectively can achieve great things.

In closing, I submit to you that if we do not commit to an aggressive DC focused advocacy effort, then we cannot effectively represent our shareholders and our boards - most of all, we will deprive this country of its best hope to ease addiction to foreign crude and to lessen the environmental impacts of traditional fuels.

Thank you very much for your attention. I look forward to working with you on this important effort. I sincerely hope you will join us in moving this industry to center stage where it belongs. I wish it were easier to change the world – but there it is.