Westport Innovations Inc.: New Study Points to Economic Edge for Heavy-Duty Natural Gas Vehicles

VANCOUVER, BRITISH COLUMBIA--(CCNMatthews - July 26, 2005) - Westport Innovations Inc. (TSX:WPT) reports that a U.S. study released today shows that heavy-duty natural gas vehicles (NGVs) with 2010 technology will be cost-competitive with their diesel counterparts and markedly more affordable if crude oil prices remain high.

The study, "Comparative Costs of 2010 Heavy-Duty Diesel and Natural Gas Technologies", indicates natural gas vehicles in refuse hauler, transit bus, and short-haul truck applications may have a significant advantage in life cycle costs over diesel counterparts if oil prices remain high. The study by TIAX LLC states that the expected slightly higher capital costs of NGVs will be offset by lower fueling costs over the life cycles of these vehicles.

"The findings of our report are significant," said Mike Jackson, Senior Director of TIAX LLC and one of the contributors to the report. "Transit, refuse, and short-haul fleet managers should carefully evaluate natural gas and diesel vehicle technologies that meet 2010 emissions standards. For these applications, our study indicates vehicles equipped with stoichiometric natural gas engines and three-way catalysts will have similar owning and operating costs compared to diesel engines equipped with advanced aftertreatment technologies, which enable both sets of vehicles, respectively, to meet new emissions standards."

"That said," Jackson added, "At oil prices above $31 per barrel, natural gas technologies are cheaper than the diesel alternatives and may well be the best overall option for fleet managers."

"This study confirms our own conclusions of relatively stable prices for compressed natural gas operation and maintenance, while progressively increasing costs for other fuels as they work to achieve 2007 and 2010 emissions standards," said John Drayton, Manager of Vehicle Acquisition for the Los Angeles County Metropolitan Transportation Authority (Metro).

Los Angeles Metro recently christened its 2,000th natural gas bus, one of 200 new "MetroLiner" articulated buses equipped with Cummins Westport L Gas Plus engines. Drayton said his agency's plan is to objectively choose those technologies that represent the best investment in terms of operating cost and reliability.

Michael Gallagher, President and Chief Operating Officer of Westport Innovations, said, "This new comprehensive study documents what we have been observing for some time, namely that international pressures on oil supply and increasing oil prices are creating new economic advantages and opportunities for natural gas engines and vehicles. The positive experience with large volumes of natural gas engines in Los Angeles cited above -- and last week's landmark decision by the Greater Vancouver Transportation Authority to focus on natural gas transit engines - is evidence of increased awareness of the economic benefits of natural gas engine advancements, the issues of energy security, the benefits to the environment by lowering emissions, and the widening gap between natural gas and diesel fuel prices."

He added, "There are over 12,000 Cummins Westport natural gas engines powering such commercial vehicles as trucks and buses on the roads worldwide today, and we see expanding interest in Cummins Westport's current products as well as Westport's emerging engine technology."

The TIAX study is based on a sophisticated life cycle cost model that incorporates key variables not found in typical regulatory analyses that generally look at current vehicle and fuel costs alone. The TIAX study factors in expected vehicle, fuel, operational, and maintenance costs (including fuel consumption) during a vehicle's initial ownership life, and then varies several factors independently. Key factors include: crude oil cost per barrel, percentage of NGVs in the national fleet, choice of diesel exhaust gas aftertreatment system, price of natural gas fuel versus diesel fuel, price of liquefied natural gas (LNG) versus compressed natural gas (CNG), engine cost, and fuel economy.

Oil prices emerged as the variable with the largest impact on life cycle cost in this study. The TIAX model projects that various categories of NGVs will become less expensive to buy, operate, and maintain than comparable diesel vehicles at varying oil prices: a refuse hauler at $22 a barrel (in 2005 dollars), a short-haul truck at $28 per barrel, and transit bus operations when oil price reaches $31 per barrel, for example. If crude oil price is $60 a barrel (the highest price considered), NGVs will have a significant average annual life cycle cost advantage in all applications.

Cummins Westport has announced its intention to commercialize an engine for medium-duty truck, refuse, and urban transit applications that will meet stringent US EPA 2010 emissions standards. The natural gas engine will be introduced in 2007, three years ahead of the emissions deadlines.

Copies of the report can be accessed and downloaded from the California Natural Gas Vehicle Partnership website. Please visit the following web address: www.cngvp.org/HDDV_NGVCostComparisonFinalr3.pdf.

About TIAX LLC

TIAX LLC is a leading collaborative product and technology development firm that accelerates innovation to help its clients create an impact in the market and in people's lives. It integrates business, industry, and hands-on technology expertise to transform ideas into products, and problems into solutions. Formed out of Arthur D. Little's Technology & Innovation business, TIAX builds on more than a century of breakthrough innovation and client success using collaborative R&D. TIAX was selected as a Technology Pioneer 2003 by the World Economic Forum, and is ISO 9001 certified with more than 50 research and development laboratories.

About Westport Innovations Inc.

Westport Innovations Inc. is the leading developer of environmental technologies that allow engines to operate on clean-burning fuels such as natural gas, hydrogen, and hydrogen-enriched compressed natural gas (HCNG). Westport has technology development alliances in place with Ford, MAN, BMW and Isuzu, as well an ownership interest in Clean Energy Fuels Corp., the largest provider of natural gas for vehicles in North America. Cummins Westport Inc., Westport's joint venture with Cummins Inc., manufactures and sells the world's widest range of low-emissions alternative fuel engines for commercial transportation applications such as trucks and buses.

Note: This document contains forward-looking statements about Westport's business, operations, technology development or to the environment in which it operates, which are based on Westport's estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, or are beyond Westport's control. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Westport disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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