



Primary Energy Recycling Corporation

NEWS

For Immediate Release

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Primary Energy Recycling Corporation Announces Decrease in Distribution

Oak Brook, Illinois, May 18, 2007 – Primary Energy Recycling Corporation (TSX: PRI.UN or the “Company”) today announced that its Board of Directors has approved a decrease in the monthly cash distribution paid to the Company’s enhanced income security (“EIS”) holders. Effective with the distribution to be paid on June 29, 2007 the monthly payment will be Cdn\$0.06667 per EIS.

A distribution of Cdn\$0.06667 will be paid on June 29, 2007 to EIS holders of record at the close of business on May 31, 2007. Each EIS consists of one common share of the Company and an 11.75% Subordinated Note of Cdn\$2.50 principal amount. The total distribution of June 29, 2007 reflects a cash distribution of Cdn\$0.04219 per Common Share and an interest payment of Cdn\$ 0.02448 per Subordinated Note for the period from May 1 to May 31, 2007.

The distribution of Cdn\$0.0959 announced on April 19, 2007 for payment on May 31, 2007 will be paid as announced.

The Board’s decision reflects recent operational issues and the need to comply with various financial covenants. Cash flow from operations is being impacted by first quarter, 2007 results which were below expectations, negative inventory adjustments at the Company’s Harbor Coal LLC facility (“Harbor Coal”) during the past two fiscal quarters, and the lost revenue and increased maintenance expense associated with a steam turbine generator failure at the

Company's North Lake Energy LLC Project ("North Lake"). These all affect the Company's ability to maintain compliance with Indenture covenants which track distributable cash earned versus distributions made to holders of Separate Subordinated Notes, EIS's and minority interests.

The Company continues discussions with the administrative agent for the senior debt holders concerning principal terms of an amendment to the Credit Agreement that allows the Company to maintain compliance with the senior debt covenants. Such an amendment requires the approval of the majority of the interests of debt holders before becoming effective. The Company believes that an accommodation can be reached.

"Despite the operational difficulties experienced recently, we are confident of our ability to successfully respond to these challenges. We are being diligent with Harbor Coal and the previously announced independent audit of the partnership is on-going. Repairs at North Lake are going well and we anticipate returning the unit to service during the week of May 21, 2007," said Mr. John Prunkl, President of the Company's Manager.

"We are taking steps to resolve our current problems, but expect the reduced distribution level to continue throughout the remainder of this year," said Mr. Michel Lavigne, Chair of the Board of Directors. "Our goal is to maintain distributions without further decreases or interruption and return distributions to higher levels at the appropriate time. We remain focused on delivering value to shareholders today and over the long term."

Forward-Looking Statements

When used in this news release, the words "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions pertaining, but not limited, to operating performance, regulatory parameters, weather and economic conditions and the factors discussed in the Company's public filings available on SEDAR at www.sedar.com. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

About Primary Energy Recycling Corporation

The Issuer owns a majority interest in Primary Energy Recycling Holdings LLC (“Primary Energy”). Primary Energy, headquartered in Oak Brook, Illinois, indirectly owns and operates four recycled energy projects and a 50% interest in a pulverized coal facility (collectively, the “Projects”). The Projects have a combined electrical generating capacity of 283 megawatts and a combined steam generating capacity of 1.8 MMlbs/hour. Primary Energy creates value for its customers by capturing and recycling waste energy from industrial and electric generation processes and converting it into reliable and economical electricity and thermal energy for its customers’ use. For more information, please visit us at www.primaryenergyrecycling.com.

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