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For Immediate Release

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Echelon Technology Chosen for World's Highest Railway

Ultra-modern Chinese Train Relies on LONWORKS® Technology to Monitor Multiple Systems

(San Jose, CA – July 26, 2006) - Echelon Corporation (NASDAQ: ELON), a global networking company providing technology and solutions for controls, smart metering, and energy and environment management, today announced that its LONWORKS® control technology has been chosen by Sifang Rolling Stock Research Institute for use in China's new high-tech train to Lhasa, Tibet. The Quinghai–Tibet railway, the world's longest high altitude railway, is using Echelon's technology to monitor and control various systems, including monitoring a state-of-the-art oxygen supply system for passengers. The railway made its inaugural voyage earlier this month.

Reliability and proven performance are necessities in any public transit system. The LONWORKS control networking platform is the platform of choice for many passenger and transport rail systems. The underlying protocol of the LONWORKS platform is a passenger train control standard. Known as IEEE 1473L, it is in use today in New York City subway cars, Helsinki Light Rail, Paris Metro, San Francisco BART, and other transit systems, and is the required communications platform for the Chicago Transit Authority's next generation subway

cars. The American Association of Railroads utilizes the protocol and Echelon's power line signaling technology in its electro-pneumatic braking system standard. Additionally, the LONWORKS networking platform is used extensively in train stations and way stations, and for remote monitoring and control of track switching mechanisms in harsh environments.

"We required a proven, reliable, standards-based networking technology for this train to improve passenger safety at high altitudes," said Liu, Baoming, Vice President, Sifang Rolling Stock Research Institute. "Echelon's LONWORKS technology is the best choice for monitoring safety applications and it integrates easily with other sub-systems on the train, making it cost-effective as well."

The latest of China's impressive engineering feats, the \$3.2 billion railway project reaches 16,640 feet above sea level at its highest point. In order to keep passengers from suffering from altitude sickness, pressurized cars and special train engines that can function with little oxygen are used to reduce the effects of the high altitudes. Echelon's technology is used in the control network to monitor the oxygen supply system, one of the first of its kind in the world, which provides individual oxygen supply for passenger at high altitudes and is integrated with the train's traditional heating, ventilation and air-conditioning (HVAC) system. In addition, Echelon's technology is used to monitor braking, door, lighting, and power supply systems for safety and environmental monitoring purposes.

Sifang Rolling Stock Research Institute and the China Academy of Rail Sciences have standardized on Echelon's LONWORKS networking platform for safety monitoring on next generation passenger trains in China – effectively making it a de facto standard for high speed rail travel in the world's largest passenger rail transport market. Echelon's LONWORKS networking platform monitors safety features on over 4,500 high speed passenger train cars including brakes, doors and power supply. Since 2002, China's Ministry of Railways has recommended Echelon's LONWORKS platform as one of the approved control network standards for passenger trains.

"Sifang Rolling Stock Research Institute is a driving force in making LONWORKS technology the de facto standard for rail transportation in China and we are pleased to have such an experienced partner," said Ken Oshman, Echelon's chairman and CEO. "This latest application underscores the reliability and versatility of LONWORKS technology, even under

harsh conditions, and the safety benefits that can be achieved by any organization with similar challenges.”

About Sifang Rolling Stock Research Institute

Sifang Rolling Stock Research Institute is a division of China Northern Locomotive and Rolling Stock Industrial Group, one of the largest institutes dedicated to passenger cars in China. Sifang is a major research institute and original equipment manufacturer for China's railway industry and is based in Qingdao, China.

Further information regarding Sifang can be found at <http://www.srsri.com>.

About Echelon Corporation

Echelon Corporation (NASDAQ: ELON) is a pioneer and world leader in control networking — networks that connect machines and other electronic devices — for the purpose of sensing, monitoring and controlling the world around us. Echelon's LONWORKS platform for control networking was released in 1990 and has become a worldwide standard in the building, industrial, transportation, and home automation markets. Launched in 2003, Echelon's Networked Energy Services (NES) system is an open, extensible, advanced metering infrastructure that can bring benefits to every aspect of a utility's operation, from metering and customer services to distribution operations and value-added business. In 2005 Echelon released the world's first embedded control network infrastructure, the Pyxos™ platform. The Pyxos platform extends the benefits of networking inside machines to the sensors and actuators that make them function and expands the reach and power of LONWORKS control networks.

Echelon has been a leader in the advanced metering infrastructure market, providing the underlying network technology for the world's largest advanced meter management (AMM) project in Italy, with over 27 million connected electricity meters and more recently, winning tenders to provide the NES system to 700 thousand to 1.1 million customers for utilities in Sweden, The Netherlands and Australia.

Echelon is based in San Jose, California, with international offices in China, France, Germany, Italy, Hong Kong, Japan, Korea, The Netherlands, and the United Kingdom. Further information regarding Echelon can be found at <http://www.echelon.com>.

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