

**O2DIESEL CORPORATION
NOMINATING AND CORPORATE GOVERNANCE
COMMITTEE CHARTER**

PURPOSE

The Nominating and Corporate Governance Committee (the “Committee”) is appointed by the O2Diesel Corporation (“O2Diesel”) Board of Directors (the “Board”) in order to: (1) assist the Board in reviewing the qualification and independence of the members of the Board and its various committees on a periodic basis as well as the composition of the Board as a whole; (2) evaluate the performance of the Board and committees as a whole; (3) select director nominees for election and (4) provide guidance on Board and corporate governance issues.

At the request of the Chief Executive Officer, the Committee could also play a role with respect to internal corporate matters, management development and succession, employment diversity, changes in corporate structure, contingency planning, and other matters of broad corporate significance.

COMMITTEE MEMBERSHIP

Committee members are appointed annually by the Board and may be replaced by the Board. The Committee shall be comprised of three members, two of whom shall be an Independent Director (as defined in Section 121 (as in effect immediately prior to December 1, 2003) of The American Stock Exchange Company Guide).

The Board shall select one member of the Committee as its Chairperson.

The Committee may delegate to its Chairperson such power and authority as the Committee deems to be appropriate, except such powers and authorities required by law or regulation to be exercised by the whole Committee or a subcommittee of at least two members.

MEETINGS

The Committee shall meet at least once every fiscal year, or more frequently if circumstances dictate. Any officer or employee of O2Diesel, outside counsel, independent auditor or other person may attend committee meetings, as the Committee deems appropriate.

COMMITTEE AUTHORITY AND RESPONSIBILITIES

1. Periodically review the qualifications and independence of the members of the Board and its various committees as well as the composition and structure of the Board.
2. Review and make recommendations as to the Board's committee structure and committee functions as it deems advisable. Annually review and recommend to the Board the composition of Board committees.
3. Establish a policy for identifying and evaluating candidates for Board membership including the submission of shareholder nominees consistent with O2Diesel's Bylaws and applicable law.
4. Establish criteria for prospective Board members, conduct candidate searches, interview prospective candidates, and conduct programs to introduce the candidate to the Company, its management, and operations.

The Committee shall have the authority to retain any search firm in order to assist in identifying director candidates, including sole authority to approve the search firm's fees and other retention terms.

5. Evaluate from time to time the appropriate size (number of members) of the Board and recommend any increase or decrease.
6. Recommend to the Board persons to fill vacancies created by an increase in size of the Board or the death, resignation, disqualification or removal of a Director.
7. Select director nominees for election by shareholders at the annual meeting of shareholders, or at a special meeting of shareholders.
8. Annually review the corporate governance policies of O2Diesel, to ensure they are appropriate and comply with applicable laws, regulations and listing standards, and to recommend any changes to the Board.
9. Consider any other corporate governance issues that arise from time to time and develop appropriate recommendations for the Board.

OTHER

- The Committee or Chairperson shall report periodically to the Board on the significant results of the foregoing activities.
- The Committee shall review and reassess the adequacy of its Charter as needed, but at least annually, and recommend to the Board any proposed changes to this Charter.