



NEWS RELEASE

PARAMOUNT ENERGY TRUST CONFIRMS JANUARY 2008 DISTRIBUTION AND UPDATES HEDGING POSITION

Calgary, Alberta – January 17, 2008 (TSX – PMT.UN) Paramount Energy Trust ("PET" or the "Trust") confirmed today that its distribution to be paid on February 15, 2008 in respect of income received by PET for the month of January 2008, for Unitholders of record on January 31, 2008, will be \$0.10 per Trust Unit. The ex-distribution date is January 29, 2008. The January 2008 distribution brings cumulative distributions paid since the inception of the Trust in February 2003 to \$12.024 per Trust Unit.

Natural gas prices continue to be highly volatile largely around uncertainty regarding weather and its effect on natural gas demand and storage. PET remains cautious in its outlook with respect to near term natural gas prices and continues to actively manage its risk management program. Financial and physical forward sales arrangements at the AECO and NYMEX trading hubs as at January 17, 2008 are as follows:

Type of contract	Volumes at AECO ⁽²⁾ (GJ/d)	% of Budget Production ⁽³⁾	Price (\$/GJ)	Current Forward Price (\$/GJ)	Term
Financial	57,500		7.31		February 2008
Physical	12,500		7.45		February 2008
Period total, net ⁽¹⁾	70,000	33 %	7.34	6.86	February 2008
Financial	82,500		7.15		March 2008
Physical	12,500		7.45		March 2008
Period total, net ⁽¹⁾	95,000	45 %	7.19	6.79	March 2008
Financial	69,500		7.26		April – October 2008
Physical	7,500		6.67		April – October 2008
Period total AECO, net ⁽¹⁾	77,000		7.20	6.95	April – October 2008
Financial NYMEX	10,000		7.70 US\$		April – October 2008
Period total NYMEX, net ⁽¹⁾	10,000		7.70 US\$	8.03US\$	April – October 2008
Period total, net ⁽¹⁾	87,000	42 %			April – October 2008
Financial	87,500		7.67		November 2008 – March 2009
Physical	7,500		8.36		November 2008 – March 2009
Period total, net ⁽¹⁾	95,000	45 %	7.73	7.81	November 2008 – March 2009
Financial	20,000		7.09		April – October 2009
Period total, net ⁽¹⁾	20,000	10 %	7.09	7.19	April – October 2009

⁽¹⁾ Weighted average prices are calculated by netting the volumes of the financial and physical sold/bought contracts together and measuring the net volume at the weighted average "sold" price for the financial and physical contracts.

⁽²⁾ All transactions at AECO unless identified specifically as a NYMEX transaction.

⁽³⁾ Includes actual and gas over bitumen deemed projected production volumes.

PET will continue to closely monitor the market drivers with respect to near term natural gas prices and will proactively manage the Trust's forward price exposure.

Based on current natural gas prices, PET expects to maintain monthly distributions at the current level for the foreseeable future. Incorporating PET's current hedging portfolio and the forward market for natural gas prices into the Trust's production, operations and cash flow forecasts for 2008, the current level of

distribution annualized would result in an average payout ratio of approximately 51 percent for 2008 and bank debt at year end of approximately \$300 million. The Trust continues to focus on what we believe is a sustainable distribution model that balances short term cash returns to our Unitholders and long term value creation through capital spending programs. PET reviews distributions on a monthly basis. Future distributions are subject to change as dictated by changes in commodity price markets, operations and future business development opportunities.

For those Canadian individuals wishing to obtain taxation information relating to the Trust's 2007 distributions, this information may be accessed through PET's website at www.paramountenergy.com after February 22, 2008. Taxation information for U.S. residents is expected to be posted to the website on February 29, 2008.

Forward-looking Information

This news release contains forward-looking information. Implicit in this information, particularly in respect of cash distributions, are assumptions regarding natural gas prices, production, royalties and expenses which, although considered reasonable by PET at the time of preparation, may prove to be incorrect. These forward-looking statements are based on certain assumptions that involve a number of risks and uncertainties and are not guarantees of future performance. Actual results could differ materially as a result of changes in PET's plans, changes in commodity prices, general economic, market, regulatory and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations. There is no guarantee by PET that actual results achieved will be the same as those forecast herein.

Non-GAAP Measures

This news release contains financial measures that may not be calculated in accordance with generally accepted accounting principles in Canada ("GAAP"). Readers are referred to advisories and further discussion on non-GAAP measures contained in the "Significant Accounting Policies and Non-GAAP Measures" section of the Trust's Management's Discussion and Analysis.

Mcf equivalent (Mcf_e) may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101 ("NI 51-101"), an Mcf_e conversion ratio for oil of 1 Bbl: 6 Mcf has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

Paramount Energy Trust is a natural gas-focused Canadian energy trust. PET's Trust Units and Convertible Debentures are listed on the Toronto Stock Exchange under the symbols "PMT.UN", "PMT.DB", "PMT.DB.A", "PMT.DB.B", and "PMT.DB.C" respectively. Further information with respect to PET can be found at its website at www.paramountenergy.com.

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The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.