

110TH CONGRESS
1ST SESSION

S. 133

To promote the national security and stability of the economy of the United States by reducing the dependence of the United States on oil through the use of alternative fuels and new technology, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. OBAMA (for himself, Mr. LUGAR, and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To promote the national security and stability of the economy of the United States by reducing the dependence of the United States on oil through the use of alternative fuels and new technology, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “American Fuels Act of 2007”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Office of Energy Security.

Sec. 3. Credit for production of qualified flexible fuel motor vehicles.

- Sec. 4. Incentives for the retail sale of alternative fuels as motor vehicle fuel.
 Sec. 5. Freedom for fuel franchisers.
 Sec. 6. Alternative diesel fuel content of diesel.
 Sec. 7. Excise tax credit for production of cellulosic biomass ethanol.
 Sec. 8. Incentive for Federal and State fleets for medium and heavy duty hybrids.
 Sec. 9. Credit for qualifying ethanol blending and processing equipment.
 Sec. 10. Public access to Federal alternative refueling stations.
 Sec. 11. Purchase of clean fuel buses.
 Sec. 12. Domestic fuel production volumes to meet Department of Defense needs.
 Sec. 13. Federal fleet energy conservation improvement.

1 **SEC. 2. OFFICE OF ENERGY SECURITY.**

2 (a) DEFINITIONS.—In this section:

3 (1) DIRECTOR.—The term “Director” means
 4 the Director of Energy Security appointed under
 5 subsection (c)(1).

6 (2) OFFICE.—The term “Office” means the Of-
 7 fice of Energy Security established by subsection
 8 (b).

9 (b) ESTABLISHMENT.—There is established in the
 10 Executive Office of the President the Office of Energy Se-
 11 curity.

12 (c) DIRECTOR.—

13 (1) IN GENERAL.—The Office shall be headed
 14 by a Director, who shall be appointed by the Presi-
 15 dent, by and with the advice and consent of the Sen-
 16 ate.

17 (2) RATE OF PAY.—The Director shall be paid
 18 at a rate of pay equal to level I of the Executive
 19 Schedule under section 5312 of title 5, United
 20 States Code.

1 (d) RESPONSIBILITIES.—

2 (1) IN GENERAL.—The Office, acting through
3 the Director, shall be responsible for overseeing all
4 Federal energy security programs, including the co-
5 ordination of efforts of Federal agencies to assist the
6 United States in achieving full energy independence.

7 (2) SPECIFIC RESPONSIBILITIES.—In carrying
8 out paragraph (1), the Director shall—

9 (A) serve as head of the energy commu-
10 nity;

11 (B) act as the principal advisor to the
12 President, the National Security Council, the
13 National Economic Council, the Domestic Pol-
14 icy Council, and the Homeland Security Council
15 with respect to intelligence matters relating to
16 energy security;

17 (C) with respect to budget requests and
18 appropriations for Federal programs relating to
19 energy security—

20 (i) consult with the President and the
21 Director of the Office of Management and
22 Budget with respect to each major Federal
23 budgetary decision relating to energy secu-
24 rity of the United States;

1 (ii) based on priorities established by
2 the President, provide to the heads of de-
3 partments containing agencies or organiza-
4 tions within the energy community, and to
5 the heads of such agencies and organiza-
6 tions, guidance for use in developing the
7 budget for Federal programs relating to
8 energy security;

9 (iii) based on budget proposals pro-
10 vided to the Director by the heads of agen-
11 cies and organizations described in clause
12 (ii), develop and determine an annual con-
13 solidated budget for Federal programs re-
14 lating to energy security; and

15 (iv) present the consolidated budget,
16 together with any recommendations of the
17 Director and any heads of agencies and or-
18 ganizations described in clause (ii), to the
19 President for approval;

20 (D) establish and meet regularly with a
21 council of business and labor leaders to develop
22 and provide to the President and Congress rec-
23 ommendations relating to the impact of energy
24 supply and prices on economic growth;

1 (E) submit to Congress an annual report
2 that describes the progress of the United States
3 toward the goal of achieving full energy inde-
4 pendence; and

5 (F) carry out such other responsibilities as
6 the President may assign.

7 (e) STAFF.—

8 (1) IN GENERAL.—The Director may, without
9 regard to the civil service laws (including regula-
10 tions), appoint and terminate such personnel as are
11 necessary to enable the Director to carry out the re-
12 sponsibilities of the Director under this section.

13 (2) COMPENSATION.—

14 (A) IN GENERAL.—Except as provided in
15 subparagraph (B), the Director may fix the
16 compensation of personnel without regard to
17 the provisions of chapter 51 and subchapter III
18 of chapter 53 of title 5, United States Code, re-
19 lating to classification of positions and General
20 Schedule pay rates.

21 (B) MAXIMUM RATE OF PAY.—The rate of
22 pay for the personnel appointed by the Director
23 shall not exceed the rate payable for level V of
24 the Executive Schedule under section 5316 of
25 title 5, United States Code.

1 (f) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated such sums as are nec-
 3 essary to carry out this section.

4 **SEC. 3. CREDIT FOR PRODUCTION OF QUALIFIED FLEXIBLE**
 5 **FUEL MOTOR VEHICLES.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
 7 chapter A of chapter 1 of the Internal Revenue Code of
 8 1986 is amended by adding at the end the following new
 9 section:

10 **“SEC. 450. PRODUCTION OF QUALIFIED FLEXIBLE FUEL**
 11 **MOTOR VEHICLES.**

12 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
 13 tion 38, in the case of a manufacturer, the qualified flexi-
 14 ble fuel motor vehicle production credit determined under
 15 this section for any taxable year is an amount equal to
 16 the incremental flexible fuel motor vehicle cost for each
 17 qualified flexible fuel motor vehicle produced in the United
 18 States by the manufacturer during the taxable year.

19 “(b) INCREMENTAL FLEXIBLE FUEL MOTOR VEHI-
 20 CLE COST.—With respect to any qualified flexible fuel
 21 motor vehicle, the incremental flexible fuel motor vehicle
 22 cost is an amount equal to the lesser of—

23 “(1) the excess of—

24 “(A) the cost of producing such qualified
 25 flexible fuel motor vehicle, over

1 “(B) the cost of producing such motor ve-
2 hicle if such motor vehicle was not a qualified
3 flexible fuel motor vehicle, or

4 “(2) \$100.

5 “(c) QUALIFIED FLEXIBLE FUEL MOTOR VEHI-
6 CLE.—For purposes of this section, the term ‘qualified
7 flexible fuel motor vehicle’ means a flexible fuel motor ve-
8 hicle—

9 “(1) the production of which is not required for
10 the manufacturer to meet—

11 “(A) the maximum credit allowable for ve-
12 hicles described in paragraph (2) in determining
13 the fleet average fuel economy requirements (as
14 determined under section 32904 of title 49,
15 United States Code) of the manufacturer for
16 the model year ending in the taxable year, or

17 “(B) the requirements of any other provi-
18 sion of Federal law, and

19 “(2) which is designed so that the vehicle is
20 propelled by an engine which can use as a fuel a
21 gasoline mixture of which 85 percent (or another
22 percentage of not less than 70 percent, as the Sec-
23 retary may determine, by rule, to provide for re-
24 quirements relating to cold start, safety, or vehicle
25 functions) of the volume of consists of ethanol.

1 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) MOTOR VEHICLE.—The term ‘motor vehi-
4 cle’ has the meaning given such term by section
5 30(c)(2).

6 “(2) MANUFACTURER.—The term ‘manufac-
7 turer’ has the meaning given such term in regula-
8 tions prescribed by the Administrator of the Envi-
9 ronmental Protection Agency for purposes of the ad-
10 ministration of title II of the Clean Air Act (42
11 U.S.C. 7521 et seq.).

12 “(3) REDUCTION IN BASIS.—For purposes of
13 this subtitle, if a credit is allowed under this section
14 for any expenditure with respect to any property, the
15 increase in the basis of such property which would
16 (but for this paragraph) result from such expendi-
17 ture shall be reduced by the amount of the credit so
18 allowed.

19 “(4) NO DOUBLE BENEFIT.—The amount of
20 any deduction or credit allowable under this chapter
21 (other than the credits allowable under this section
22 and section 30B) shall be reduced by the amount of
23 credit allowed under subsection (a) for such vehicle
24 for the taxable year.

1 “(1) IN GENERAL.—In the case of a taxpayer
2 making an election under this subsection for a tax-
3 able year, the amount otherwise determined under
4 subsection (c) shall be increased by any amount of
5 the credit determined under section 45O for such
6 taxable year which the taxpayer elects not to claim
7 pursuant to such election.

8 “(2) ELECTION.—A taxpayer may make an
9 election for any taxable year not to claim any
10 amount of the credit allowable under section 45O
11 with respect to property produced by the taxpayer
12 during such taxable year. An election under this sub-
13 section may only be revoked with the consent of the
14 Secretary.

15 “(3) CREDIT REFUNDABLE.—The aggregate in-
16 crease in the credit allowed by this section for any
17 taxable year by reason of this subsection shall for
18 purposes of this title (other than subsection (b)(2)
19 of this section) be treated as a credit allowed to the
20 taxpayer under subpart C.”.

21 (d) CONFORMING AMENDMENTS.—Section 38(b) of
22 the Internal Revenue Code of 1986 is amended by striking
23 “plus” at the end of paragraph (30), by striking the period
24 at the end of paragraph (31) and inserting “, plus”, and
25 by adding at the end the following new paragraph:

1 “(32) the qualified flexible fuel motor vehicle
2 production credit determined under section 45N,
3 plus”.

4 (e) CLERICAL AMENDMENT.—The table of sections
5 for subpart D of part IV of subchapter A of chapter 1
6 of the Internal Revenue Code of 1986 is amended by add-
7 ing at the end the following new item:

 “Sec. 450. Production of qualified flexible fuel motor vehicles.”.

8 (f) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to motor vehicles produced in
10 model years ending after the date of the enactment of this
11 Act.

12 **SEC. 4. INCENTIVES FOR THE RETAIL SALE OF ALTER-**
13 **NATIVE FUELS AS MOTOR VEHICLE FUEL.**

14 (a) IN GENERAL.—Subpart D of part IV of sub-
15 chapter A of chapter 1 of the Internal Revenue Code of
16 1986 (relating to business related credits) is amended by
17 inserting after section 40A the following new section:

18 **“SEC. 40B. CREDIT FOR RETAIL SALE OF ALTERNATIVE**
19 **FUELS AS MOTOR VEHICLE FUEL.**

20 “(a) GENERAL RULE.—The alternative fuel retail
21 sales credit for any taxable year is the applicable amount
22 for each gallon of alternative fuel sold at retail by the tax-
23 payer during such year.

1 “(b) APPLICABLE AMOUNT.—For purposes of this
 2 section, the applicable amount shall be determined in ac-
 3 cordance with the following table:

“In the case of any sale:	The applicable amount for each gallon is:
Before 2010	35 cents
During 2010 or 2011	20 cents
During 2012	10 cents.

4 “(c) DEFINITIONS.—For purposes of this section—

5 “(1) ALTERNATIVE FUEL.—The term ‘alter-
 6 native fuel’ means any fuel at least 85 percent (or
 7 another percentage of not less than 70 percent, as
 8 the Secretary may determine, by rule, to provide for
 9 requirements relating to cold start, safety, or vehicle
 10 functions) of the volume of which consists of eth-
 11 anol.

12 “(2) SOLD AT RETAIL.—

13 “(A) IN GENERAL.—The term ‘sold at re-
 14 tail’ means the sale, for a purpose other than
 15 resale, after manufacture, production, or impor-
 16 tation.

17 “(B) USE TREATED AS SALE.—If any per-
 18 son uses alternative fuel (including any use
 19 after importation) as a fuel to propel any quali-
 20 fied alternative fuel motor vehicle (as defined in
 21 this section) before such fuel is sold at retail,
 22 then such use shall be treated in the same man-

1 ner as if such fuel were sold at retail as a fuel
2 to propel such a vehicle by such person.

3 “(3) QUALIFIED ALTERNATIVE FUEL MOTOR
4 VEHICLE.—The term ‘new qualified alternative fuel
5 motor vehicle’ means any motor vehicle—

6 “(A) which is capable of operating on an
7 alternative fuel,

8 “(B) the original use of which commences
9 with the taxpayer,

10 “(C) which is acquired by the taxpayer for
11 use or lease, but not for resale, and

12 “(D) which is made by a manufacturer.

13 “(d) ELECTION TO PASS CREDIT.—A person which
14 sells alternative fuel at retail may elect to pass the credit
15 allowable under this section to the purchaser of such fuel
16 or, in the event the purchaser is a tax-exempt entity or
17 otherwise declines to accept such credit, to the person
18 which supplied such fuel, under rules established by the
19 Secretary.

20 “(e) PASS-THRU IN THE CASE OF ESTATES AND
21 TRUSTS.—Under regulations prescribed by the Secretary,
22 rules similar to the rules of subsection (d) of section 52
23 shall apply.

24 “(f) TERMINATION.—This section shall not apply to
25 any fuel sold at retail after December 31, 2012.”.

1 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
 2 tion 38(b) of the Internal Revenue Code of 1986 (relating
 3 to current year business credit), as amended by section
 4 4(d), is amended by striking “plus” at the end of para-
 5 graph (31), by striking the period at the end of paragraph
 6 (32) and inserting “, plus”, and by adding at the end the
 7 following new paragraph:

8 “(33) the alternative fuel retail sales credit de-
 9 termined under section 40B(a).”.

10 (c) CLERICAL AMENDMENT.—The table of sections
 11 for subpart D of part IV of subchapter A of chapter 1
 12 of the Internal Revenue Code of 1986 is amended by in-
 13 serting after the item relating to section 40A the following
 14 new item:

“Sec. 40B. Credit for retail sale of alternative fuels as motor vehicle fuel.”.

15 (d) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to fuel sold at retail after the date
 17 of enactment of this Act, in taxable years ending after
 18 such date.

19 **SEC. 5. FREEDOM FOR FUEL FRANCHISERS.**

20 (a) PROHIBITION ON RESTRICTION OF INSTALLA-
 21 TION OF ALTERNATIVE FUEL PUMPS.—

22 (1) IN GENERAL.—Title I of the Petroleum
 23 Marketing Practices Act (15 U.S.C. 2801 et seq.) is
 24 amended by adding at the end the following:

1 **“SEC. 107. PROHIBITION ON RESTRICTION OF INSTALLA-**
2 **TION OF ALTERNATIVE FUEL PUMPS.**

3 “(a) DEFINITION.—In this section:

4 “(1) ALTERNATIVE FUEL.—The term ‘alter-
5 native fuel’ means any fuel—

6 “(A) at least 85 percent of the volume of
7 which consists of ethanol, natural gas, com-
8 pressed natural gas, liquefied natural gas, lique-
9 fied petroleum gas, hydrogen, or any combina-
10 tion of those fuels; or

11 “(B) any mixture of biodiesel (as defined
12 in section 40A(d)(1) of the Internal Revenue
13 Code of 1986) and diesel fuel (as defined in
14 section 4083(a)(3) of the Internal Revenue
15 Code of 1986), determined without regard to
16 any use of kerosene and containing at least 20
17 percent biodiesel.

18 “(2) FRANCHISE-RELATED DOCUMENT.—The
19 term ‘franchise-related document’ means—

20 “(A) a franchise under this Act; and

21 “(B) any other contract or directive of a
22 franchisor relating to terms or conditions of the
23 sale of fuel by a franchisee.

24 “(b) PROHIBITIONS.—

25 “(1) IN GENERAL.—Notwithstanding any provi-
26 sion of a franchise-related document in effect on the

1 date of enactment of this section, no franchisee or
2 affiliate of a franchisee shall be restricted from—

3 “(A) installing on the marketing premises
4 of the franchisee an alternative fuel pump;

5 “(B) converting an existing tank and
6 pump on the marketing premises of the
7 franchisee for alternative fuel use;

8 “(C) advertising (including through the
9 use of signage or logos) the sale of any alter-
10 native fuel; or

11 “(D) selling alternative fuel in any speci-
12 fied area on the marketing premises of the
13 franchisee (including any area in which a name
14 or logo of a franchisor or any other entity ap-
15 pears).

16 “(2) ENFORCEMENT.—Any restriction de-
17 scribed in paragraph (1) that is contained in a fran-
18 chise-related document and in effect on the date of
19 enactment of this section—

20 “(A) shall be considered to be null and
21 void as of that date; and

22 “(B) shall not be enforced under section
23 105.

24 “(c) EXCEPTION TO 3-GRADE REQUIREMENT.—No
25 franchise-related document that requires that 3 grades of

1 gasoline be sold by the applicable franchisee shall prevent
 2 the franchisee from selling an alternative fuel in lieu of
 3 1 grade of gasoline.”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) IN GENERAL.—Section 101(13) of the
 6 Petroleum Marketing Practices Act (15 U.S.C.
 7 2801(13)) is amended by adjusting the indenta-
 8 tion of subparagraph (C) appropriately.

9 (B) TABLE OF CONTENTS.—The table of
 10 contents of the Petroleum Marketing Practices
 11 Act (15 U.S.C. 2801 note) is amended—

12 (i) by inserting after the item relating
 13 to section 106 the following:

“Sec. 107. Prohibition on restriction of installation of alternative fuel pumps.”;

14 and

15 (ii) by striking the item relating to
 16 section 202 and inserting the following:

“Sec. 202. Automotive fuel rating testing and disclosure requirements.”.

17 (b) APPLICATION OF GASOHOL COMPETITION ACT
 18 OF 1980.—Section 26 of the Clayton Act (15 U.S.C. 26a)
 19 is amended—

20 (1) by redesignating subsection (c) as sub-
 21 section (d);

22 (2) by inserting after subsection (b) the fol-
 23 lowing:

1 “(c) RESTRICTION PROHIBITED.—For purposes of
2 subsection (a), restricting the right of a franchisee to in-
3 stall on the premises of that franchisee qualified alter-
4 native fuel vehicle refueling property (as defined in section
5 30C(c) of the Internal Revenue Code of 1986) shall be
6 considered an unlawful restriction.”; and

7 (3) in subsection (d) (as redesignated by para-
8 graph (1)), by striking “(d) As used in this section,”
9 and inserting the following:

10 **SEC. 6. ALTERNATIVE DIESEL FUEL CONTENT OF DIESEL.**

11 (a) FINDINGS.—Congress finds that—

12 (1) section 211(o) of the Clean Air Act (42
13 U.S.C. 7535(o)) (as amended by section 1501 of the
14 Energy Policy Act of 2005 (Public Law 109–58))
15 established a renewable fuel program under which
16 entities in the petroleum sector are required to blend
17 renewable fuels into motor vehicle fuel based on the
18 gasoline motor pool;

19 (2) the need for energy diversification is greater
20 as of the date of enactment of this Act than it was
21 only months before the date of enactment of the En-
22 ergy Policy Act (Public Law 109–58; 119 Stat.
23 594); and

24 (3)(A) the renewable fuel program under sec-
25 tion 211(o) of the Clean Air Act requires a small

1 percentage of the gasoline motor pool, totaling near-
2 ly 140,000,000,000 gallons, to contain a renewable
3 fuel; and

4 (B) the small percentage requirement described
5 in subparagraph (A) does not include the
6 40,000,000,000-gallon diesel motor pool.

7 (b) ALTERNATIVE DIESEL FUEL PROGRAM FOR DIE-
8 SEL MOTOR POOL.—Section 211 of the Clean Air Act (42
9 U.S.C. 7545) is amended by inserting after subsection (o)
10 the following:

11 “(p) ALTERNATIVE DIESEL FUEL PROGRAM FOR
12 DIESEL MOTOR POOL.—

13 “(1) DEFINITION OF ALTERNATIVE DIESEL
14 FUEL.—

15 “(A) IN GENERAL.—In this subsection, the
16 term ‘alternative diesel fuel’ means biodiesel (as
17 defined in section 312(f) of the Energy Policy
18 Act of 1992 (42 U.S.C. 13220(f))) and any
19 blending components derived from alternative
20 fuel (provided that only the alternative fuel por-
21 tion of any such blending component shall be
22 considered to be part of the applicable volume
23 under the alternative diesel fuel program estab-
24 lished by this subsection).

1 “(B) INCLUSIONS.—The term ‘alternative
2 diesel fuel’ includes a diesel fuel substitute pro-
3 duced from—

4 “(i) animal fat;

5 “(ii) plant oil;

6 “(iii) recycled yellow grease;

7 “(iv) single-cell or microbial oil;

8 “(v) thermal depolymerization;

9 “(vi) thermochemical conversion;

10 “(vii) a coal-to-liquid process (includ-
11 ing the Fischer-Tropsch process) that pro-
12 vides for the sequestration of carbon emis-
13 sions;

14 “(viii) a diesel-ethanol blend of not
15 less than 7 percent ethanol; or

16 “(ix) sugar, starch, or cellulosic bio-
17 mass.

18 “(2) ALTERNATIVE DIESEL FUEL PROGRAM.—

19 “(A) REGULATIONS.—

20 “(i) IN GENERAL.—Not later than 1
21 year after the date of enactment of this
22 subsection, the Administrator shall promul-
23 gate regulations to ensure that diesel sold
24 or introduced into commerce in the United
25 States (except in noncontiguous States or

1 territories), on an annual average basis,
2 contains the applicable volume of alter-
3 native diesel fuel determined in accordance
4 with subparagraph (B).

5 “(ii) PROVISIONS OF REGULATIONS.—
6 Regardless of the date of promulgation,
7 the regulations promulgated under clause
8 (i)—

9 “(I) shall contain compliance pro-
10 visions applicable to refineries, blend-
11 ers, distributors, and importers, as
12 appropriate, to ensure that the re-
13 quirements of this paragraph are met;
14 but

15 “(II) shall not—

16 “(aa) restrict geographic
17 areas in which alternative diesel
18 fuel may be used; or

19 “(bb) impose any per-gallon
20 obligation for the use of alter-
21 native diesel fuel.

22 “(iii) REQUIREMENT IN CASE OF
23 FAILURE TO PROMULGATE REGULA-
24 TIONS.—If the Administrator fails to pro-
25 mulgate regulations under clause (i), the

1 percentage of alternative diesel fuel in the
 2 diesel motor pool sold or dispensed to con-
 3 sumers in the United States, on a volume
 4 basis, shall be 0.6 percent for calendar
 5 year 2009.

6 “(B) APPLICABLE VOLUME.—

7 “(i) CALENDAR YEARS 2009 THROUGH
 8 2016.—For the purpose of subparagraph
 9 (A), the applicable volume for any of cal-
 10 endar years 2009 through 2016 shall be
 11 determined in accordance with the fol-
 12 lowing table:

“Applicable volume of Alternative diesel fuel in diesel motor pool (in millions of gallons):		Calendar year:
250		2009
500		2010
750		2011
1,000		2012
1,250		2013
1,500		2014
1,750		2015
2,000		2016.

13 “(ii) CALENDAR YEAR 2017 AND
 14 THEREAFTER.—The applicable volume for
 15 calendar year 2017 and each calendar year
 16 thereafter shall be determined by the Ad-
 17 ministrator, in coordination with the Sec-
 18 retary of Agriculture and the Secretary of
 19 Energy, based on a review of the imple-
 20 mentation of the program during calendar

1 years 2009 through 2016, including a re-
2 view of—

3 “(I) the impact of the use of al-
4 ternative diesel fuels on the environ-
5 ment, air quality, energy security, job
6 creation, and rural economic develop-
7 ment; and

8 “(II) the expected annual rate of
9 future production of alternative diesel
10 fuels to be used as a blend component
11 or replacement to the diesel motor
12 pool.

13 “(iii) MINIMUM APPLICABLE VOL-
14 UME.—For the purpose of subparagraph
15 (A), the applicable volume for calendar
16 year 2017 and each calendar year there-
17 after shall be equal to the product obtained
18 by multiplying—

19 “(I) the number of gallons of die-
20 sel that the Administrator estimates
21 will be sold or introduced into com-
22 merce during the calendar year; and

23 “(II) the ratio that—

24 “(aa) 2,000,000,000 gallons
25 of alternative diesel fuel; bears to

1 “(bb) the number of gallons
2 of diesel sold or introduced into
3 commerce during calendar year
4 2016.

5 “(3) APPLICABLE PERCENTAGES.—

6 “(A) PROVISION OF ESTIMATE OF VOL-
7 UMES OF DIESEL SALES.—Not later than Octo-
8 ber 31 of each of calendar years 2008 through
9 2016, the Administrator of the Energy Infor-
10 mation Administration shall provide to the Ad-
11 ministrators an estimate, with respect to the fol-
12 lowing calendar year, of the volumes of diesel
13 projected to be sold or introduced into com-
14 merce in the United States.

15 “(B) DETERMINATION OF APPLICABLE
16 PERCENTAGES.—

17 “(i) IN GENERAL.—Not later than
18 November 30 of each of calendar years
19 2009 through 2016, based on the estimate
20 provided under subparagraph (A), the Ad-
21 ministrators shall determine and publish in
22 the Federal Register, with respect to the
23 following calendar year, the alternative die-
24 sel fuel obligation that ensures that the re-
25 quirements of paragraph (2) are met.

1 “(ii) REQUIRED ELEMENTS.—The al-
2 ternative diesel fuel obligation determined
3 for a calendar year under clause (i) shall—

4 “(I) be applicable to refineries,
5 blenders, and importers, as appro-
6 priate;

7 “(II) be expressed in terms of a
8 volume percentage of diesel sold or in-
9 troduced into commerce in the United
10 States; and

11 “(III) subject to subparagraph
12 (C), consist of a single applicable per-
13 centage that applies to all categories
14 of persons described in subclause (I).

15 “(C) ADJUSTMENTS.—In determining the
16 applicable percentage for a calendar year, the
17 Administrator shall make adjustments to pre-
18 vent the imposition of redundant obligations on
19 any person described in subparagraph
20 (B)(ii)(I).

21 “(4) CREDIT PROGRAM.—

22 “(A) IN GENERAL.—The regulations pro-
23 mulgated pursuant to paragraph (2)(A) shall
24 provide for the generation of an appropriate
25 amount of credits by any person that refines,

1 blends, or imports diesel that contains a quan-
2 tity of alternative diesel fuel that is greater
3 than the quantity required under paragraph
4 (2).

5 “(B) USE OF CREDITS.—A person that
6 generates a credit under subparagraph (A) may
7 use the credit, or transfer all or a portion of the
8 credit to another person, for the purpose of
9 complying with regulations promulgated pursu-
10 ant to paragraph (2).

11 “(C) DURATION OF CREDITS.—A credit
12 generated under this paragraph shall be valid
13 during the 1-year period beginning on the date
14 on which the credit is generated.

15 “(D) INABILITY TO GENERATE OR PUR-
16 CHASE SUFFICIENT CREDITS.—The regulations
17 promulgated pursuant to paragraph (2)(A)
18 shall include provisions allowing any person
19 that is unable to generate or purchase sufficient
20 credits under subparagraph (A) to meet the re-
21 quirements of paragraph (2) by carrying for-
22 ward a credit generated during a previous year
23 on the condition that the person, during the cal-
24 endar year following the year in which the al-
25 ternative diesel fuel deficit is created—

1 “(i) achieves compliance with the al-
2 ternative diesel fuel requirement under
3 paragraph (2); and

4 “(ii) generates or purchases additional
5 credits under subparagraph (A) to offset
6 the deficit of the previous year.

7 “(5) WAIVERS.—

8 “(A) IN GENERAL.—The Administrator, in
9 consultation with the Secretary of Agriculture
10 and the Secretary of Energy, may waive the re-
11 quirements of paragraph (2) in whole or in part
12 on receipt of a petition of 1 or more States by
13 reducing the national quantity of alternative
14 diesel fuel for the diesel motor pool required
15 under paragraph (2) based on a determination
16 by the Administrator, after public notice and
17 opportunity for comment, that—

18 “(i) implementation of the require-
19 ment would severely harm the economy or
20 environment of a State, a region, or the
21 United States; or

22 “(ii) there is an inadequate domestic
23 supply of alternative diesel fuel.

24 “(B) PETITIONS FOR WAIVERS.—Not later
25 than 90 days after the date on which the Ad-

1 administrator receives a petition under subpara-
 2 graph (A), the Administrator, in consultation
 3 with the Secretary of Agriculture and the Sec-
 4 retary of Energy, shall approve or disapprove
 5 the petition.

6 “(C) TERMINATION OF WAIVERS.—

7 “(i) IN GENERAL.—Except as pro-
 8 vided in clause (ii), a waiver under sub-
 9 paragraph (A) shall terminate on the date
 10 that is 1 year after the date on which the
 11 waiver is provided.

12 “(ii) EXCEPTION.—The Adminis-
 13 trator, in consultation with the Secretary
 14 of Agriculture and the Secretary of En-
 15 ergy, may extend a waiver under subpara-
 16 graph (A), as the Administrator deter-
 17 mines to be appropriate.”.

18 (c) PENALTIES AND ENFORCEMENT.—Section
 19 211(d) of the Clean Air Act (42 U.S.C. 7545(d)) is
 20 amended—

21 (1) in paragraph (1), by striking “or (o)” each
 22 place it appears and inserting “(o), or (p)”; and

23 (2) in paragraph (2), by striking “and (o)”
 24 each place it appears and inserting “(o), and (p)”.

1 (d) TECHNICAL AMENDMENTS.—Section 211 of the
2 Clean Air Act (42 U.S.C. 7545) is amended—

3 (1) in subsection (i)(4), by striking “section
4 324” each place it appears and inserting “section
5 325”;

6 (2) in subsection (k)(10), by indenting subpara-
7 graphs (E) and (F) appropriately;

8 (3) in subsection (n), by striking “section
9 219(2)” and inserting “section 216(2)”;

10 (4) by redesignating the second subsection (r)
11 and subsection (s) as subsections (s) and (t), respec-
12 tively; and

13 (5) in subsection (t)(1) (as redesignated by
14 paragraph (4)), by striking “this subtitle” and in-
15 serting “this part”.

16 **SEC. 7. EXCISE TAX CREDIT FOR PRODUCTION OF CEL-**
17 **LULOSIC BIOMASS ETHANOL.**

18 (a) ALLOWANCE OF EXCISE TAX CREDIT.—

19 (1) IN GENERAL.—Section 6426 of the Internal
20 Revenue Code of 1986 (relating to credit for alcohol
21 fuel, biodiesel, and alternative fuel mixtures) is
22 amended by redesignating subsections (f) and (g) as
23 subsections (g) and (h), respectively, and by insert-
24 ing after subsection (e) the following new subsection:
25 “(f) CELLULOSIC BIOMASS ETHANOL CREDIT.—

1 “(1) IN GENERAL.—For purposes of this sec-
 2 tion, in the case of a cellulosic biomass ethanol pro-
 3 ducer, the cellulosic biomass ethanol credit is the
 4 product of—

5 “(A) the product of 51 cents times the
 6 equivalent number of gallons of renewable fuel
 7 specified in section 211(o)(4) of the Clean Air
 8 Act, times

9 “(B) the number of gallons of qualified cel-
 10 lulosic biomass ethanol fuel production of such
 11 producer.

12 “(2) DEFINITIONS.—

13 “(A) CELLULOSIC BIOMASS ETHANOL.—
 14 The term ‘cellulosic biomass ethanol’ has the
 15 meaning given such term under section
 16 211(o)(1)(A) of the Clean Air Act.

17 “(B) QUALIFIED CELLULOSIC BIOMASS
 18 ETHANOL FUEL PRODUCTION.—The term
 19 ‘qualified cellulosic biomass ethanol fuel produc-
 20 tion’ means any alcohol which is cellulosic bio-
 21 mass ethanol which during the taxable year—

22 “(i) is sold by the producer to another
 23 person —

24 “(I) for use by such other person
 25 in the production of an alcohol fuel

1 mixture in such other person's trade
2 or business (other than casual off-
3 farm production),

4 “(II) for use by such other per-
5 son as a fuel in a trade or business,
6 or

7 “(III) who sells such cellulosic
8 biomass ethanol at retail to another
9 person and places such ethanol in the
10 fuel tank of such other person, or

11 “(ii) is used or sold by the producer
12 for any purpose described in clause (i).

13 “(3) DENIAL OF DOUBLE BENEFIT.—No credit
14 shall be allowed under subsection (b) or (c) to any
15 taxpayer with respect to any fuel to the extent that
16 a credit has been allowed with respect to such fuel
17 to any taxpayer under this subsection or a payment
18 has been made with respect to such fuel under sec-
19 tion 6427(e).

20 “(4) TERMINATION.—This section shall not
21 apply to any sale or use for any period after Decem-
22 ber 31, 2008.”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) Section 6426(a) of such Code is
25 amended—

1 (i) by striking “subsection (d)” in
 2 paragraph (2) and inserting “subsections
 3 (d) and (f)”, and

4 (ii) by striking “and (e)” in the last
 5 sentence and inserting “, (e), and (f)”.

6 (B) The heading for section 6426 of such
 7 Code is amended to read as follows:

8 **“SEC. 6426. CREDIT FOR CERTAIN FUELS AND FUEL MIX-**
 9 **TURES.”.**

10 (C) The table of section for subchapter B
 11 of chapter 65 of such Code is amended by strik-
 12 ing the item relating to section 6426 and in-
 13 serting the following new item:

“Sec. 6426. Credit for certain fuels and fuel mixtures.”.

14 (b) CELLULOSIC BIOMASS ETHANOL NOT USED FOR
 15 A TAXABLE PURPOSE.—

16 (1) IN GENERAL.—Section 6427(e) of the Inter-
 17 nal Revenue Code of 1986 is amended by redesign-
 18 ating paragraphs (3) through (5) as paragraphs
 19 (4) through (6), respectively, and by inserting after
 20 paragraph (2) the following new paragraph:

21 “(3) CELLULOSIC BIOMASS ETHANOL.—If any
 22 person sells or uses cellulosic biomass ethanol (as de-
 23 fined in section 6426(f)(2)(A)) for a purpose de-
 24 scribed in section 6426(f)(2)(B) in such person’s
 25 trade or business, the Secretary shall pay (without

1 interest) to such person an amount equal to the cel-
2 lulosic biomass ethanol credit with respect to such
3 fuel.”.

4 (2) DENIAL OF DOUBLE BENEFIT.—Paragraph
5 (4) of section 6427(e) of such Code, as redesignated
6 by paragraph (1), is amended to read as follows:

7 “(4) COORDINATION WITH OTHER REPAYMENT
8 PROVISIONS.—

9 “(A) IN GENERAL.—No amount shall be
10 payable under paragraph (1), (2), or (3) with
11 respect to any mixture, alternative fuel, or cel-
12 lulosic biomass ethanol with respect to which an
13 amount is allowed as a credit under section
14 6426.

15 “(B) CELLULOSIC BIOMASS ETHANOL.—
16 No amount shall be payable under paragraph
17 (1) or (2) with respect to any cellulosic biomass
18 ethanol if a payment has been made with re-
19 spect to such ethanol under paragraph (3).”.

20 (3) TERMINATION.—Paragraph (6) of section
21 6427(e) of such Code, as redesignated by paragraph
22 (1), is amended by striking “and” at the end of sub-
23 paragraph (C), by striking the period at the end of
24 subparagraph (D) and inserting “, and”, and by
25 adding at the end the following new subparagraph:

1 “(E) any cellulosic biomass ethanol credit
2 (as defined in section 6426(f)(2)(A)) sold or
3 used after December 31, 2008.”.

4 (4) CONFORMING AMENDMENT.—Paragraph (5)
5 of section 6427(e) of such Code, as redesignated by
6 paragraph (1), is amended by striking “or alter-
7 native fuel mixture credit” and inserting “, alter-
8 native fuel mixture credit, or cellulosic biomass eth-
9 anol credit”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to fuel sold or used after the date
12 of the enactment of this Act.

13 **SEC. 8. INCENTIVE FOR FEDERAL AND STATE FLEETS FOR**
14 **MEDIUM AND HEAVY DUTY HYBRIDS.**

15 Section 301 of the Energy Policy Act of 1992 (42
16 U.S.C. 13211) is amended—

17 (1) in paragraph (3), by striking “or a dual
18 fueled vehicle” and inserting “, a dual fueled vehicle,
19 or a medium or heavy duty vehicle that is a hybrid
20 vehicle”;

21 (2) by redesignating paragraphs (11), (12),
22 (13), and (14) as paragraphs (12), (14), (15), and
23 (16), respectively;

24 (3) by inserting after paragraph (10) the fol-
25 lowing:

1 “(11) the term ‘hybrid vehicle’ means a vehicle
2 powered both by a diesel or gasoline engine and an
3 electric motor that is recharged as the vehicle oper-
4 ates;” and

5 (4) by inserting after paragraph (12) (as redes-
6 ignated by paragraph (2)) the following:

7 “(13) the term ‘medium or heavy duty vehicle’
8 means a vehicle that—

9 “(A) in the case of a medium duty vehicle,
10 has a gross vehicle weight rating of more than
11 8,500 pounds but not more than 14,000
12 pounds; and

13 “(B) in the case of a heavy duty vehicle,
14 has a gross vehicle weight rating of more than
15 14,000 pounds;”.

16 **SEC. 9. CREDIT FOR QUALIFYING ETHANOL BLENDING AND**
17 **PROCESSING EQUIPMENT.**

18 (a) ALLOWANCE OF QUALIFYING ETHANOL BLEND-
19 ING AND PROCESSING EQUIPMENT CREDIT.—Section 46
20 of the Internal Revenue Code of 1986 (relating to amount
21 of credit) is amended by striking “and” at the end of para-
22 graph (3), by striking the period at the end of paragraph
23 (4) and inserting “, and”, and by adding at the end the
24 following new paragraph:

1 purpose of direct retail sale, including in-line blending
2 equipment, storage tanks, pumps and piping for dena-
3 turants, and load-out equipment.

4 “(d) QUALIFYING FACILITY.—For purposes of this
5 section, the term ‘qualifying facility’ means any facility
6 which produces not less than 1,000,000 gallons of ethanol
7 during the taxable year.

8 “(e) SPECIAL RULE FOR CERTAIN SUBSIDIZED
9 PROPERTY.—Rules similar to section 48(a)(4) shall apply
10 for purposes of this section.

11 “(f) CERTAIN QUALIFIED PROGRESS EXPENDITURES
12 RULES MADE APPLICABLE.—Rules similar to the rules of
13 subsections (c)(4) and (d) of section 46 (as in effect on
14 the day before the enactment of the Revenue Reconcili-
15 ation Act of 1990) shall apply for purposes of this sub-
16 section.

17 “(g) TERMINATION.—This section shall not apply to
18 property placed in service after December 31, 2014.”.

19 (c) RECAPTURE OF CREDIT WHERE EMISSIONS RE-
20 DUCTION OFFSET IS SOLD.—Paragraph (1) of section
21 50(a) of the Internal Revenue Code of 1986 is amended
22 by redesignating subparagraph (B) as subparagraph (C)
23 and by inserting after subparagraph (A) the following new
24 subparagraph:

1 “(B) SPECIAL RULE FOR QUALIFYING
2 ETHANOL BLENDING AND PROCESSING EQUIP-
3 MENT.—For purposes of subparagraph (A), any
4 investment property which is qualifying ethanol
5 blending and processing equipment (as defined
6 in section 48C(e)) shall cease to be investment
7 credit property with respect to a taxpayer if
8 such taxpayer receives a payment in exchange
9 for a credit for emission reductions attributable
10 to such qualifying pollution control equipment
11 for purposes of an offset requirement under
12 part D of title I of the Clean Air Act.”.

13 (d) SPECIAL RULE FOR BASIS REDUCTION; RECAP-
14 TURE OF CREDIT.—Paragraph (3) of section 50(c) of the
15 Internal Revenue Code of 1986 (relating to basis adjust-
16 ment to investment credit property) is amended by insert-
17 ing “or qualifying ethanol blending and processing equip-
18 ment credit” after “energy credit”.

19 (e) CERTAIN NONRECOURSE FINANCING EXCLUDED
20 FROM CREDIT BASE.—Section 49(a)(1)(C) of the Internal
21 Revenue Code of 1986 (defining credit base) is amended
22 by striking “and” at the end of clause (iii), by striking
23 the period at the end of clause (iv) and inserting “, and”,
24 and by adding at the end the following new clause:

1 “(v) the basis of any property which
 2 is part of any qualifying ethanol blending
 3 and processing equipment under section
 4 48C.”.

5 (f) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to property placed in service after
 7 December 31, 2007, in taxable years ending after such
 8 date, under rules similar to the rules of section 48(m) of
 9 the Internal Revenue Code of 1986 (as in effect on the
 10 day before the date of the enactment of the Revenue Rec-
 11 onciliation Act of 1990).

12 **SEC. 10. PUBLIC ACCESS TO FEDERAL ALTERNATIVE RE-**
 13 **FUELING STATIONS.**

14 (a) DEFINITIONS.—In this section:

15 (1) ALTERNATIVE FUEL REFUELING STA-
 16 TION.—The term “alternative fuel refueling station”
 17 has the meaning given the term “qualified alter-
 18 native fuel vehicle refueling property” in section
 19 30C(c)(1) of the Internal Revenue Code of 1986.

20 (2) SECRETARY.—The term “Secretary” means
 21 the Secretary of Energy.

22 (b) ACCESS TO FEDERAL ALTERNATIVE REFUELING
 23 STATIONS.—Not later than 18 months after the date of
 24 enactment of this Act—

1 (1) except as provided in subsection (d)(1), any
2 Federal property that includes at least 1 fuel refuel-
3 ing station shall include at least 1 alternative fuel
4 refueling station; and

5 (2) except as provided in subsection (d)(2), any
6 alternative fuel refueling station located on property
7 owned by the Federal government shall permit full
8 public access for the purpose of refueling using al-
9 ternative fuel.

10 (c) DURATION.—The requirements described in sub-
11 section (b) shall remain in effect until the sooner of—

12 (1) the date that is 7 years after the date of en-
13 actment of this Act; or

14 (2) the date on which the Secretary determines
15 that not less than 5 percent of the commercial re-
16 fueling infrastructure in the United States offers al-
17 ternative fuels to the general public.

18 (d) EXCEPTIONS.—

19 (1) WAIVER.—Subsection (b)(1) shall not apply
20 to any Federal property under the jurisdiction of a
21 Federal agency if the Secretary determines that al-
22 ternative fuel is not reasonably available to retail
23 purchasers of the fuel, as certified by the head of
24 the agency to the Secretary.

1 (2) NATIONAL SECURITY EXEMPTION.—Sub-
2 section (b)(2) does not apply to property of the Fed-
3 eral government that the Secretary, in consultation
4 with the Secretary of Defense, has certified must be
5 exempt for national security reasons.

6 (e) REPORT.—Not later than October 31 of each year
7 beginning after the date of enactment of this Act, the
8 President shall submit to Congress a report that describes
9 the progress of the agencies of the Federal Government
10 (including the Executive Office of the President) in com-
11 plying with—

12 (1) the Energy Policy Act of 1992 (42 U.S.C.
13 13201 et seq.);

14 (2) Executive Order 13149 (65 Fed. Reg.
15 24595; relating to greening the government through
16 Federal fleet and transportation efficiency); and

17 (3) the fueling center requirements of this sec-
18 tion.

19 **SEC. 11. PURCHASE OF CLEAN FUEL BUSES.**

20 (a) IN GENERAL.—Chapter 53 of title 49, United
21 States Code, is amended by inserting after section 5325
22 the following:

23 **“§ 5326. Purchase of clean fuel buses**

24 “(a) DEFINITIONS.—In this section:

25 “(1) ALTERNATIVE DIESEL FUEL.—

1 “(A) IN GENERAL.—The term ‘alternative
2 diesel fuel’ means—

3 “(i) biodiesel (as defined in section
4 312(f) of the Energy Policy Act of 1992
5 (42 U.S.C. 13220(f)); and

6 “(ii) any blending components derived
7 from alternative fuel.

8 “(B) INCLUSIONS.—The term ‘alternative
9 diesel fuel’ includes a diesel fuel substitute pro-
10 duced from—

11 “(i) animal fat;

12 “(ii) plant oil;

13 “(iii) recycled yellow grease;

14 “(iv) single-cell or microbial oil;

15 “(v) thermal depolymerization;

16 “(vi) thermochemical conversion;

17 “(vii) a coal-to-liquid process (includ-
18 ing the Fischer-Tropsch process) that pro-
19 vides for the sequestration of carbon emis-
20 sions; or

21 “(viii) a diesel-ethanol blend of not
22 less than 7 percent ethanol.

23 “(2) CELLULOSIC BIOMASS ETHANOL.—The
24 term ‘cellulosic biomass ethanol’ means ethanol de-
25 rived from any lignocellulosic or hemicellulosic mat-

1 ter that is available on a renewable or recurring
2 basis, including—

3 “(A) dedicated energy crops and trees;

4 “(B) wood and wood residues;

5 “(C) plants;

6 “(D) grasses;

7 “(E) agricultural residues;

8 “(F) fibers;

9 “(G) animal wastes and other waste mate-
10 rials; and

11 “(H) municipal solid waste.

12 “(3) CLEAN FUEL BUS.—The term ‘clean fuel
13 bus’ means a vehicle that—

14 “(A) is capable of being powered by—

15 “(i) compressed natural gas;

16 “(ii) liquefied natural gas;

17 “(iii) 1 or more batteries;

18 “(iv) a fuel that is composed of at
19 least 85 percent ethanol (or another per-
20 centage of not less than 70 percent, as the
21 Secretary may determine, by rule, to pro-
22 vide for requirements relating to cold start,
23 safety, or vehicle functions);

24 “(v) electricity (including a hybrid
25 electric or plug-in hybrid electric vehicle);

1 “(vi) a fuel cell;

2 “(vii) a fuel that is composed of at
3 least 22 percent biodiesel (as defined in
4 section 312(f) of the Energy Policy Act of
5 1992 (42 U.S.C. 13220(f)) (or another
6 percentage of not less than 10 percent, as
7 the Secretary may determine, by rule, to
8 provide for requirements relating to cold
9 start, safety, or vehicle functions);

10 “(viii) ultra-low sulfur diesel; or

11 “(ix) liquid fuel manufactured with a
12 coal feedstock; and

13 “(B) has been certified by the Adminis-
14 trator of the Environmental Protection Agency
15 to significantly reduce harmful emissions, par-
16 ticularly in a nonattainment area (as defined in
17 section 171 of the Clean Air Act (42 U.S.C.
18 7501)).

19 “(4) QUALIFIED ALTERNATIVE FUEL PRO-
20 DUCER.—The term ‘qualified alternative fuel pro-
21 ducer’ means a producer of qualified fuels that, dur-
22 ing the applicable taxable year—

23 “(A) are sold by the producer to another
24 person—

1 “(i) for use by the person in the pro-
2 duction of a mixture of qualified fuels in
3 the trade or business of the person (other
4 than casual off-farm production);

5 “(ii) for use by the other person as a
6 fuel in a trade or business; or

7 “(iii) that—

8 “(I) sells to another person the
9 qualified fuel at retail; and

10 “(II) places the qualified fuel in
11 the fuel tank of the person that pur-
12 chased the qualified fuel; or

13 “(B) are used or sold by the producer for
14 any purpose described in subparagraph (A).

15 “(5) QUALIFIED FUEL.—The term ‘qualified
16 fuel’ includes—

17 “(A) cellulosic biomass ethanol;

18 “(B) ethanol produced in facilities in which
19 animal waste or other waste materials are di-
20 gested or otherwise used to displace at least 90
21 percent of the fossil fuels that would otherwise
22 be used in the production of ethanol;

23 “(C) renewable fuels;

24 “(D) alternative diesel fuels;

1 “(E) sugar, starch, or cellulosic biomass;
2 and

3 “(F) any other fuel that is not substan-
4 tially petroleum.

5 “(6) RENEWABLE FUEL.—The term ‘renewable
6 fuel’ means fuel, at least 85 percent of the volume
7 of which—

8 “(A)(i) is produced from grain, starch, oil-
9 seeds, vegetable, animal, or fish materials in-
10 cluding fats, greases, and oils, sugarcane, sugar
11 beets, sugar components, tobacco, potatoes, or
12 other biomass; or

13 “(ii) is natural gas produced from a biogas
14 source, including a landfill, sewage waste treat-
15 ment plant, feedlot, or other place in which de-
16 caying organic material is found; and

17 “(B) is used to substantially replace or re-
18 duce the quantity of fossil fuel present in a fuel
19 mixture used to operate a motor vehicle.

20 “(b) PURCHASE OF BUSES.—Subject to subsections
21 (c) and (d), beginning on the date that is 2 years after
22 the date of enactment of this section, a bus purchased
23 using funds made available from the Mass Transit Ac-
24 count of the Highway Trust Fund shall be a clean fuel
25 bus.

1 “(c) ULTRA-LOW SULFUR DIESEL.—

2 “(1) IN GENERAL.—Except as provided in para-
3 graph (2), not more than 20 percent of the amount
4 of the funds provided to a recipient to purchase
5 buses under this section may be used by the recipi-
6 ent to purchase clean fuel buses that are capable of
7 being powered by a fuel described in clause (iv),
8 (vii), (viii), or (ix) of subsection (a)(3)(A).

9 “(2) EXCEPTION.—Paragraph (1) shall not
10 apply if the recipient enters into a 3-year purchase
11 agreement with a qualified alternative fuel producer
12 to acquire qualified fuels in a volume sufficient to
13 power the clean fuel buses purchased using amounts
14 made available under this section.

15 “(d) USE OF CERTAIN ALTERNATIVE FUELS.—

16 “(1) IN GENERAL.—To be eligible to receive
17 funds under subsection (c)(2) for the purchase of a
18 clean fuel bus that is capable of being powered by
19 a fuel described in clause (iv), (vii), or (ix) of sub-
20 section (a)(3)(A), an applicant or recipient shall sub-
21 mit to the Secretary—

22 “(A) a certification that the applicant will
23 operate the clean fuel bus only with the fuel at
24 all times in accordance with the fuel capacity

1 and use of the fuel recommended by the manu-
2 facturer of the clean fuel bus; and

3 “(B) not later than 180 days after the
4 purchase of the clean fuel bus and every 180
5 days thereafter, a report that documents that
6 the fuel was used in accordance with subpara-
7 graph (A) during the 180-day period ending on
8 the date of the report.

9 “(2) NONCOMPLIANCE.—Failure of an appli-
10 cant or recipient of funds to provide the certification
11 or documentation required under paragraph (1)
12 shall—

13 “(A) be considered a violation of the agree-
14 ment to receive the funds; and

15 “(B) require the applicant or recipient to
16 reimburse the Secretary the full amount of the
17 funds not later than 90 days after the Sec-
18 retary has determined that a violation has oc-
19 curred.”.

20 (b) CONFORMING AMENDMENT.—The analysis for
21 chapter 53 is amended by inserting after the item relating
22 to section 5325 the following:

“5326. Clean fuel buses.”.

1 **SEC. 12. DOMESTIC FUEL PRODUCTION VOLUMES TO MEET**
2 **DEPARTMENT OF DEFENSE NEEDS.**

3 Section 2922d of title 10, United States Code is
4 amended—

5 (1) in the heading, by striking “**and tar**
6 **sands**” and inserting “**tar sands, and other**
7 **sources**”;

8 (2) in subsection (a), by striking “fuel pro-
9 duced, in whole or in part, from coal, oil shale, and
10 tar sands (referred to in this section as a ‘covered
11 fuel’) that are extracted by either mining or in-situ
12 methods and refined or otherwise processed in the
13 United States” and inserting “fuel produced, in
14 whole or in part, from coal, oil shale, and tar sands
15 that are extracted by either mining or in-situ meth-
16 ods and refined or otherwise processed in the United
17 States and fuel produced in the United States using
18 starch, sugar, cellulosic biomass, plant or animal
19 oils, or thermal chemical conversion, thermal
20 depolymerization, or thermal conversion processes
21 (referred to in this section as a ‘covered fuel’)”;

22 (3) in subsection (d), by striking “1 or more
23 years” and inserting “up to 5 years”;

24 (4) in subsection (e), by striking the period at
25 the end and inserting the following: “, with consider-
26 ation given to military installations closed or re-

1 aligned under a round of defense base closure and
2 realignment.”; and

3 (5) by adding at the end the following new sub-
4 section:

5 “(f) PRODUCTION FACILITIES FOR COVERED
6 FUELS.—The Secretary of Defense may enter into con-
7 tracts or other agreements with private companies or other
8 entities to develop and operate production facilities for
9 covered fuels, and may provide for the construction or cap-
10 ital modification of production facilities for covered
11 fuels.”.

12 **SEC. 13. FEDERAL FLEET ENERGY CONSERVATION IM-**
13 **PROVEMENT.**

14 (a) DEFINITIONS.—Section 301 of the Energy Policy
15 Act of 1992 (42 U.S.C. 13211) is amended—

16 (1) in paragraph (3), by inserting before the
17 semicolon at the end the following: “, including a ve-
18 hicle that is propelled by electric drive transportation
19 technology, engine dominant hybrid electric tech-
20 nology, or plug-in hybrid technology”;

21 (2) in paragraph (13), by striking “and” after
22 the semicolon at the end;

23 (3) in paragraph (14), by striking the period at
24 the end and inserting a semicolon; and

25 (4) by adding at the end the following:

1 “(15) the term ‘electric drive transportation
2 technology’ means—

3 “(A) technology that uses an electric motor
4 for all or part of the motive power of a vehicle
5 (regardless of whether off-board electricity is
6 used), including—

7 “(i) a battery electric vehicle;

8 “(ii) a fuel cell vehicle;

9 “(iii) an engine dominant hybrid elec-
10 tric vehicle;

11 “(iv) a plug-in hybrid electric vehicle;

12 “(v) a plug-in hybrid fuel cell vehicle;

13 and

14 “(vi) an electric rail vehicle; or

15 “(B) technology that uses equipment for
16 transportation (including transportation involv-
17 ing any mobile source of air pollution) that uses
18 an electric motor to replace an internal combus-
19 tion engine for all or part of the work of the
20 equipment, including corded electric equipment
21 that is linked to transportation or a mobile
22 source of air pollution;

23 “(16) the term ‘engine dominant hybrid electric
24 vehicle’ means an on-road or nonroad vehicle that—

1 “(A) is propelled by an internal combus-
2 tion engine or heat engine using—

3 “(i) any combustible fuel; and

4 “(ii) an on-board, rechargeable stor-
5 age device; and

6 “(B) has no means of using an off-board
7 source of electricity; and

8 “(17) the term ‘plug-in hybrid electric vehicle’
9 means an on-road or nonroad vehicle that is pro-
10 pelled by an internal combustion engine or heat en-
11 gine using—

12 “(A) any combustible fuel;

13 “(B) an on-board, rechargeable storage de-
14 vice; and

15 “(C) a means of using an off-board source
16 of electricity.”.

17 (b) MINIMUM FEDERAL FLEET REQUIREMENT.—
18 Section 303(b)(1) of the Energy Policy Act of 1992 (42
19 U.S.C. 13212(b)(1)) is amended—

20 (1) in subparagraph (C), by striking “and”
21 after the semicolon;

22 (2) in subparagraph (D), by striking “fiscal
23 year 1999 and thereafter,” and inserting “each of
24 fiscal years 1999 through 2013; and”; and

1 (3) by inserting after subparagraph (D) the fol-
2 lowing:

3 “(E) 100 percent in fiscal year 2014 and
4 thereafter.”

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