

109TH CONGRESS  
2D SESSION

# H. R. 5331

To promote energy production and conservation, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 9, 2006

Mr. POMEROY (for himself and Ms. KAPTUR) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means, Agriculture, Resources, and Science, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To promote energy production and conservation, 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       “Breaking Our Long-Term Dependence Energy Act of  
6       2006” or the “BOLD Energy Act of 2006”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings and purposes.

Sec. 3. Definitions.

#### TITLE I—VEHICLE FUEL ECONOMY

- Sec. 101. National automobile fuel efficiency rebate program.
- Sec. 102. Research and development program for lightweight materials.
- Sec. 103. Tire efficiency program.
- Sec. 104. Idling reduction tax credit.

#### TITLE II—ALTERNATIVE FUEL VEHICLES

- Sec. 201. Promotion of advanced technology motor vehicles.
- Sec. 202. Research and development program for new vehicle technologies.
- Sec. 203. Consumer incentives to purchase advanced technology vehicles.
- Sec. 204. Extension of full credit for qualified electric vehicles.

#### TITLE III—ALTERNATIVE FUELS

- Sec. 301. Biofuels.
- Sec. 302. Continuation of bioenergy program.
- Sec. 303. Renewable fuel standard.
- Sec. 304. Minimum quantity of renewable fuel derived from cellulosic biomass.
- Sec. 305. Minimum quantity of renewable fuel derived from sugar.
- Sec. 306. Ethanol promotion program.
- Sec. 307. Renewable fuel program for the diesel motor pool.
- Sec. 308. Extension and modification of income and excise tax credits for renewable fuels.
- Sec. 309. Domestic refinery diversification.
- Sec. 310. Transition to a hydrogen-based economy.
- Sec. 311. Modification and extension of alternative vehicle refueling property credit.
- Sec. 312. Use of native grasses on conservation reserve land for biomass harvesting.
- Sec. 313. Use of CAFÉ penalties to build alternative fueling infrastructure.

#### TITLE IV—DOMESTIC PRODUCTION OF OIL AND NATURAL GAS

- Sec. 401. Modifications to enhanced oil recovery credit.
- Sec. 402. Offshore oil and gas leasing in 181 Area of Gulf of Mexico.

#### TITLE V—ELECTRICITY AND RENEWABLES

- Sec. 501. DOE national and North American electricity grid studies.
- Sec. 502. Tax-exempt financing of electric transmission facilities not subject to private business use test.
- Sec. 503. Extension of credit for producing electricity from certain renewable resources.
- Sec. 504. Federal renewable portfolio standard.
- Sec. 505. Extension and expansion of clean renewable energy bonds.
- Sec. 506. Credit for wind energy property installed in residences and businesses.
- Sec. 507. Extension of business solar investment credit.
- Sec. 508. Extension of credit residential energy efficient property.
- Sec. 509. Clean energy coal bonds.
- Sec. 510. Increase in credit limitation for qualifying gasification projects.
- Sec. 511. Modification of qualifying advanced coal project credit.
- Sec. 512. Great Plains Synfuels Trust.

## TITLE VI—ENERGY EFFICIENCY

Sec. 601. Energy credit for combined heat and power system property.

Sec. 602. Extension of new energy efficient home credit.

Sec. 603. Modification and extension of energy efficient commercial buildings deduction.

Sec. 604. Extension of nonbusiness energy property.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—Congress finds that—

3 (1) the dependence of the United States on for-  
4 eign oil is projected to remain dangerously high over  
5 the next few decades unless serious action is taken;

6 (2) over  $\frac{1}{3}$  of the trade deficit of the United  
7 States over the last year is because of imported pe-  
8 troleum products;

9 (3) oil prices in the United States have risen  
10 more than 95 percent over the last 2 years and are  
11 projected to remain at, or exceed, historically high  
12 levels for the foreseeable future;

13 (4) Brazil has drastically decreased oil imports  
14 by aggressively promoting biofuels and flexible fuel  
15 vehicles;

16 (5) using renewable energy, promoting clean  
17 coal technology, and offering incentives for energy  
18 efficiency will improve air quality and reduce the de-  
19 mand for imported natural gas;

20 (6) transmission capacity constraints prevent  
21 some regions of the United States from fully devel-  
22 oping domestic energy resources;

1           (7) the United States has abundant domestic  
2 resources to create alternative fuels that will dra-  
3 matically lessen dependence on foreign oil;

4           (8) increasing funding for research, develop-  
5 ment, and commercialization of new energy tech-  
6 nologies will enable the United States to significantly  
7 reduce the reliance of the United States on foreign  
8 energy suppliers;

9           (9) a bold energy plan to make the United  
10 States more energy-independent should be imple-  
11 mented immediately; and

12           (10) a bold and comprehensive energy plan will  
13 help keep energy prices affordable for consumers in  
14 the United States.

15 (b) PURPOSES.—The purposes of this Act are—

16           (1) to reduce the dependence of the United  
17 States on foreign oil;

18           (2) to expand the production and use of alter-  
19 native fuels and alternative fuel vehicles;

20           (3) to promote the development of renewable  
21 energy sources for electricity production;

22           (4) to encourage responsible development of do-  
23 mestic fossil fuel resources; and

24           (5) to reward consumers and businesses for  
25 conservation and energy efficiency.

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

3 (1) BATTERY.—The term “battery” means an  
4 energy storage device used in an on-road or nonroad  
5 vehicle powered in whole or in part using an off-  
6 board or on-board source of electricity.

7 (2) CARBON CAPTURE CAPABILITY.—The term  
8 “carbon capture capability” means a gasification  
9 plant design that is determined by the Secretary to  
10 reflect reasonable consideration for, and be capable  
11 of, accommodating the equipment likely to be nec-  
12 essary to capture carbon dioxide from the gaseous  
13 stream, for later use or sequestration, which would  
14 otherwise be emitted in the flue gas from a project  
15 that uses a nonrenewable fuel.

16 (3) CTL.—The term “CTL” means the Coal-  
17 To-Liquid process, by which any grade of coal is  
18 transformed into a liquid transportation fuel.

19 (4) CTL REFINERY.—The term “CTL refin-  
20 ery” means a facility at which coal is transformed  
21 into liquid transportation fuel through CTL.

22 (5) ELECTRIC DRIVE TRANSPORTATION TECH-  
23 NOLOGY.—The term “electric drive transportation  
24 technology” means technology used by vehicles that  
25 use an electric motor for all or part of their motive  
26 power and that may or may not use off-board elec-

1        tricity, such as battery electric vehicles, fuel cell ve-  
2        hicles, engine dominant hybrid electric vehicles, plug-  
3        in hybrid electric vehicles, and plug-in hybrid fuel  
4        cell vehicles.

5            (6) ENGINE DOMINANT HYBRID ELECTRIC VE-  
6        HICLE.—The term “engine dominant hybrid electric  
7        vehicle” means an on-road or nonroad vehicle that—

8            (A) is propelled by an internal combustion  
9        engine or heat engine using—

10            (i) any combustible fuel; and

11            (ii) an on-board, rechargeable storage  
12        device; and

13            (B) has no means of using an off-board  
14        source of electricity.

15            (7) FUEL CELL VEHICLE.—The term “fuel cell  
16        vehicle” means an on-road or nonroad vehicle that  
17        uses a fuel cell (as defined in section 803 of the  
18        Spark M. Matsunaga Hydrogen Act of 2005 (42  
19        U.S.C. 16152)).

20            (8) MILITARY MISSION LINE.—The term “Mili-  
21        tary Mission Line” means the north-south line at  
22        86°41′ W. longitude.

23            (9) NATIONAL TRANSMISSION GRID.—The term  
24        “national transmission grid” means new overlaying  
25        facilities or upgrades to existing interstate trans-

mission facilities in the United States necessary for integrating and operating with the existing transmission grid.

(10) NORTH AMERICAN TRANSMISSION GRID.—

The term “North American transmission grid” means new overlaying facilities or upgrades to existing interstate transmission facilities in North America necessary for integrating and operating with the existing transmission grid.

(11) NONROAD VEHICLE.—The term “nonroad

vehicle” has the meaning given the term in section 216 of the Clean Air Act (42 U.S.C. 7550).

(12) 181 AREA.—The term “181 Area” means

the area identified in map 15, page 58, of the Proposed Final Outer Continental Shelf Oil and Gas Leasing Program for 1997–2002 of the Minerals Management Service.

(13) PLUG-IN HYBRID ELECTRIC VEHICLE.—

The term “plug-in hybrid electric vehicle” means an on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine that—

(A) uses—

(i) any combustible fuel; and

(ii) an on-board, rechargeable storage device; and

1 (B) has a means of using an off-board  
2 source of electricity.

3 (14) PLUG-IN HYBRID FUEL CELL VEHICLE.—  
4 The term “plug-in hybrid fuel cell vehicle” means a  
5 fuel cell vehicle with a battery powered by an off-  
6 board source of electricity.

7 (15) SECRETARY.—The term “Secretary”  
8 means the Secretary of Energy.

9 **TITLE I—VEHICLE FUEL**  
10 **ECONOMY**

11 **SEC. 101. NATIONAL AUTOMOBILE FUEL EFFICIENCY RE-**  
12 **BATE PROGRAM.**

13 (a) IN GENERAL.—Chapter 329 of title 49, United  
14 States Code, is amended—

15 (1) in section 32901(a)—

16 (A) by redesignating paragraphs (10)  
17 through (16) as paragraphs (14) through (20),  
18 respectively;

19 (B) by redesignating paragraphs (7)  
20 through (9) as paragraphs (10) through (12),  
21 respectively;

22 (C) by inserting after paragraph (6) the  
23 following:

24 “(7) ‘baseline fuel consumption level’ is cal-  
25 culated by dividing 1 by the baseline fuel economy;



1           “(8) ‘baseline fuel economy’, for a particular  
2           class of vehicle in a particular model year, means  
3           110 percent of the combined average fuel economy  
4           for such class of vehicle in the previous model year;

5           “(9) ‘combined average fuel economy’ means—

6                   “(A) as applied to automobiles (except pas-  
7                   senger automobiles), the weighted average fuel  
8                   economy of all manufacturers calculated under  
9                   section 32904(a)(1)(A); and

10                   “(B) as applied to passenger automobiles,  
11                   the weighted average fuel economy of all manu-  
12                   facturers       calculated       under       section  
13                   32904(a)(1)(B),

14       except that such calculation shall be determined on a gal-  
15       lons per mile basis, and in the case of dual fueled auto-  
16       mobiles, the calculation of average fuel economy shall not  
17       be adjusted as set forth under section 32905(b);”; and

18                   (D) by inserting after paragraph (12), as  
19                   redesignated, the following:

20                   “(13) ‘fuel consumption level’ is calculated by  
21                   dividing 1 by the fuel economy”; and

22                   (2) by inserting after section 32903 the fol-  
23                   lowing:

1   **“SEC. 32903A. REBATES FOR REDUCING FUEL CONSUMP-**  
2                   **TION LEVELS.**

3           “(a) **ELIGIBILITY.**—A consumer is eligible for a re-  
4   bate under this section if the consumer originally places  
5   an automobile into service in the United States that at-  
6   tains or exceeds the baseline fuel economy.

7           “(b) **REBATE AMOUNT.**—An eligible consumer who  
8   submits a rebate request to the Secretary of the Transpor-  
9   tation, in accordance with the regulations promulgated  
10  pursuant to subsection (c), shall be awarded a rebate in  
11  an amount equal to—

12           “(1) \$500, if the automobile placed in service  
13   by the consumer has a fuel consumption level that  
14   equals the baseline fuel consumption level or is lower  
15   than the baseline fuel consumption level by less than  
16   0.005 gallons per mile;

17           “(2) \$1,000, if the automobile placed in service  
18   by the consumer has a fuel consumption level that  
19   is lower than the baseline fuel consumption level by  
20   at least 0.005 gallons per mile and less than 0.010  
21   gallons per mile;

22           “(3) \$1,500, if the automobile placed in service  
23   by the consumer has a fuel consumption level that  
24   is lower than the baseline fuel consumption level by  
25   at least 0.010 gallons per mile and less than 0.015  
26   gallons per mile;

1           “(4) \$2,000, if the automobile placed in service  
2           by the consumer has a fuel consumption level that  
3           is lower than the baseline fuel consumption level by  
4           at least 0.015 gallons per mile and less than 0.020  
5           gallons per mile; and

6           “(5) \$2,500, if the automobile placed in service  
7           by the consumer has a fuel consumption level that  
8           is lower than the baseline fuel consumption level by  
9           at least 0.020 gallons per mile.

10       For purposes of this subsection, the Secretary shall cal-  
11       culate fuel economy based on a gallons per mile standard.

12       “(c) RULEMAKING.—

13           “(1) IN GENERAL.—The Secretary of Transpor-  
14           tation shall promulgate regulations to carry out this  
15           section.

16           “(2) REBATE NOTICES.—In promulgating regu-  
17           lations pursuant to this subsection, the Secretary of  
18           Transportation shall ensure that—

19                   “(A) information about the rebates avail-  
20                   able under this section is provided to the public,  
21                   expressed in miles per gallon;

22                   “(B) a notice of the amount of the rebate  
23                   available under this section is posted on each  
24                   automobile that qualifies for such rebate; and

1           “(C) a rebate check in an amount deter-  
2           mined under subsection (b) is sent directly to  
3           each consumer who demonstrates eligibility  
4           under subsection (a).”.

5       (b) COORDINATION WITH VEHICLE TAX CREDITS.—

6           (1) ALTERNATIVE MOTOR VEHICLE TAX CRED-  
7       IT.—Section 30B(h) of the Internal Revenue Code of  
8       1986 is amended by adding at the end the following  
9       new paragraph:

10           “(11) COORDINATION WITH REBATES.—No  
11       credit shall be allowed under this section to any tax-  
12       payer with respect to any motor vehicle if such tax-  
13       payer receives a rebate under section 32903A of title  
14       49, United States Code.”.

15           (2) CREDIT FOR QUALIFIED ELECTRIC VEHI-  
16       CLES.—Section 30(d) of the Internal Revenue Code  
17       of 1986 is amended by adding at the end the fol-  
18       lowing new paragraph:

19           “(5) COORDINATION WITH REBATES.—No cred-  
20       it shall be allowed under this section to any taxpayer  
21       with respect to any motor vehicle if such taxpayer  
22       receives a rebate under section 32903A of title 49,  
23       United States Code.”.

24       (c) STUDY.—

1           (1) IN GENERAL.—The Secretary of Transpor-  
2           tation shall undertake a study to compare and evalu-  
3           ate the effectiveness of the rebates under section  
4           32903A of title 49, United States Code, and the  
5           credits under sections 30 and 30B of the Internal  
6           Revenue Code of 1986. The study shall include—

7                   (A) an evaluation of the rebates under  
8                   such section 32903A and the effectiveness of  
9                   such rebates in improving the average fuel  
10                  economy of automobiles purchased in the  
11                  United States; and

12                  (B) an evaluation of the credits under such  
13                  sections 30 and 30B and the effectiveness of  
14                  such credits in increasing purchases of electric  
15                  vehicles, new qualified hybrid vehicles, and ad-  
16                  vanced lean burn technology vehicles.

17           (2) REPORT.—Not later than December 31,  
18           2009, the Secretary of Transportation shall transmit  
19           to the President and to Congress a written report  
20           presenting the results of the study conducted pursu-  
21           ant to this subsection. The report shall include—

22                   (A) recommendations for changes in the  
23                   rebate structure under such section 32903A to  
24                   further improve the average fuel economy of  
25                   automobiles purchased in the United States;

1 (B) recommendations for changes in the  
 2 credits under such sections 30 and 30B to fur-  
 3 ther increase the purchases of alternative fuel  
 4 and lean burn technology vehicles that lessen  
 5 the United States dependence on imported for-  
 6 eign oil; and

7 (C) recommendations for consolidating  
 8 such rebates and credits into one unified incen-  
 9 tive structure for the purchase of automobiles  
 10 that will further reduce such dependence.

11 (d) CLERICAL AMENDMENT.—The table of sections  
 12 in chapter 329 of title 49, United States Code, is amended  
 13 by inserting after the item relating to section 32903 the  
 14 following:

“Sec. 32903A. Rebates for reducing fuel consumption levels.”.

15 **SEC. 102. RESEARCH AND DEVELOPMENT PROGRAM FOR**  
 16 **LIGHTWEIGHT MATERIALS.**

17 There are authorized to be appropriated to the Sec-  
 18 retary for research and development relating to carbon-  
 19 fiber composites and lightweight steel alloys to reduce the  
 20 weight of automobiles—

- 21 (1) \$33,750,000 for fiscal year 2007;
- 22 (2) \$40,000,000 for fiscal year 2008;
- 23 (3) \$47,250,000 for fiscal year 2009;
- 24 (4) \$54,000,000 for fiscal year 2010; and
- 25 (5) \$60,000,000 for fiscal year 2011.

1 **SEC. 103. TIRE EFFICIENCY PROGRAM.**

2 (a) STANDARDS FOR TIRES MANUFACTURED FOR  
3 INTERSTATE COMMERCE.—Section 30123 of title 49,  
4 United States Code, is amended—

5 (1) in subsection (b)—

6 (A) in the first sentence, by striking “The  
7 Secretary” and inserting the following:

8 “(1) UNIFORM QUALITY GRADING SYSTEM.—  
9 The Secretary”;

10 (B) in the second sentence, by striking  
11 “The Secretary” and inserting the following:

12 “(2) NOMENCLATURE AND MARKETING PRAC-  
13 TICES.—The Secretary”;

14 (C) in the third sentence, by striking “A  
15 tire standard” and inserting the following:

16 “(3) EFFECT OF STANDARDS AND REGULA-  
17 TIONS.—A tire standard”; and

18 (2) by adding at the end the following:

19 “(d) NATIONAL TIRE EFFICIENCY PROGRAM.—

20 “(1) DEFINITION.—In this subsection, the term  
21 ‘tire efficiency’, with respect to a tire, means the ex-  
22 tent to which the tire contributes to the fuel econ-  
23 omy of the motor vehicle on which the tire is mount-  
24 ed.

25 “(2) PROGRAM.—The Secretary shall develop  
26 and carry out a national tire efficiency program for

1       tires designed for use on passenger cars and light  
2       trucks.

3               “(3) REQUIREMENTS.—Not later than March  
4       31, 2007, the Secretary shall issue regulations,  
5       which establish—

6               “(A) policies and procedures for testing  
7       and labeling tires for fuel economy to enable  
8       tire buyers to make informed purchasing deci-  
9       sions about the fuel economy of tires; and

10              “(B) policies and procedures to promote  
11       the purchase of energy efficient replacement  
12       tires, including purchase incentives, website list-  
13       ings on the Internet, printed fuel economy  
14       guide booklets, and mandatory requirements for  
15       tire retailers to provide tire buyers with fuel ef-  
16       ficiency information on tires.

17              “(4) APPLICABILITY.—The policies, procedures,  
18       and standards developed under paragraph (3) shall  
19       apply to all tire types and models regulated under  
20       the uniform tire quality grading standards in section  
21       575.104 of title 49, Code of Federal Regulations, as  
22       in effect on the date of enactment of this Act (or a  
23       successor regulation).

24              “(5) NO PREEMPTION OF STATE LAW.—Noth-  
25       ing in this section shall be construed to preempt any



1 provision of State law relating to higher fuel econ-  
2 omy standards applicable to replacement tires de-  
3 signed for use on passenger cars and light trucks.

4 “(6) EXCEPTIONS.—Nothing in this section  
5 shall apply to—

6 “(A) a tire or group of tires with the same  
7 stock keeping unit, plant, and year, for which  
8 the volume of tires produced or imported is less  
9 than 15,000 annually;

10 “(B) a deep tread, winter-type snow tire,  
11 space-saver tire, or temporary use spare tire;

12 “(C) a tire with a normal rim diameter of  
13 12 inches or less;

14 “(D) a motorcycle tire; or

15 “(E) a tire manufactured specifically for  
16 use in an off-road motorized recreational vehi-  
17 cle.”.

18 (b) CONFORMING AMENDMENT.—Section  
19 30103(b)(1) of title 49, United States Code, is amended  
20 by striking “When” and inserting “Except as provided in  
21 section 30123(d), if”.

22 (c) TIME FOR IMPLEMENTATION.—Beginning not  
23 later than March 31, 2007, the Secretary of Transpor-  
24 tation shall administer the national tire efficiency program  
25 established under section 30123(d) of title 49, United

1 States Code, in accordance with the policies, procedures,  
 2 and standards developed under section 30123(d)(3) of  
 3 such title.

4 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
 5 are authorized to be appropriated, for each of the fiscal  
 6 years 2007 through 2011, such sums as may be necessary  
 7 to carry out section 30123(d) of title 49, United States  
 8 Code, as added by subsection (a).

9 **SEC. 104. IDLING REDUCTION TAX CREDIT.**

10 (a) IN GENERAL.—Subpart D of part IV of sub-  
 11 chapter A of chapter 1 of the Internal Revenue Code of  
 12 1986 (relating to business-related credits) is amended by  
 13 adding at the end the following new section:

14 **“SEC. 45N. IDLING REDUCTION CREDIT.**

15 “(a) GENERAL RULE.—For purposes of section 38,  
 16 the idling reduction tax credit determined under this sec-  
 17 tion for the taxable year is an amount equal to 25 percent  
 18 of the amount paid or incurred for each qualifying idling  
 19 reduction device placed in service by the taxpayer during  
 20 the taxable year.

21 “(b) LIMITATION.—The maximum amount allowed as  
 22 a credit under subsection (a) shall not exceed \$1,000 per  
 23 device.

24 “(c) DEFINITIONS.—For purposes of subsection  
 25 (a)—

1           “(1) QUALIFYING IDLING REDUCTION DE-  
2           VICE.—The term ‘qualifying idling reduction device’  
3           means any device or system of devices that—

4                   “(A) is installed on a heavy-duty diesel-  
5                   powered on-highway vehicle,

6                   “(B) is designed to provide to such vehicle  
7                   those services (such as heat, air conditioning, or  
8                   electricity) that would otherwise require the op-  
9                   eration of the main drive engine while the vehi-  
10                  cle is temporarily parked or remains stationary,

11                  “(C) the original use of which commences  
12                  with the taxpayer,

13                  “(D) is acquired for use by the taxpayer  
14                  and not for resale, and

15                  “(E) is certified by the Secretary of En-  
16                  ergy, in consultation with the Administrator of  
17                  the Environmental Protection Agency and the  
18                  Secretary of Transportation, to reduce long-du-  
19                  ration idling of such vehicle at a motor vehicle  
20                  rest stop or other location where such vehicles  
21                  are temporarily parked or remain stationary.

22           “(2) HEAVY-DUTY DIESEL-POWERED ON-HIGH-  
23           WAY VEHICLE.—The term ‘heavy-duty diesel-pow-  
24           ered on-highway vehicle’ means any vehicle, ma-  
25           chine, tractor, trailer, or semi-trailer propelled or

1 drawn by mechanical power and used upon the high-  
2 ways in the transportation of passengers or prop-  
3 erty, or any combination thereof determined by the  
4 Federal Highway Administration.

5 “(3) LONG-DURATION IDLING.—The term ‘long-  
6 duration idling’ means the operation of a main drive  
7 engine, for a period greater than 15 consecutive  
8 minutes, where the main drive engine is not engaged  
9 in gear. Such term does not apply to routine stop-  
10 pages associated with traffic movement or conges-  
11 tion.

12 “(d) NO DOUBLE BENEFIT.—For purposes of this  
13 section—

14 “(1) REDUCTION IN BASIS.—If a credit is de-  
15 termined under this section with respect to any  
16 property by reason of expenditures described in sub-  
17 section (a), the basis of such property shall be re-  
18 duced by the amount of the credit so determined.

19 “(2) OTHER DEDUCTIONS AND CREDITS.—No  
20 deduction or credit shall be allowed under any other  
21 provision of this chapter with respect to the amount  
22 of the credit determined under this section.

23 “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-  
24 tion shall not apply to a taxpayer for any taxable year

1 if such taxpayer elects to have this section not apply for  
2 such taxable year.”.

3 (b) CREDIT TO BE PART OF GENERAL BUSINESS  
4 CREDIT.—Subsection (b) of section 38 of the Internal  
5 Revenue Code of 1986 (relating to general business credit)  
6 is amended by striking “and” at the end of paragraph  
7 (29), by striking the period at the end of paragraph (30)  
8 and inserting “, plus” , and by adding at the end the fol-  
9 lowing new paragraph:

10 “(31) the idling reduction tax credit determined  
11 under section 45N(a).”.

12 (c) CONFORMING AMENDMENTS.—

13 (1) The table of sections for subpart D of part  
14 IV of subchapter A of chapter 1 of the Internal Rev-  
15 enue Code of 1986 is amended by inserting after the  
16 item relating to section 45M the following new item:

“Sec. 45N. Idling reduction credit.”.

17 (2) Section 1016(a) of such Code is amended  
18 by striking “and” at the end of paragraph (36), by  
19 striking the period at the end of paragraph (37) and  
20 inserting “, and”, and by adding at the end the fol-  
21 lowing:

22 “(38) in the case of a facility with respect to  
23 which a credit was allowed under section 45N, to the  
24 extent provided in section 45N(d)(A).”.

1           (3) Section 6501(m) of such Code is amended  
2       by inserting “45N(e),” after “45D(c)(4),”.

3       (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2006.

6       (e) DETERMINATION OF CERTIFICATION STANDARDS  
7 BY SECRETARY OF ENERGY FOR CERTIFYING IDLING RE-  
8 Duction DEVICES.—Not later than 6 months after the  
9 date of the enactment of this Act and in order to reduce  
10 air pollution and fuel consumption, the Secretary of En-  
11 ergy, in consultation with the Administrator of the Envi-  
12 ronmental Protection Agency and the Secretary of Trans-  
13 portation, shall publish the standards under which the  
14 Secretary, in consultation with the Administrator of the  
15 Environmental Protection Agency and the Secretary of  
16 Transportation, will, for purposes of section 45N of the  
17 Internal Revenue Code of 1986 (as added by this section),  
18 certify the idling reduction devices which will reduce long-  
19 duration idling of vehicles at motor vehicle rest stops or  
20 other locations where such vehicles are temporarily parked  
21 or remain stationary in order to reduce air pollution and  
22 fuel consumption.

1     **TITLE II—ALTERNATIVE FUEL**  
2                     **VEHICLES**

3     **SEC. 201. PROMOTION OF ADVANCED TECHNOLOGY MOTOR**  
4                     **VEHICLES.**

5             (a) PURPOSES.—It is the purpose of this section—

6                 (1) to facilitate the production of advanced  
7             technology motor vehicles capable of lessening our  
8             dependence on foreign oil, and

9                 (2) to ensure that domestic and foreign auto-  
10            makers receive adequate incentives in the form of a  
11            manufacturing tax credit or equivalent employee  
12            healthcare cost relief to meet the vehicle fleet re-  
13            quirements established under subsection (b).

14            (b) PRODUCTION REQUIREMENTS.—Section 32905  
15    of title 49, United States Code, is amended by adding at  
16    the end the following:

17            “(h) ALTERNATIVE FUELED AUTOMOBILES.—Each  
18    manufacturer that manufactures automobiles for sale or  
19    use in the United States shall ensure that—

20                 “(1) beginning in model year 2011, not less  
21             than 30 percent of such automobiles are advanced  
22             technology motor vehicles (as defined in section  
23             30D(c)(1) of the Internal Revenue Code of 1986);  
24             and

1 “(2) beginning in model year 2017, all such  
 2 automobiles are advanced technology motor vehicles  
 3 (as so defined).”.

4 (c) INCENTIVES FOR PRODUCTION REQUIRE-  
 5 MENTS.—

6 (1) ADVANCED TECHNOLOGY MOTOR VEHICLES  
 7 MANUFACTURING CREDIT.—

8 (A) IN GENERAL.—Subpart B of part IV  
 9 of subchapter A of chapter 1 of the Internal  
 10 Revenue Code of 1986 (relating to foreign tax  
 11 credit, etc.) is amended by adding at the end  
 12 the following new section:

13 **“SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES**  
 14 **MANUFACTURING CREDIT.**

15 “(a) CREDIT ALLOWED.—

16 “(1) IN GENERAL.—There shall be allowed as a  
 17 credit against the tax imposed by this chapter for  
 18 the taxable year an amount equal to 35 percent of  
 19 the qualified investment of an eligible taxpayer for  
 20 such taxable year.

21 “(2) LIMITATION.—The amount of the credit  
 22 allowed under paragraph (1) for any taxable year  
 23 shall not exceed \$250,000,000.

24 “(b) QUALIFIED INVESTMENT.—For purposes of this  
 25 section—



1           “(1) IN GENERAL.—The qualified investment  
2           for any taxable year is equal to the incremental costs  
3           incurred during such taxable year—

4                   “(A) to re-equip, expand, or establish any  
5           manufacturing facility of the eligible taxpayer  
6           to produce advanced technology motor vehicles  
7           or to produce eligible components,

8                   “(B) for engineering integration of such  
9           vehicles and components as described in sub-  
10          section (d),

11                  “(C) for research and development related  
12          to advanced technology motor vehicles and eligi-  
13          ble components, and

14                  “(D) for employee retraining with respect  
15          to the manufacturing of such vehicles or compo-  
16          nents (determined without regard to wages or  
17          salaries of such retrained employees).

18           “(2) ATTRIBUTION RULES.—In the event a fa-  
19          cility of the eligible taxpayer produces both advanced  
20          technology motor vehicles and conventional motor  
21          vehicles, or eligible and non-eligible components, only  
22          the qualified investment attributable to production  
23          of advanced technology motor vehicles and eligible  
24          components shall be taken into account.

1       “(c) ADVANCED TECHNOLOGY MOTOR VEHICLES  
2 AND ELIGIBLE COMPONENTS.—For purposes of this sec-  
3 tion—

4               “(1) ADVANCED TECHNOLOGY MOTOR VEHI-  
5 CLE.—The term ‘advanced technology motor vehicle’  
6 means—

7                       “(A) any qualified electric vehicle (as de-  
8 fined in section 30(c)(1)),

9                       “(B) any new qualified fuel cell motor ve-  
10 hicle (as defined in section 30B(b)(3)),

11                      “(C) any new advanced lean burn tech-  
12 nology motor vehicle (as defined in section  
13 30B(c)(3)),

14                      “(D) any new qualified hybrid motor vehi-  
15 cle (as defined in section 30B(d)(2)(A) and de-  
16 termined without regard to any gross vehicle  
17 weight rating),

18                      “(E) any new qualified alternative fuel  
19 motor vehicle (as defined in section 30B(e)(4),  
20 including any mixed-fuel vehicle (as defined in  
21 section 30B(e)(5)(B)), and

22                      “(F) any other motor vehicle using electric  
23 drive transportation technology (as defined in  
24 section 201(2) of the Breaking Our Long-Term  
25 Dependence Energy Act of 2006).

1           “(2) ELIGIBLE COMPONENTS.—The term ‘eligi-  
2       ble component’ means any component inherent to  
3       any advanced technology motor vehicle, including—

4           “(A) with respect to any gasoline or diesel-  
5       electric new qualified hybrid motor vehicle—

6           “(i) electric motor or generator,

7           “(ii) power split device,

8           “(iii) power control unit,

9           “(iv) power controls,

10          “(v) integrated starter generator, or

11          “(vi) battery,

12          “(B) with respect to any hydraulic new  
13       qualified hybrid motor vehicle—

14          “(i) hydraulic accumulator vessel,

15          “(ii) hydraulic pump, or

16          “(iii) hydraulic pump-motor assembly,

17          “(C) with respect to any new advanced  
18       lean burn technology motor vehicle—

19          “(i) diesel engine,

20          “(ii) turbocharger,

21          “(iii) fuel injection system, or

22          “(iv) after-treatment system, such as  
23       a particle filter or NOx absorber, and

1                   “(D) with respect to any advanced tech-  
2                   nology motor vehicle, any other component sub-  
3                   mitted for approval by the Secretary.

4           “(d) ENGINEERING INTEGRATION COSTS.—For pur-  
5           poses of subsection (b)(1)(B), costs for engineering inte-  
6           gration are costs incurred prior to the market introduction  
7           of advanced technology vehicles for engineering tasks re-  
8           lated to—

9                   “(1) establishing functional, structural, and  
10                  performance requirements for component and sub-  
11                  systems to meet overall vehicle objectives for a spe-  
12                  cific application,

13                  “(2) designing interfaces for components and  
14                  subsystems with mating systems within a specific ve-  
15                  hicle application,

16                  “(3) designing cost effective, efficient, and reli-  
17                  able manufacturing processes to produce components  
18                  and subsystems for a specific vehicle application,  
19                  and

20                  “(4) validating functionality and performance of  
21                  components and subsystems for a specific vehicle ap-  
22                  plication.

23           “(e) ELIGIBLE TAXPAYER.—For purposes of this sec-  
24           tion, the term ‘eligible taxpayer’ means any taxpayer—

1           “(1) for which more than 50 percent of its  
 2           gross receipts for the taxable year is derived from  
 3           the manufacture of motor vehicles or any component  
 4           parts of such vehicles, and

5           “(2) which has not submitted an application for  
 6           financial assistance under the program established  
 7           under section 201(b)(2) of the Breaking Our Long-  
 8           Term Dependence Energy Act of 2006.

9           “(f) LIMITATION BASED ON AMOUNT OF TAX.—The  
 10          credit allowed under subsection (a) for the taxable year  
 11          shall not exceed the excess of—

12           “(1) the sum of—

13                   “(A) the regular tax liability (as defined in  
 14                   section 26(b)) for such taxable year, plus

15                   “(B) the tax imposed by section 55 for  
 16                   such taxable year and any prior taxable year  
 17                   beginning after 1986 and not taken into ac-  
 18                   count under section 53 for any prior taxable  
 19                   year, over

20           “(2) the sum of the credits allowable under sub-  
 21          part A and sections 27, 30, and 30B for the taxable  
 22          year.

23           “(g) REDUCTION IN BASIS.—For purposes of this  
 24          subtitle, if a credit is allowed under this section for any  
 25          expenditure with respect to any property, the increase in

1 the basis of such property which would (but for this para-  
2 graph) result from such expenditure shall be reduced by  
3 the amount of the credit so allowed.

4 “(h) NO DOUBLE BENEFIT.—

5 “(1) COORDINATION WITH OTHER DEDUCTIONS  
6 AND CREDITS.—Except as provided in paragraph  
7 (2), the amount of any deduction or other credit al-  
8 lowable under this chapter for any cost taken into  
9 account in determining the amount of the credit  
10 under subsection (a) shall be reduced by the amount  
11 of such credit attributable to such cost.

12 “(2) RESEARCH AND DEVELOPMENT COSTS.—

13 “(A) IN GENERAL.—Except as provided in  
14 subparagraph (B), any amount described in  
15 subsection (b)(1)(C) taken into account in de-  
16 termining the amount of the credit under sub-  
17 section (a) for any taxable year shall not be  
18 taken into account for purposes of determining  
19 the credit under section 41 for such taxable  
20 year.

21 “(B) COSTS TAKEN INTO ACCOUNT IN DE-  
22 TERMINING BASE PERIOD RESEARCH EX-  
23 PENSES.—Any amounts described in subsection  
24 (b)(1)(C) taken into account in determining the  
25 amount of the credit under subsection (a) for

1           any taxable year which are qualified research  
2           expenses (within the meaning of section 41(b))  
3           shall be taken into account in determining base  
4           period research expenses for purposes of apply-  
5           ing section 41 to subsequent taxable years.

6           “(i) BUSINESS CARRYOVERS ALLOWED.—If the cred-  
7           it allowable under subsection (a) for a taxable year exceeds  
8           the limitation under subsection (f) for such taxable year,  
9           such excess (to the extent of the credit allowable with re-  
10          spect to property subject to the allowance for depreciation)  
11          shall be allowed as a credit carryback and carryforward  
12          under rules similar to the rules of section 39.

13          “(j) SPECIAL RULES.—For purposes of this section,  
14          rules similar to the rules of paragraphs (4) and (5) of sec-  
15          tion 179A(e) and paragraphs (1) and (2) of section 41(f)  
16          shall apply

17          “(k) ELECTION NOT TO TAKE CREDIT.—No credit  
18          shall be allowed under subsection (a) for any property if  
19          the taxpayer elects not to have this section apply to such  
20          property.

21          “(l) REGULATIONS.—The Secretary shall prescribe  
22          such regulations as necessary to carry out the provisions  
23          of this section.

24          “(m) TERMINATION.—This section shall not apply to  
25          any qualified investment after December 31, 2015.”.

1 (B) CONFORMING AMENDMENTS.—

2 (i) Section 1016(a) of the Internal  
3 Revenue Code of 1986, as amended by this  
4 Act, is amended by striking “and” at the  
5 end of paragraph (37), by striking the pe-  
6 riod at the end of paragraph (38) and in-  
7 serting “, and”, and by adding at the end  
8 the following new paragraph:

9 “(39) to the extent provided in section  
10 30D(g).”.

11 (ii) Section 6501(m) of such Code, as  
12 amended by this Act, is amended by insert-  
13 ing “30D(k),” after “30C(e)(5),”.

14 (iii) The table of sections for subpart  
15 B of part IV of subchapter A of chapter 1  
16 of such Code is amended by inserting after  
17 the item relating to section 30C the fol-  
18 lowing new item:

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”.

19 (C) EFFECTIVE DATE.—The amendments  
20 made by this paragraph shall apply to amounts  
21 incurred in taxable years beginning after De-  
22 cember 31, 2006.

23 (2) ADVANCED TECHNOLOGY MOTOR VEHICLE  
24 MANUFACTURER HEALTHCARE RELIEF PROGRAM.—



1           (A) COORDINATING TASK FORCE.—Not  
2 later than 6 months after the date of enactment  
3 of this Act, the Secretary of Energy, the Sec-  
4 retary of Health and Human Services, the Sec-  
5 retary of Transportation, and the Secretary of  
6 the Treasury shall establish, and appoint an  
7 equal number of representatives to, a task force  
8 (referred to in this paragraph as the “task  
9 force”) to administer the program established  
10 under this paragraph.

11           (B) ESTABLISHMENT OF PROGRAM.—

12           (i) IN GENERAL.—Not later than 1  
13 year after the date of enactment of this  
14 Act, the task force established under sub-  
15 paragraph (A) shall establish a program to  
16 provide financial assistance to eligible do-  
17 mestic automobile manufacturers for the  
18 costs incurred in providing health benefits  
19 to their retired employees.

20           (ii) CONSULTATION.—In establishing  
21 the program under clause (i), the task  
22 force shall consult with representatives  
23 from the domestic automobile manufactur-  
24 ers, unions representing employees of such

1 manufacturers, and consumer and environ-  
2 mental groups.

3 (C) ELIGIBLE DOMESTIC AUTOMOBILE  
4 MANUFACTURER.—To be eligible to receive fi-  
5 nancial assistance under the program estab-  
6 lished under subparagraph (B), a domestic  
7 automobile manufacturer shall—

8 (i) submit an application to the task  
9 force at such time, in such manner, and  
10 containing such information as the task  
11 force shall require;

12 (ii) certify that such manufacturer is  
13 providing full health care coverage to all of  
14 its domestic employees;

15 (iii) certify that such manufacturer—

16 (I) has not elected the credit al-  
17 lowed under section 30D of the Inter-  
18 nal Revenue Code of 1986, and

19 (II) but for such nonelection,  
20 would be an eligible taxpayer for pur-  
21 poses of such credit under section  
22 30D(e)(1) of such Code; and

23 (iv) provide additional assurances and  
24 information as the task force may require,  
25 including information needed by the task

1 force to audit the manufacturer's compli-  
2 ance with the requirements of the pro-  
3 gram.

4 (D) LIMITATION.—The total amount of fi-  
5 nancial assistance that may be provided each  
6 year under the program under subparagraph  
7 (B) with respect to any single domestic auto-  
8 mobile manufacturer shall not exceed an  
9 amount equal to the lesser of—

10 (i) the lesser of —

11 (I) 35 percent of the qualified in-  
12 vestment of such manufacturer for  
13 such year (as determined under sec-  
14 tion 30D(b) of such Code without re-  
15 gard to the limitation under section  
16 30D(f) of such Code), or

17 (II) the aggregate retiree health  
18 care expenditures for such manufac-  
19 turer, or

20 (ii) \$250,000,000.

21 (E) APPLICATION OF CERTAIN RULES.—  
22 Rules similar to the rules under subsections (g)  
23 and (h) of section 30D of such Code shall apply  
24 with respect to any qualified investment used to

1 determine the financial assistance provided  
 2 under the program under subparagraph (B).

3 (F) AUTHORIZATION OF APPROPRIA-  
 4 TIONS.—There are authorized to be appro-  
 5 priated, such sums as may be necessary in each  
 6 fiscal year to carry out this paragraph.

7 (G) LIMITATION ON BACKSLIDING.—To be  
 8 eligible to receive financial assistance under  
 9 subparagraph (B), a manufacturer shall provide  
 10 assurances to the task force that fuel savings  
 11 achieved with respect its average adjusted fuel  
 12 economy will not result in decreases with re-  
 13 spect to fuel economy elsewhere in the domestic  
 14 fleet. The task force shall determine compliance  
 15 with such assurances using accepted measure-  
 16 ments of fuel savings.

17 (H) TERMINATION OF PROGRAM.—The  
 18 program established under subparagraph (B)  
 19 shall terminate on December 31, 2015.

20 **SEC. 202. RESEARCH AND DEVELOPMENT PROGRAM FOR**  
 21 **NEW VEHICLE TECHNOLOGIES.**

22 (a) PURPOSES.—The purposes of this section are—  
 23 (1) to enable and promote, in partnership with  
 24 industry, comprehensive development, demonstra-  
 25 tion, and commercialization of a wide range of elec-

1       tric drive components, systems, and vehicles using  
2       diverse electric drive transportation technologies;

3           (2) to make critical public investments to help  
4       private industry, institutions of higher education,  
5       National Laboratories, and research institutions to  
6       expand innovation, industrial growth, and jobs in the  
7       United States;

8           (3) to expand the availability of the existing  
9       electric infrastructure for fueling light-duty trans-  
10      portation vehicles and other on-road and nonroad ve-  
11      hicles that are using petroleum and are mobile  
12      sources of emissions, with the goals of—

13           (A) enhancing the energy security of the  
14      United States;

15           (B) reducing dependence on imported oil;  
16      and

17           (C) reducing emissions through the expan-  
18      sion of grid supported mobility;

19           (4) to accelerate the widespread commercializa-  
20      tion of electric drive vehicle technology into all sizes  
21      and applications of vehicles, including commer-  
22      cialization of plug-in hybrid electric vehicles and  
23      plug-in hybrid fuel cell vehicles; and

24           (5) to improve the energy efficiency of and re-  
25      duce the petroleum use in transportation.

1 (b) PROGRAM.—The Secretary shall conduct a pro-  
2 gram of research, development, demonstration, and com-  
3 mercial application for electric drive transportation tech-  
4 nology, including—

5 (1) high capacity, high-efficiency batteries;

6 (2) high-efficiency on-board and off-board  
7 charging components;

8 (3) high-powered drive train systems for pas-  
9 senger and commercial vehicles and for nonroad  
10 equipment;

11 (4) control system development and power train  
12 development and integration for plug-in hybrid elec-  
13 tric vehicles, plug-in hybrid fuel cell vehicles, and en-  
14 gine dominant hybrid electric vehicles, including—

15 (A) development of efficient cooling sys-  
16 tems;

17 (B) analysis and development of control  
18 systems that minimize the emissions profile  
19 when clean diesel engines are part of a plug-in  
20 hybrid drive system; and

21 (C) development of different control sys-  
22 tems that optimize for different goals, includ-  
23 ing—

24 (i) battery life;

- 1 (ii) reduction of petroleum consump-
- 2 tion; and
- 3 (iii) green house gas reduction;
- 4 (5) nanomaterial technology applied to both
- 5 battery and fuel cell systems;
- 6 (6) large-scale demonstrations, testing, and
- 7 evaluation of plug-in hybrid electric vehicles in dif-
- 8 ferent applications with different batteries and con-
- 9 trol systems, including—
- 10 (A) military applications;
- 11 (B) mass market passenger and light-duty
- 12 truck applications;
- 13 (C) private fleet applications; and
- 14 (D) medium- and heavy-duty applications;
- 15 (7) development, in consultation with the Ad-
- 16 ministrator of the Environmental Protection Agency,
- 17 of procedures for testing and certification of criteria
- 18 pollutants, fuel economy, and petroleum use for
- 19 light-, medium-, and heavy-duty vehicle applications,
- 20 including consideration of—
- 21 (A) the vehicle and fuel as a system, not
- 22 just an engine; and
- 23 (B) nightly off-board charging; and

1           (8) advancement of battery and corded electric  
2           transportation technologies in mobile source applica-  
3           tions by—

4                   (A) improvement in battery, drive train,  
5                   and control system technologies; and

6                   (B) working with industry and the Admin-  
7                   istrator of the Environmental Protection Agen-  
8                   cy to—

9                           (i) understand and inventory markets;  
10                           and

11                           (ii) identify and implement methods of  
12                           removing barriers for existing and emerg-  
13                           ing applications.

14           (c) AUTHORIZATION OF APPROPRIATIONS.—There is  
15           authorized to be appropriated to carry out this section  
16           \$300,000,000 for each of fiscal years 2007 through 2012.

17           **SEC. 203. CONSUMER INCENTIVES TO PURCHASE AD-**  
18                           **VANCED TECHNOLOGY VEHICLES.**

19           (a) ELIMINATION OF LIMITATION ON NUMBER OF  
20           NEW QUALIFIED HYBRID AND ADVANCED LEAN BURN  
21           TECHNOLOGY VEHICLES ELIGIBLE FOR ALTERNATIVE  
22           MOTOR VEHICLE CREDIT.—

23                   (1) IN GENERAL.—Section 30B of the Internal  
24           Revenue Code of 1986 is amended by striking sub-  
25           section (f) and by redesignating subsections (g)



1 through (j) as subsections (f) through (i), respec-  
2 tively.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Paragraphs (4) and (6) of section  
5 30B(h) of the Internal Revenue Code of 1986  
6 are each amended by striking “(determined  
7 without regard to subsection (g))” and inserting  
8 “determined without regard to subsection (f))”.

9 (B) Section 38(b)(25) of such Code is  
10 amended by striking “section 30B(g)(1)” and  
11 inserting “section 30B(f)(1)”.

12 (C) Section 55(c)(2) of such Code is  
13 amended by striking “section 30B(g)(2)” and  
14 inserting “section 30B(f)(2)”.

15 (D) Section 1016(a)(36) of such Code is  
16 amended by striking “section 30B(h)(4)” and  
17 inserting “section 30B(g)(4)”.

18 (E) Section 6501(m) of such Code is  
19 amended by striking “section 30B(h)(9)” and  
20 inserting “section 30B(g)(9)”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to property placed in service after  
23 December 31, 2005, in taxable years ending after such  
24 date.

1 **SEC. 204. EXTENSION OF FULL CREDIT FOR QUALIFIED**  
 2 **ELECTRIC VEHICLES.**

3 (a) IN GENERAL.—Section 30(e) of the Internal Rev-  
 4 enue Code of 1986 is amended by striking “2006” and  
 5 inserting “2010”.

6 (b) REPEAL OF PHASEOUT.—Section 30(b) of the In-  
 7 ternal Revenue Code of 1986 (relating to limitations) is  
 8 amended by striking paragraph (2) and by redesignating  
 9 paragraph (3) as paragraph (2).

10 (c) CREDIT ALLOWABLE AGAINST ALTERNATIVE  
 11 MINIMUM TAX.—Paragraph (2) of section 30(b) of the In-  
 12 ternal Revenue Code of 1986, as redesignated by sub-  
 13 section (b), is amended to read as follows:

14 “(2) APPLICATION WITH OTHER CREDITS.—

15 The credit allowed by subsection (a) for any taxable  
 16 year shall not exceed the excess (if any) of—

17 “(A) the sum of the regular tax for the  
 18 taxable year plus the tax imposed by section 55,  
 19 over

20 “(B) the sum of the credits allowable  
 21 under subpart A and section 27.”.

22 (d) EFFECTIVE DATE.—The amendments made by  
 23 this section shall apply to taxable years beginning after  
 24 December 31, 2005.

# 1 **TITLE III—ALTERNATIVE FUELS**

## 2 **SEC. 301. BIOFUELS.**

3 (a) AUTHORIZATION OF APPROPRIATIONS.—Section  
4 931(c) of the Energy Policy Act of 2005 (42 U.S.C.  
5 16231(c)) is amended—

6 (1) in paragraph (1), by striking  
7 “\$213,000,000” and inserting “\$251,000,000”;

8 (2) in paragraph (2)—

9 (A) by striking “\$251,000,000” and in-  
10 serting “\$270,000,000”; and

11 (B) by striking “and”;

12 (3) in paragraph (3)—

13 (A) by striking “\$274,000,000” and in-  
14 serting “\$294,000,000”; and

15 (B) by striking the period at the end and  
16 inserting a semicolon; and

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

18 “(4) \$318,000,000 for fiscal year 2010; and

19 “(5) \$343,000,000 for fiscal year 2011.”.

20 (b) DEFINITION OF BIOMASS.—Section 932(a)(1)(A)  
21 of the Energy Policy Act of 2005 (42 U.S.C.  
22 16232(a)(1)(A)) is amended by adding after “organic ma-  
23 terial” the following: “(including sugarcane, sugar beets,  
24 sugar components, and cellulose)”.

1 **SEC. 302. CONTINUATION OF BIOENERGY PROGRAM.**

2 Section 9010(c) of the Farm Security and Rural In-  
3 vestment Act of 2002 (7 U.S.C. 8108(c)) is amended—

4 (1) by striking “section—” and all that follows  
5 through “not more than” and inserting “section not  
6 more than”; and

7 (2) by striking “2006;” and all that follows and  
8 inserting “2007.”.

9 **SEC. 303. RENEWABLE FUEL STANDARD.**

10 Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C.  
11 7545(o)(2)(B)) is amended—

12 (1) by striking clause (i) and inserting the fol-  
13 lowing:

14 “(i) CALENDAR YEARS 2006 THROUGH  
15 2025.—For the purpose of subparagraph  
16 (A), the applicable volume for any of cal-  
17 endar years 2006 through 2025 shall be  
18 determined in accordance with the fol-  
19 lowing table:

<b>“Calendar year:</b>	<b>Applicable volume of renewable fuel (in billions of gallons):</b>
2006 .....	4.0
2007 .....	4.7
2008 .....	5.5
2009 .....	6.2
2010 .....	6.9
2011 .....	7.5
2012 .....	7.6
2013 .....	9.2
2014 .....	11
2015 .....	12.7
2016 .....	14.4

<b>“Calendar year:</b>	<b>Applicable volume of renewable fuel (in billions of gallons):</b>
2017 .....	16.2
2018 .....	17.9
2019 .....	19.6
2020 .....	21.4
2021 .....	23.1
2022 .....	24.8
2023 .....	26.5
2024 .....	28.3
2025 .....	30.”

1                   ; and

2                   (2) in clause (ii)—

3                   (A) in the clause heading, by striking  
4                   “2013” and inserting “2026”;

5                   (B) by striking “2013” and inserting  
6                   “2026”; and

7                   (C) by striking “2012” and inserting  
8                   “2025”.

9   **SEC. 304. MINIMUM QUANTITY OF RENEWABLE FUEL DE-**  
10                   **RIVED FROM CELLULOSIC BIOMASS.**

11           Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C.  
12   7545(o)(2)(B)) is amended by striking clause (iii) and in-  
13   serting the following:

14                               “(iii) MINIMUM QUANTITY DERIVED  
15                               FROM CELLULOSIC BIOMASS.—

16                               “(I) IN GENERAL.—The applica-  
17                               ble volume referred to in clauses (i)  
18                               and (ii) shall contain a minimum of—

19                               “(aa) for calendar year  
20                               2010, 100,000,000 gallons that

1 are derived from cellulosic bio-  
2 mass;

3 “(bb) for calendar year  
4 2011, 150,000,000 gallons that  
5 are derived from cellulosic bio-  
6 mass;

7 “(cc) for calendar year  
8 2012, 200,000,000 gallons that  
9 are derived from cellulosic bio-  
10 mass; and

11 “(dd) for calendar year  
12 2013 and each calendar year  
13 thereafter, 250,000,000 gallons  
14 that are derived from cellulosic  
15 biomass.

16 “(II) RATIO.—For calendar year  
17 2014 and each calendar year there-  
18 after, the 2.5-to-1 ratio referred to in  
19 paragraph (4) shall not apply.”.

20 **SEC. 305. MINIMUM QUANTITY OF RENEWABLE FUEL DE-**  
21 **RIVED FROM SUGAR.**

22 Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C.  
23 7545(o)(2)(B)) is amended by adding at the end the fol-  
24 lowing:

1 “(v) MINIMUM QUANTITY DERIVED  
2 FROM SUGAR.—

3 “(I) DEFINITION OF SUGAR.—In  
4 this clause:

5 “(aa) IN GENERAL.—The  
6 term ‘sugar’ means sugarcane,  
7 sugar beets, or sugar components  
8 that are produced in the United  
9 States or imported subject to tar-  
10 iff rate quota allocations.

11 “(bb) EXCLUSIONS.—The  
12 term ‘sugar’ does not include do-  
13 mestic or imported molasses, im-  
14 ported thick beet juice, or other  
15 imported products not subject to  
16 tariff-rate quota allocations that  
17 are used as feedstock.

18 “(II) MINIMUM NUMBER OF GAL-  
19 LONS.—The applicable volume re-  
20 ferred to in clauses (i) and (ii) shall  
21 contain a minimum of—

22 “(aa) for calendar year  
23 2008, 100,000,000 gallons de-  
24 rived from sugar;

1                   “(bb) for calendar year  
2                   2009, 108,000,000 gallons de-  
3                   rived from sugar;

4                   “(cc) for calendar year  
5                   2010, 117,000,000 gallons de-  
6                   rived from sugar;

7                   “(dd) for calendar year  
8                   2011, 126,000,000 gallons de-  
9                   rived from sugar;

10                  “(ee) for calendar year  
11                  2012, 135,000,000 gallons de-  
12                  rived from sugar;

13                  “(ff) for calendar year 2013,  
14                  144,000,000 gallons derived from  
15                  sugar;

16                  “(gg) for calendar year  
17                  2014, 153,000,000 gallons de-  
18                  rived from sugar;

19                  “(hh) for calendar year  
20                  2015, 161,000,000 gallons de-  
21                  rived from sugar;

22                  “(ii) for calendar year 2016,  
23                  170,000,000 gallons derived from  
24                  sugar;



1 “(jj) for calendar year 2017,  
2 179,000,000 gallons derived from  
3 sugar;

4 “(kk) for calendar year  
5 2018, 188,000,000 gallons de-  
6 rived from sugar;

7 “(ll) for calendar year 2019,  
8 197,000,000 gallons derived from  
9 sugar;

10 “(mm) for calendar year  
11 2020, 206,000,000 gallons de-  
12 rived from sugar;

13 “(nn) for calendar year  
14 2021, 214,000,000 gallons de-  
15 rived from sugar;

16 “(oo) for calendar year  
17 2022, 223,000,000 gallons de-  
18 rived from sugar;

19 “(pp) for calendar year  
20 2023, 232,000,000 gallons de-  
21 rived from sugar;

22 “(qq) for calendar year  
23 2024, 241,000,000 gallons de-  
24 rived from sugar; and

1 “(rr) for calendar year 2025  
 2 and each calendar year there-  
 3 after, 250,000,000 gallons de-  
 4 rived from sugar.”.

5 **SEC. 306. ETHANOL PROMOTION PROGRAM.**

6 Section 211(o) of the Clean Air Act (42 U.S.C.  
 7 7545(o)) is amended by adding at the end the following:

8 “(11) ETHANOL PROMOTION PROGRAM.—

9 “(A) IN GENERAL.—The Secretary of Ag-  
 10 riculture shall carry out a program to support  
 11 the development, commercialization, and pro-  
 12 duction of cellulosic ethanol and ethanol pro-  
 13 duced from sugar under this subsection.

14 “(B) ADMINISTRATION.—The program—

15 “(i) may include loan guarantees,  
 16 loans, grants, and other forms of assist-  
 17 ance; and

18 “(ii) shall be designed to ensure the  
 19 production of ethanol in quantities suffi-  
 20 cient to meet the requirements of this sub-  
 21 section.

22 “(C) PREVENTION OF SUGAR LOAN FOR-  
 23 FEITURES.—

24 “(i) IN GENERAL.—The Secretary  
 25 shall carry out the program under this

1 paragraph in a manner that is consistent  
2 with, and supports the continued no-cost  
3 implementation of, the sugar program es-  
4 tablished under section 156 of the Federal  
5 Agriculture Improvement and Reform Act  
6 of 1996 (7 U.S.C. 7272) in accordance  
7 with section 902 of the Food Security Act  
8 of 1985 (Public Law 99–198; 7 U.S.C.  
9 1446g note).

10 “(ii) ADMINISTRATION.—To carry out  
11 clause (i), in determining the overall allot-  
12 ment quantity for any crop of domestic  
13 sugar, the Secretary shall—

14 “(I) consider projected sugar  
15 used as sucrose ethanol feedstock as  
16 an addition to domestic food use; and

17 “(II) count the sales of sugar to  
18 a sucrose ethanol producer against the  
19 annual marketing allocation of domes-  
20 tic sugar processors.

21 “(D) AUTHORIZATION OF APPROPRIA-  
22 TIONS.—There are authorized to be appro-  
23 priated such sums as are necessary to carry out  
24 this paragraph.”.

1 **SEC. 307. RENEWABLE FUEL PROGRAM FOR THE DIESEL**  
 2 **MOTOR POOL.**

3 (a) IN GENERAL.—Section 211 of the Clean Air Act  
 4 (42 U.S.C. 7545) is amended by inserting after subsection  
 5 (o) the following:

6 “(p) RENEWABLE FUEL PROGRAM FOR THE DIESEL  
 7 MOTOR POOL.—

8 “(1) DEFINITION OF RENEWABLE FUEL.—

9 “(A) IN GENERAL.—In this subsection, the  
 10 term ‘renewable fuel’ has the meaning given the  
 11 term in subsection (o)(1)(C).

12 “(B) INCLUSIONS.—The term ‘renewable  
 13 fuel’ includes a diesel fuel substitute produced  
 14 from—

15 “(i) animal fat;

16 “(ii) vegetable oil;

17 “(iii) recycled yellow grease;

18 “(iv) thermal depolymerization;

19 “(v) thermochemical conversion;

20 “(vi) the coal-to-liquid process (includ-  
 21 ing the Fischer-Tropsch process); or

22 “(vii) a diesel-ethanol blend.

23 “(2) RENEWABLE FUEL PROGRAM.—

24 “(A) REGULATIONS.—

25 “(i) IN GENERAL.—Not later than 1  
 26 year after the date of enactment of this

1 subsection, the Administrator shall promul-  
2 gate regulations to ensure that diesel sold  
3 or introduced into commerce in the United  
4 States (except in noncontiguous States or  
5 territories), on an annual average basis,  
6 contains the applicable volume of renew-  
7 able fuel determined in accordance with  
8 subparagraph (B).

9 “(ii) PROVISIONS OF REGULATIONS.—  
10 Regardless of the date of promulgation,  
11 the regulations promulgated under clause  
12 (i)—

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

19 “(II) shall not—

20 “(aa) restrict geographic  
21 areas in which renewable fuel  
22 may be used; or

23 “(bb) impose any per-gallon  
24 obligation for the use of renew-  
25 able fuel.

1                   “(iii) REQUIREMENT IN CASE OF  
 2                   FAILURE TO PROMULGATE REGULA-  
 3                   TIONS.—If the Administrator fails to pro-  
 4                   mulgate regulations under clause (i), the  
 5                   percentage of renewable fuel in the diesel  
 6                   motor pool sold or dispensed to consumers  
 7                   in the United States, on a volume basis,  
 8                   shall be .006 percent for calendar year  
 9                   2008.

10                  “(B) APPLICABLE VOLUME.—

11                   “(i) CALENDAR YEARS 2008 THROUGH  
 12                   2015.—For the purpose of subparagraph  
 13                   (A), the applicable volume for any of cal-  
 14                   endar years 2008 through 2015 shall be  
 15                   determined in accordance with the fol-  
 16                   lowing table:

**“Applicable volume of renewable  
 fuel in diesel motor pool**

<b>(in millions of gallons):</b>	<b>Calendar year:</b>
250 .....	2008
500 .....	2009
750 .....	2010
1,000 .....	2011
1,250 .....	2012
1,500 .....	2013
1,750 .....	2014
2,000 .....	2015.

17                   “(ii) CALENDAR YEAR 2016 AND  
 18                   THEREAFTER.—The applicable volume for  
 19                   calendar year 2016 and each calendar year  
 20                   thereafter shall be determined by the Ad-

1            administrator, in coordination with the Sec-  
2            retary of Agriculture and the Secretary of  
3            Energy, based on a review of the imple-  
4            mentation of the program during calendar  
5            years 2008 through 2015, including a re-  
6            view of—

7                            “(I) the impact of the use of re-  
8                            newable fuels on the environment, air  
9                            quality, energy security, job creation,  
10                          and rural economic development; and

11                          “(II) the expected annual rate of  
12                          future production of renewable fuels  
13                          to be used as a blend component or  
14                          replacement to the diesel motor pool.

15                          “(iii) MINIMUM APPLICABLE VOL-  
16                          UME.—For the purpose of subparagraph  
17                          (A), the applicable volume for calendar  
18                          year 2016 and each calendar year there-  
19                          after shall be equal to the product obtained  
20                          by multiplying—

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

25                            “(II) the ratio that—

1                   “(aa) 2,000,000,000 gallons  
2                   of renewable fuel; bears to

3                   “(bb) the number of gallons  
4                   of diesel sold or introduced into  
5                   commerce during calendar year  
6                   2015.

7                   “(3) APPLICABLE PERCENTAGES.—

8                   “(A) PROVISION OF ESTIMATE OF VOL-  
9                   UMES OF DIESEL SALES.—Not later than Octo-  
10                  ber 31 of each of calendar years 2007 through  
11                  2015, the Administrator of the Energy Infor-  
12                  mation Administration shall provide to the Ad-  
13                  ministrator an estimate, with respect to the fol-  
14                  lowing calendar year, of the volumes of diesel  
15                  projected to be sold or introduced into com-  
16                  merce in the United States.

17                  “(B) DETERMINATION OF APPLICABLE  
18                  PERCENTAGES.—

19                  “(i) IN GENERAL.—Not later than  
20                  November 30 of each of calendar years  
21                  2008 through 2015, based on the estimate  
22                  provided under subparagraph (A), the Ad-  
23                  ministrator shall determine and publish in  
24                  the Federal Register, with respect to the  
25                  following calendar year, the renewable fuel



obligation that ensures that the requirements of paragraph (2) are met.

“(ii) REQUIRED ELEMENTS.—The renewable fuel obligation determined for a calendar year under clause (i) shall—

“(I) be applicable to refineries, blenders, and importers, as appropriate;

“(II) be expressed in terms of a volume percentage of diesel sold or introduced into commerce in the United States; and

“(III) subject to subparagraph (C), consist of a single applicable percentage that applies to all categories of persons described in subclause (I).

“(C) ADJUSTMENTS.—In determining the applicable percentage for a calendar year, the Administrator shall make adjustments to prevent the imposition of redundant obligations on any person described in subparagraph (B)(ii)(I).

“(4) CREDIT PROGRAM.—

“(A) IN GENERAL.—The regulations promulgated pursuant to paragraph (2)(A) shall

1 provide for the generation of an appropriate  
2 amount of credits by any person that refines,  
3 blends, or imports diesel that contains a quan-  
4 tity of renewable fuel that is greater than the  
5 quantity required under paragraph (2).

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

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

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

1           endar year following the year in which the re-  
2           newable fuel deficit is created—

3                   “(i) achieves compliance with the re-  
4                   newable fuel requirement under paragraph  
5                   (2); and

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

9           “(5) WAIVERS.—

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

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

24                   “(ii) there is an inadequate domestic  
25                   supply of renewable fuel.

“(B) PETITIONS FOR WAIVERS.—Not later than 90 days after the date on which the Administrator receives a petition under subparagraph (A), the Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, shall approve or disapprove the petition.

“(C) TERMINATION OF WAIVERS.—

“(i) IN GENERAL.—Except as provided in clause (ii), a waiver under subparagraph (A) shall terminate on the date that is 1 year after the date on which the waiver is provided.

“(ii) EXCEPTION.—The Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, may extend a waiver under subparagraph (A), as the Administrator determines to be appropriate.”.

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

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

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

3           (c) TECHNICAL AMENDMENTS.—Section 211 of the  
 4 Clean Air Act (42 U.S.C. 7545) is amended—

5           (1) in subsection (c)(4)(C), by redesignating the  
 6           second clause (v) as clause (vi);

7           (2) in subsection (i)(4), by striking “section  
 8           324” each place it appears and inserting “section  
 9           325”;

10          (3) in subsection (k)(10), by indenting subpara-  
 11          graphs (E) and (F) appropriately;

12          (4) in subsection (n), by striking “section  
 13          219(2)” and inserting “section 216(2)”;

14          (5) by redesignating the second subsection (r)  
 15          and subsection (s) as subsections (s) and (t), respec-  
 16          tively; and

17          (6) in subsection (t)(1) (as redesignated by  
 18          paragraph (5)), by striking “this subtitle” and in-  
 19          serting “this part”.

20 **SEC. 308. EXTENSION AND MODIFICATION OF INCOME AND**  
 21 **EXCISE TAX CREDITS FOR RENEWABLE**  
 22 **FUELS.**

23          (a) INCOME TAX CREDITS.—

24           (1) ALCOHOL USED AS FUEL.—

1 (A) IN GENERAL.—Paragraph (1) of sec-  
 2 tion 40(e) of the Internal Revenue Code of  
 3 1986 is amended—

4 (i) by striking “2010” in subpara-  
 5 graph (A) and inserting “2013”, and

6 (ii) by striking “2011” in subpara-  
 7 graph (B) and inserting “2014”.

8 (B) REDUCED CREDIT FOR ETHANOL  
 9 BLENDERS.—Subsection (h) of section 40 of  
 10 such Code is amended—

11 (i) by striking “2010” in paragraph  
 12 (1) and inserting “2013”, and

13 (ii) by striking “2010” in the table in  
 14 paragraph (2) and inserting “2013”.

15 (2) BIODIESEL AND RENEWABLE DIESEL USED  
 16 AS FUEL.—Subsection (g) of section 40A of the In-  
 17 ternal Revenue Code of 1986 is amended by striking  
 18 “2008” and inserting “2013”.

19 (3) SMALL ETHANOL PRODUCER CREDIT EX-  
 20 PANDED FOR PRODUCERS OF SUCROSE AND CEL-  
 21 LULOSIC ETHANOL.—

22 (A) IN GENERAL.—Subparagraph (C) of  
 23 section 40(b)(4) of such Code (relating to small  
 24 ethanol producer credit) is amended by insert-  
 25 ing “(30,000,000 gallons for any sucrose or cel-

lulosic ethanol producer)” after “15,000,000 gallons”.

(B) SUCROSE OR CELLULOSIC ETHANOL PRODUCER.—Section 40(b)(4) of such Code is amended by adding at the end the following new subparagraph:

“(E) SUCROSE OR CELLULOSIC ETHANOL PRODUCER.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘sucrose or cel-lulosic ethanol producer’ means a producer of ethanol using sucrose feedstock or cel-lulosic feedstock.

“(ii) SUCROSE FEEDSTOCK.—For pur-poses of clause (i), the term ‘sucrose feed-stock’ means any raw sugar, refined sugar, or sugar equivalents (including juice and extract). Such term does not include any molasses, beet thick juice, or other similar products as determined by the Secretary.”.

(C) CONFORMING AMENDMENTS.—

(i) Section 40(g)(2) of such Code is amended by striking “15,000,000 gallon limitation” and inserting “15,000,000 and 30,000,000 gallon limitations”.

1 (ii) Section 40(g)(5)(B) of such Code  
2 is amended by striking “15,000,000 gal-  
3 lons” and inserting “the gallon limitation  
4 under subsection (b)(4)(C)”.

5 (b) EXCISE TAX CREDITS.—

6 (1) ALCOHOL FUEL MIXTURE CREDIT.—Para-  
7 graph (5) of section 6426(b) of the Internal Revenue  
8 Code of 1986 is amended by striking “2010” and in-  
9 serting “2013”.

10 (2) BIODIESEL MIXTURE CREDIT.—Paragraph  
11 (6) of section 6426(c) of the Internal Revenue Code  
12 of 1986 is amended by striking “2010” and insert-  
13 ing “2013”.

14 (3) ALTERNATIVE FUEL CREDIT.—Paragraph  
15 (4) of section 6426(d) of the Internal Revenue Code  
16 of 1986 is amended by striking “2009” and insert-  
17 ing “2013”.

18 (c) PAYMENTS FOR FUEL USED IN TRADE OR BUSI-  
19 NESS.—

20 (1) ALCOHOL FUEL MIXTURES.—Section  
21 6427(e)(5)(A) of the Internal Revenue Code of 1986  
22 is amended by striking “2010” and inserting  
23 “2013”.



1           (2)       BIODIESEL       MIXTURES.—Section  
 2       6427(e)(5)(B) of such Code is amended by striking  
 3       “2008” and inserting “2013”.

4           (3)       ALTERNATIVE FUEL AND ALTERNATIVE  
 5       FUEL MIXTURES.—Section 6427(e)(5)(C) of such  
 6       Code is amended by striking “2009” and inserting  
 7       “2013”.

8       (d) EFFECTIVE DATE.—

9           (1) SUBSECTION (a).—The amendments made  
 10      by subsection (a) shall apply to taxable years begin-  
 11      ning after the date of the enactment of this Act.

12          (2) SUBSECTION (b).—The amendments made  
 13      by subsection (b) shall apply to any sale, use, or re-  
 14      moval for any period after the date of enactment of  
 15      this Act.

16          (3) SUBSECTION (c).—The amendments made  
 17      by subsection (c) shall apply to any sale or use for  
 18      any period after the date of enactment of this Act.

19   **SEC. 309. DOMESTIC REFINERY DIVERSIFICATION.**

20          (a) PROGRAM.—The Secretary shall award grants for  
 21      qualifying projects to support the commercial deployment  
 22      of CTL refineries.

23          (b) PROJECT CRITERIA.—A project shall be consid-  
 24      ered to be a qualifying project under this section if the  
 25      Secretary determines that—

1           (1) the purpose of the project is the deployment  
2           of a CTL refinery in the United States;

3           (2) the grant recipient is financially viable with-  
4           out the receipt of additional Federal funding;

5           (3) the project site has been identified;

6           (4) a preliminary feasibility study has been  
7           completed;

8           (5) a long-term source of coal has been identi-  
9           fied and secured; and

10          (6) the refinery will be designed to have—

11                (A) a production capacity of at least  
12                12,000 barrels per day; and

13                (B) carbon capture capability.

14          (c) USE.—A grant under this section may be used  
15          to offset costs associated with the deployment of a CTL  
16          refinery in the United States, such as the costs of prelimi-  
17          nary engineering and engineering design specifications.

18          (d) MAXIMUM AMOUNT.—The amount of a grant  
19          made for a qualifying project under this section shall not  
20          exceed \$50,000,000.

21          (e) REPORT.—Not later than 1 year after the date  
22          of enactment of this Act, and annually thereafter until  
23          amounts made available to carry out this section are ex-  
24          pended, the Secretary shall submit to Congress a report  
25          describing—

1           (1) the status of projects funded under this sec-  
2           tion; and

3           (2) the reasons for the denial of any grant for  
4           a project funded under this section.

5           (f) AUTHORIZATION OF APPROPRIATIONS.—There is  
6           authorized to be appropriated to the Secretary to carry  
7           out this section \$500,000,000, to remain available until  
8           expended.

9   **SEC. 310. TRANSITION TO A HYDROGEN-BASED ECONOMY.**

10          (a) IN GENERAL.—There are authorized to be appro-  
11          priated to the Secretary the following amounts to carry  
12          out projects to promote the transition to a hydrogen-based  
13          economy:

14               (1) For 4 demonstration projects under which  
15               hydrogen is produced from 3 or more feedstocks,  
16               \$200,000,000 for each of fiscal years 2007 through  
17               2011, of which each demonstration project shall re-  
18               ceive \$50,000,000 for each fiscal year.

19               (2) For hydrogen storage for on-road and off-  
20               road applications—

21                       (A) \$38,000,000 for fiscal year 2007;

22                       (B) \$45,000,000 for fiscal year 2008;

23                       (C) \$53,000,000 for fiscal year 2009;

24                       (D) \$60,000,000 for fiscal year 2010; and

25                       (E) \$70,000,000 for fiscal year 2010.

1           (3) For technologies for the production and pu-  
2           rification of hydrogen with pressures of 10,000  
3           pounds per square inch or more—

4                   (A) \$40,000,000 for fiscal year 2007;

5                   (B) \$48,000,000 for fiscal year 2008;

6                   (C) \$56,000,000 for fiscal year 2009; and

7                   (D) \$62,000,000 for fiscal year 2010.

8           (4) For the incorporation of carbon sequestra-  
9           tion strategies into hydrogen production technologies  
10          for carbon sequestered from plants used to produce  
11          hydrogen, using as a model the program established  
12          under section 963 of the Energy Policy Act of 2005  
13          (42 U.S.C. 16293)—

14                   (A) \$50,000,000 for fiscal year 2007;

15                   (B) \$75,000,000 for fiscal year 2008;

16                   (C) \$100,000,000 for fiscal year 2009; and

17                   (D) \$110,000,000 for fiscal year 2010.

18          (5) For development of a national hydrogen in-  
19          frastructure plan, such sums as are necessary.

20          (6) For the National Center for Hydrogen  
21          Technology designated by the Department of En-  
22          ergy—

23                   (A) \$3,500,000 for fiscal year 2007;

24                   (B) \$4,000,000 for fiscal year 2008;

25                   (C) \$4,500,000 for fiscal year 2009; and

1 (D) \$5,000,000 for fiscal year 2010.

2 (7) For regional centers for hydrogen tech-  
3 nology designated by the Department of Energy,  
4 \$17,000,000 for fiscal year 2007.

5 (8) For the Controlled Hydrogen Fleet and In-  
6 frastructure Demonstration Validation Program of  
7 the Department of Energy—

8 (A) for the controlled hydrogen fleet—

9 (i) \$30,000,000 for fiscal year 2007;

10 (ii) \$35,000,000 for fiscal year 2008;

11 (iii) \$41,000,000 for fiscal year 2009;

12 and

13 (iv) \$47,000,000 for fiscal year 2010;

14 and

15 (B) for infrastructure demonstration vali-  
16 dation—

17 (i) \$18,000,000 for fiscal year 2007;

18 (ii) \$22,000,000 for fiscal year 2008;

19 (iii) \$26,000,000 for fiscal year 2009;

20 and

21 (iv) \$30,000,000 for fiscal year 2010.

22 (9) For the hydrogen automotive technologies  
23 programs of the Department of Defense—

24 (A) \$25,000,000 for fiscal year 2007;

25 (B) \$30,000,000 for fiscal year 2008;

1 (C) \$35,000,000 for fiscal year 2009; and

2 (D) \$40,000,000 for fiscal year 2010.

3 (b) FEDERAL AND STATE PROCUREMENT OF FUEL  
4 CELL VEHICLES AND HYDROGEN ENERGY SYSTEMS.—

5 Section 782(e) of the Energy Policy Act of 2005 (42  
6 U.S.C. 16122(e)) is amended by striking paragraphs (2)  
7 and (3) and inserting the following:

8 “(2) \$35,000,000 for fiscal year 2009;

9 “(3) \$80,000,000 for fiscal year 2010; and”.

10 (c) FEDERAL PROCUREMENT OF STATIONARY, PORT-  
11 ABLE, AND MICRO FUEL CELLS.—Section 783(d) of the  
12 Energy Policy Act of 2005 (42 U.S.C. 16123(d)) is  
13 amended by striking paragraphs (2) through (5) and in-  
14 serting the following:

15 “(2) \$75,000,000 for fiscal year 2007;

16 “(3) \$100,000,000 for fiscal year 2008;

17 “(4) \$125,000,000 for fiscal year 2009;

18 “(5) \$150,000,000 for fiscal year 2010; and”.

19 (d) HYDROGEN PROGRAMS.—Section 805 of the En-  
20 ergy Policy Act of 2005 (42 U.S.C. 16154) is amended—

21 (1) in subsection (h), by striking paragraphs

22 (3) through (5) and inserting the following:

23 “(3) \$232,000,000 for fiscal year 2008;

24 “(4) \$252,500,000 for fiscal year 2009;

1 “(5) \$283,000,000 for fiscal year 2010; and”;  
 2 and  
 3 (2) in subsection (i), by striking paragraphs (2)  
 4 through (5) and inserting the following:  
 5 “(2) \$180,000,000 for fiscal year 2007;  
 6 “(3) \$200,000,000 for fiscal year 2008;  
 7 “(4) \$220,000,000 for fiscal year 2009;  
 8 “(5) \$240,000,000 for fiscal year 2010; and”.

9 **SEC. 311. MODIFICATION AND EXTENSION OF ALTER-**  
 10 **NATIVE VEHICLE REFUELING PROPERTY**  
 11 **CREDIT.**

12 (a) INCREASE IN CREDIT AMOUNT.—Subsection (a)  
 13 of section 30C of the Internal Revenue Code of 1986 is  
 14 amended by striking “30 percent” and inserting “50 per-  
 15 cent”.

16 (b) CREDIT ALLOWABLE AGAINST ALTERNATIVE  
 17 MINIMUM TAX.—Paragraph (2) of section 30C of the In-  
 18 ternal Revenue Code of 1986 is amended to read as fol-  
 19 lows:

20 “(2) PERSONAL CREDIT.—The credit allowed  
 21 under subsection (a) (after the application of para-  
 22 graph (1)) for any taxable year shall not exceed the  
 23 excess (if any) of—

4 “(B) the sum of the credits allowable  
5 under subpart A and sections 27, 30, and  
6 30B.”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

14 SEC. 312. USE OF NATIVE GRASSES ON CONSERVATION RE-  
15 SERVE LAND FOR BIOMASS HARVESTING.

(a) PURPOSE.—The purpose of this section is to clarify that an owner or operator of a farm or ranch that has entered into a conservation reserve contract may harvest perennial, permanent cover crops on land that is subject to the contract for the production of cellulosic ethanol, biogas, biobased hydrogen, other biobased liquid fuels, or other biobased products.

(b) USE OF NATIVE GRASSES.—Section 1232(a)(7)(A) of the Food Security Act of 1985 (16 U.S.C. 3832(a)(7)(A)) is amended—



1           (1) in clause (ii), by striking “and” after the  
2       semicolon at the end; and

3           (2) by adding at the end the following:

4                   “(iv) shall permit the use of native  
5           grasses to produce cellulosic ethanol,  
6           biogas, biobased hydrogen, other biobased  
7           liquid fuel, or other biobased products (col-  
8           lectively referred to in this clause as  
9           ‘biobased products’), except that—

10                   “(I) native grasses may not be  
11           used to produce biobased products on  
12           land that is enrolled in the conserva-  
13           tion reserve if the land is devoted to  
14           shallow water for wildlife, wildlife  
15           habitat, diversion or erosion preven-  
16           tion, wetland restoration, rare or de-  
17           clining habitat, or upland bird habitat  
18           buffers;

19                   “(II) native grasses may be used  
20           to produce biobased products under  
21           this subparagraph only during the pe-  
22           riod beginning September 31, and  
23           ending May 1, of each year; and

24                   “(III) not more than 50 percent  
25           of any plot that is enrolled in the con-

1                   servation reserve may be used to  
2                   produce biobased products each year;  
3                   and”.

4 **SEC. 313. USE OF CAFÉ PENALTIES TO BUILD ALTERNATIVE**  
5 **FUELING INFRASTRUCTURE.**

6       Section 32912 of title 49, United States Code, is  
7 amended by adding at the end the following

8       “(e) ALTERNATIVE FUELING INFRASTRUCTURE  
9 TRUST FUND.—

10           “(1) ESTABLISHMENT.—There is established in  
11 the Treasury of the United States a trust fund, to  
12 be known as the Alternative Fueling Infrastructure  
13 Trust Fund, consisting of—

14                   “(A) such amounts as are deposited into  
15 the Trust Fund under paragraph (2); and

16                   “(B) any interest earned on investment of  
17 amounts in the Trust Fund.

18       “(2) DEPOSITS.—The Secretary of Transpor-  
19 tation shall remit to the Treasury 90 percent of the  
20 amounts collected in civil penalties each year under  
21 this section for deposit to the Trust Fund.

22       “(3) INVESTMENT OF AMOUNTS.—

23           “(A) IN GENERAL.—The Secretary of the  
24 Treasury shall invest such portion of the Trust  
25 Fund as is not, in the judgment of the Sec-

1           retary of the Treasury, required to meet cur-  
2           rent withdrawals.

3           “(B) INTEREST-BEARING OBLIGATIONS.—  
4           Investments may be made only in interest-bear-  
5           ing obligations of the United States.

6           “(C) ACQUISITION OF OBLIGATIONS.—For  
7           the purpose of investments under subparagraph  
8           (A), obligations may be acquired—

9                   “(i) on original issue at the issue  
10                  price; or

11                  “(ii) by purchase of outstanding obli-  
12                  gations at the market price.

13           “(D) SALE OF OBLIGATIONS.—Any obliga-  
14           tion acquired by the Trust Fund may be sold  
15           by the Secretary of the Treasury at the market  
16           price.

17           “(E) CREDITS TO TRUST FUND.—The in-  
18           terest on, and the proceeds from the sale or re-  
19           demption of, any obligations held in the Trust  
20           Fund shall be credited to and form a part of  
21           the Trust Fund.

22           “(4) TRANSFERS OF AMOUNTS.—

23                   “(A) IN GENERAL.—The amounts required  
24           to be transferred to the Trust Fund under this  
25           subsection shall be transferred at least quar-

1           terly from the general fund of the Treasury to  
2           the Trust Fund on the basis of estimates made  
3           by the Secretary of the Treasury.

4           “(B) ADJUSTMENTS.—Proper adjustment  
5           shall be made in amounts subsequently trans-  
6           ferred to the extent prior estimates were in ex-  
7           cess of or less than the amounts required to be  
8           transferred.

9           “(5) EXPENDITURES FROM THE FUND.—

10           “(A) IN GENERAL.—The Secretary of En-  
11           ergy shall obligate such sums as are available in  
12           the Trust Fund to establish a grant program to  
13           increase the number of locations at which con-  
14           sumers may purchase alternative fuels.

15           “(B) AMOUNT AND PERSONS ELIGIBLE.—  
16           The Secretary of Energy may award grants  
17           under this paragraph in an amount not to ex-  
18           ceed \$150,000 to persons who have expertise  
19           in—

20                   “(i) operating a fueling station; or

21                   “(ii) administering grants for the pur-  
22                   pose of establishing an alternative fueling  
23                   infrastructure.

24           “(C) OTHER CONSIDERATIONS.—

1 “(i) NUMBER OF VEHICLES TO BE  
2 SERVED.—In awarding grants under this  
3 paragraph, the Secretary shall consider the  
4 number of vehicles in service capable of  
5 using a specific type of alternative fuel.

6 “(ii) MATCHING FUNDS.—A recipient  
7 of a grant under this paragraph shall pro-  
8 vide a non-Federal match of not less than  
9 \$1 for every \$3 of grant funds received  
10 under this paragraph.

11 “(iii) SELECTION OF LOCATIONS.—  
12 Each grant recipient shall select the loca-  
13 tion for each alternative fuel station to be  
14 constructed with grant funds received  
15 under this paragraph on a formal, open,  
16 and competitive basis.

17 “(D) USE OF FUNDS.—Grants received  
18 under this paragraph may be used to—

19 “(i) construct new facilities to dis-  
20 pense alternative fuels;

21 “(ii) purchase equipment to upgrade,  
22 expand, or otherwise improve existing al-  
23 ternative fuel facilities; or

1           “(iii) purchase equipment or pay for  
2           specific turnkey fueling services by alter-  
3           native fuel providers.

4           “(E) REQUIREMENT FOR FACILITIES.—  
5           Facilities constructed or upgraded with a grant  
6           awarded under this paragraph shall—

7           “(i) provide alternative fuel to the  
8           public for a period of not less than 4 years  
9           from the date on which the facility opens;

10          “(ii) establish a marketing plan to ad-  
11          vance the sale and use of alternative fuels;

12          “(iii) prominently display the price of  
13          the alternative fuel being provided on the  
14          station marquee and in the station;

15          “(iv) provide point of sale materials  
16          on alternative fuel;

17          “(v) clearly label the dispenser with  
18          consistent materials;

19          “(vi) price the alternative fuel at a  
20          margin that is not greater than that which  
21          is received for unleaded gasoline; and

22          “(vii) support and use all available tax  
23          incentives to reduce the cost of the alter-  
24          native fuel to the lowest possible retail  
25          price.

1           “(F) NOTIFICATION OF OPENING OF FA-  
2           CILITY.—Not later than the date on which an  
3           alternative fuel station described in this para-  
4           graph begins to offer alternative fuel to the  
5           public, the person that received the grant to  
6           construct or upgrade the station shall notify the  
7           Secretary of Energy of such opening. The Sec-  
8           retary of Energy shall add each new alternative  
9           fuel station to the alternative fuel station loca-  
10          tor on the Department of Energy Website when  
11          the Secretary receives notification under this  
12          subparagraph.

13          “(G) REPORT.—Not later than 6 months  
14          after the receipt of a grant award under this  
15          paragraph, and every 6 months thereafter, each  
16          person receiving a grant under this subsection  
17          shall submit a report to the Secretary of En-  
18          ergy that describes—

19                 “(i) the status of each alternative fuel  
20                 station constructed with grant funds re-  
21                 ceived under this paragraph;

22                 “(ii) the amount of alternative fuel  
23                 dispensed at each station during the pre-  
24                 ceding 6-month period; and

1 “(iii) the average price per gallon of  
2 the alternative fuel sold at each station  
3 during the preceding 6-month period.”.

4 **TITLE IV—DOMESTIC PRODUCTION OF OIL AND NATURAL**  
5 **GAS**

7 **SEC. 401. MODIFICATIONS TO ENHANCED OIL RECOVERY**  
8 **CREDIT.**

9 (a) ENHANCED CREDIT FOR CARBON DIOXIDE IN-  
10 JECTIONS.—Section 43 of the Internal Revenue Code of  
11 1986 is amended by adding at the end the following new  
12 subsection:

13 “(f) ENHANCED CREDIT FOR PROJECTS USING  
14 QUALIFIED CARBON DIOXIDE.—

15 “(1) IN GENERAL.—In the case of any qualified  
16 enhanced oil recovery project described in paragraph  
17 (2), subsection (a) shall be applied by substituting  
18 ‘20 percent’ for ‘15 percent’.

19 “(2) SPECIFIED QUALIFIED ENHANCED OIL RE-  
20 COVERY PROJECT.—

21 “(A) IN GENERAL.—A qualified enhanced  
22 oil recovery project is described in this para-  
23 graph if—



1 “(i) the project begins or is substan-  
 2 tially expanded after December 31, 2006,  
 3 and

4 “(ii) the project uses qualified carbon  
 5 dioxide in an oil recovery method which in-  
 6 volves flooding or injection.

7 “(B) QUALIFIED CARBON DIOXIDE.—For  
 8 purposes of this subsection, the term ‘qualified  
 9 carbon dioxide’ means carbon dioxide that is—

10 “(i) from an industrial source, or

11 “(ii) separated from natural gas and  
 12 natural gas liquids at a natural gas proc-  
 13 essing plant.

14 “(3) TERMINATION.—This subsection shall not  
 15 apply to costs paid or incurred for any qualified en-  
 16 hanced oil recovery project after December 31,  
 17 2010.”.

18 (b) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply to costs paid or incurred in taxable  
 20 years ending after December 31, 2006.

21 **SEC. 402. OFFSHORE OIL AND GAS LEASING IN 181 AREA OF**  
 22 **GULF OF MEXICO.**

23 (a) DEFINITION OF SECRETARY.—In this section, the  
 24 term “Secretary” means the Secretary of the Interior, act-  
 25 ing through the Minerals Management Service.

1 (b) LEASE SALE.—Except as otherwise provided in  
2 this section, the Secretary shall offer the 181 Area for oil  
3 and gas leasing pursuant to the Outer Continental Shelf  
4 Lands Act (43 U.S.C. 1331 et seq.) as soon as practicable,  
5 but not later than 1 year, after the date of enactment of  
6 this Act.

7 (c) EXCLUDED AREAS.—In carrying out subsection  
8 (b), the Secretary shall not offer for oil and gas leasing—

9 (1) any area east of the Military Mission Line,  
10 unless the Secretary of Defense agrees in writing be-  
11 fore the area is offered for lease that the area can  
12 be developed in a manner that will not interfere with  
13 military activities; or

14 (2) any area that is within 100 miles of the  
15 coastline of the State of Florida.

16 (d) LEASING PROGRAM.—The 181 Area shall be of-  
17 fered for lease under this section notwithstanding the  
18 omission of the 181 Area from any outer Continental Shelf  
19 leasing program under section 18 of the Outer Continental  
20 Shelf Lands Act (43 U.S.C. 1344).

## 21 **TITLE V—ELECTRICITY AND** 22 **RENEWABLES**

### 23 **SEC. 501. DOE NATIONAL AND NORTH AMERICAN ELEC-** 24 **TRICITY GRID STUDIES.**

25 (a) FINDINGS.—Congress finds that—

1           (1) the interstate transmission system of North  
2       America cannot reliably handle the existing and ex-  
3       pected dramatic increase in future electric trans-  
4       actions;

5           (2) significant new transmission capacity is ur-  
6       gently needed to maintain reliability and meet the  
7       needs of a growing demand for electricity;

8           (3) transmission shortages and constraints are  
9       contributing to wholesale and retail electric market  
10      failures that are harming electric consumers in, and  
11      the economy of, the United States;

12          (4) existing transmission capacity limits the de-  
13      velopment of renewable and other energy sources by  
14      constraining delivery of those resources into the na-  
15      tional power market;

16          (5) excessive congestion unnecessarily raises  
17      costs for all consumers; and

18          (6) an adequate transmission system is critical  
19      to national security.

20      (b) STUDIES.—

21          (1) IN GENERAL.—Not later than 1 year after  
22      the date of enactment of this Act, the Secretary, in  
23      consultation with the Rural Utilities Service, the  
24      Federal Power Marketing Administrations, the Fed-

1       eral Energy Regulatory Commission, and other ap-  
2       propriate regional entities, shall carry out—

3               (A) a study, to be known as the “National  
4       Transmission Grid Study”, to determine the  
5       feasibility of constructing a national trans-  
6       mission grid with nationwide functionality and  
7       benefits similar to those provided by construc-  
8       tion of the Interstate Highway System; and

9               (B) a study, to be known as the “North  
10       American Transmission Grid Study”, to deter-  
11       mine the feasibility of constructing an inte-  
12       grated North American transmission grid with  
13       international functionality and benefits similar  
14       to those provided by construction of the Inter-  
15       state Highway System.

16       (2) STUDY.—In carrying out the studies, the  
17       Secretary shall take into consideration—

18               (A) economic viability, including the cost-  
19       effectiveness of developing a national trans-  
20       mission grid or North American transmission  
21       grid, as appropriate;

22               (B) economic growth in the United States,  
23       including the extent to which that economic  
24       growth is constrained by the lack of adequate  
25       or reasonably-priced electricity;

1 (C) limited transmission infrastructure, re-  
2 sulting in the inability or limited ability to  
3 transmit available power supply resources;

4 (D) diversification of power supply;

5 (E) requirements and needs relating to the  
6 national defense and homeland security of the  
7 United States;

8 (F) promotion of national energy security;

9 (G) transmission losses; and

10 (H) reliability.

11 (c) REPORT TO CONGRESS.—Not later than 90 days  
12 after the date of completion of the studies required by sub-  
13 section (c)(1), the Secretary shall submit to Congress a  
14 report describing the viability of constructing—

15 (1) a national transmission grid in accordance  
16 with nationwide functionality and benefits similar to  
17 those provided by construction of the Interstate Sys-  
18 tem; and

19 (2) an integrated North American transmission  
20 grid with international functionality and benefits  
21 similar to those provided by construction of the  
22 Interstate System.

23 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
24 are authorized to be appropriated such sums as are nec-  
25 essary to carry out this section.

1 **SEC. 502. TAX-EXEMPT FINANCING OF ELECTRIC TRANS-**  
2 **MISSION FACILITIES NOT SUBJECT TO PRI-**  
3 **VATE BUSINESS USE TEST.**

4 (a) IN GENERAL.—Section 141(b)(6) of the Internal  
5 Revenue Code of 1986 (defining private business use) is  
6 amended by adding at the end the following new subpara-  
7 graph:

8 “(C) EXCEPTION FOR ELECTRIC TRANS-  
9 MISSION FACILITIES.—For purposes of the 1st  
10 sentence of subparagraph (A), the operation or  
11 use of an electric transmission facility by any  
12 person which is not a governmental unit shall  
13 not be considered a private business use.”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall apply to bonds issued after the date of  
16 the enactment of this Act.

17 **SEC. 503. EXTENSION OF CREDIT FOR PRODUCING ELEC-**  
18 **TRICITY FROM CERTAIN RENEWABLE RE-**  
19 **SOURCES.**

20 (a) IN GENERAL.—Paragraphs (1) through (7) of  
21 section 45(d) of the Internal Revenue Code of 1986 are  
22 each amended by striking “January 1, 2008” each place  
23 it appears and inserting “January 1, 2013”.

24 (b) EFFECTIVE DATE.—The amendments made by  
25 this section shall take effect on the date of the enactment  
26 of this Act.

1 **SEC. 504. FEDERAL RENEWABLE PORTFOLIO STANDARD.**

2 The Public Utility Regulatory Policies Act of 1978  
3 (16 U.S.C. 2601 et seq.) is amended by adding at the end  
4 of title VI the following:

5 **“SEC. 610. FEDERAL RENEWABLE PORTFOLIO STANDARD.**

6 “(a) DEFINITIONS.—In this section:

7 “(1) BASE AMOUNT OF ELECTRICITY.—The  
8 term ‘base amount of electricity’ means the total  
9 amount of electricity sold by an electric utility to  
10 electric consumers in a calendar year, excluding—

11 “(A) electricity generated by a hydro-  
12 electric facility (including a pumped storage fa-  
13 cility but excluding incremental hydropower);  
14 and

15 “(B) electricity generated through the in-  
16 cineration of municipal solid waste.

17 “(2) DISTRIBUTED GENERATION FACILITY.—  
18 The term ‘distributed generation facility’ means a  
19 facility at a customer site.

20 “(3) EXISTING RENEWABLE ENERGY.—The  
21 term ‘existing renewable energy’ means, except as  
22 provided in paragraph (7)(B), electric energy gen-  
23 erated at a facility (including a distributed genera-  
24 tion facility) placed in service prior to the date of  
25 enactment of this section from—

26 “(A) solar, wind, or geothermal energy;

1 “(B) ocean energy;

2 “(C) biomass (as defined in section 203(b)  
3 of the Energy Policy Act of 2005 (42 U.S.C.  
4 15852(b))); or

5 “(D) landfill gas.

6 “(4) GEOTHERMAL ENERGY.—The term ‘geo-  
7 thermal energy’ means energy derived from a geo-  
8 thermal deposit (within the meaning of section  
9 613(e)(2) of the Internal Revenue Code of 1986).

10 “(5) INCREMENTAL GEOTHERMAL PRODUC-  
11 TION.—

12 “(A) IN GENERAL.—The term ‘incremental  
13 geothermal production’ means, for any year, the  
14 difference between—

15 “(i) the total kilowatt hours of elec-  
16 tricity produced from a facility (including a  
17 distributed generation facility) using geo-  
18 thermal energy, and

19 “(ii) the average annual kilowatt  
20 hours produced at the facility for 5 of the  
21 7 calendar years preceding the date of en-  
22 actment of this section after eliminating  
23 the highest and the lowest kilowatt hour  
24 production years in that 7-year period.



1           “(B) SPECIAL RULE.—A facility described  
2           in subparagraph (A) that was placed in service  
3           at least 7 years before the date of enactment of  
4           this section shall, beginning with the year in  
5           which that date of enactment occurs, reduce the  
6           amount calculated under subparagraph (A)(ii)  
7           each year, on a cumulative basis, by the average  
8           percentage decrease in the annual kilowatt hour  
9           production for the 7-year period described in  
10          subparagraph (A)(ii), the cumulative sum of  
11          which shall not exceed 30 percent.

12          “(6) INCREMENTAL HYDROPOWER.—

13               “(A) IN GENERAL.—The term ‘incremental  
14               hydropower’ means additional energy generated  
15               as a result of efficiency improvements or capac-  
16               ity additions made on or after the date of en-  
17               actment of this section or the effective date of  
18               an existing applicable State renewable portfolio  
19               standard program at a hydroelectric facility  
20               that was placed in service before that date.

21               “(B) EXCLUSIONS.—The term ‘incre-  
22               mental hydropower’ does not include additional  
23               energy generated as a result of operational  
24               changes not directly associated with efficiency  
25               improvements or capacity additions.

1           “(C) MEASUREMENT OF IMPROVEMENTS  
2           AND ADDITIONS.—Efficiency improvements and  
3           capacity additions referred to in subparagraph  
4           (A) shall be measured on the basis of the same  
5           water flow information used to determine a his-  
6           toric average annual generation baseline for the  
7           hydroelectric facility and certified by the Sec-  
8           retary or the Federal Energy Regulatory Com-  
9           mission.

10          “(7) NEW RENEWABLE ENERGY.—The term  
11          ‘new renewable energy’ means—

12               “(A) electric energy generated at a facility  
13               (including a distributed generation facility)  
14               placed in service on or after January 1, 2003,  
15               from—

16                       “(i) solar, wind, or geothermal energy  
17                       or ocean energy;

18                       “(ii) biomass (as defined in section  
19                       203(b) of the Energy Policy Act of 2005  
20                       (42 U.S.C. 15852(b)));

21                       “(iii) landfill gas; or

22                       “(iv) incremental hydropower; and

23               “(B) for electric energy generated at a fa-  
24               cility (including a distributed generation facil-

ity) placed in service before the date of enactment of this section—

“(i) the additional energy above the average generation in the 3 years preceding the date of enactment of this section at the facility from—

“(I) solar or wind energy or ocean energy;

“(II) biomass (as defined in section 203(b) of the Energy Policy Act of 2005 (42 U.S.C. 15852(b)));

“(III) landfill gas; or

“(IV) incremental hydropower;

and

“(ii) the incremental geothermal production.

“(8) OCEAN ENERGY.—The term ‘ocean energy’ includes current, wave, tidal, and thermal energy.

“(b) RENEWABLE ENERGY REQUIREMENT.—

“(1) REQUIREMENT.—

“(A) IN GENERAL.—Each electric utility that sells electricity to electric consumers shall obtain a percentage of the base amount of electricity the electric utility sells to electric con-

1           sumers in any calendar year from new renew-  
2           able energy or existing renewable energy.

3                   “(B) PERCENTAGES.—The percentage ob-  
4           tained in a calendar year shall not be less than  
5           the amount specified in the following table:

<b>“Calendar year:</b>	<b>Minimum annual percentage:</b>
2008 through 2011 .....	2.5
2012 through 2015 .....	5.0
2016 through 2019 .....	7.5
2020 through 2030 .....	10.0.

6                   “(2) MEANS OF COMPLIANCE.—An electric util-  
7           ity shall meet the requirements of paragraph (1)  
8           by—

9                   “(A) generating electric energy using new  
10           renewable energy or existing renewable energy;

11                   “(B) purchasing electric energy generated  
12           by new renewable energy or existing renewable  
13           energy;

14                   “(C) purchasing renewable energy credits  
15           issued under subsection (c); or

16                   “(D) a combination of the foregoing.

17           “(c) RENEWABLE ENERGY CREDIT TRADING PRO-  
18   GRAM.—

19                   “(1) IN GENERAL.—Not later than January 1,  
20           2007, the Secretary shall establish a renewable en-  
21           ergy credit trading program to permit an electric  
22           utility that does not generate or purchase enough

1 electric energy from renewable energy to meet its ob-  
2 ligations under subsection (b)(1) to satisfy the re-  
3 quirements by purchasing sufficient renewable en-  
4 ergy credits.

5 “(2) RESPONSIBILITIES OF SECRETARY.—As  
6 part of the program, the Secretary shall—

7 “(A) issue renewable energy credits to gen-  
8 erators of electric energy from new renewable  
9 energy;

10 “(B) sell renewable energy credits to elec-  
11 tric utilities at the rate of 1.5 cents per kilo-  
12 watt-hour (as adjusted for inflation under sub-  
13 section (h));

14 “(C) ensure that a kilowatt hour, including  
15 the associated renewable energy credit, shall be  
16 used only once for purposes of compliance with  
17 this section; and

18 “(D) allow double credits for generation  
19 from facilities on Indian land, and triple credits  
20 for generation from small renewable distributed  
21 generators (meaning those no larger than 1  
22 megawatt).

23 “(3) USE OF CREDITS.—A credit under para-  
24 graph (2)(A) may only be used for compliance with

1       this section for the 3-year period beginning on the  
2       date of issuance of the credit.

3       “(d) ENFORCEMENT.—

4               “(1) CIVIL PENALTIES.—Any electric utility  
5       that fails to meet the renewable energy requirements  
6       of subsection (b) shall be subject to a civil penalty.

7               “(2) AMOUNT OF PENALTY.—The amount of  
8       the civil penalty shall be determined by multiplying  
9       the number of kilowatt-hours of electric energy sold  
10      to electric consumers in violation of subsection (b)  
11      by the greater of 1.5 cents (adjusted for inflation  
12      under subsection (h)) or 200 percent of the average  
13      market value of renewable energy credits during the  
14      year in which the violation occurred.

15              “(3) MITIGATION OR WAIVER.—

16                      “(A) IN GENERAL.—The Secretary may  
17       mitigate or waive a civil penalty under this sub-  
18       section if the electric utility was unable to com-  
19       ply with subsection (b) for reasons outside of  
20       the reasonable control of the utility.

21                      “(B) REDUCTION OF AMOUNT.—The Sec-  
22       retary shall reduce the amount of any penalty  
23       determined under paragraph (2) by an amount  
24       paid by the electric utility to a State for failure  
25       to comply with the requirement of a State re-

1           newable energy program if the State require-  
2           ment is greater than the applicable requirement  
3           of subsection (b).

4           “(4) PROCEDURE FOR ASSESSING PENALTY.—  
5           The Secretary shall assess a civil penalty under this  
6           subsection in accordance with the procedures pre-  
7           scribed by section 333(d) of the Energy Policy and  
8           Conservation Act of 1954 (42 U.S.C. 6303).

9           “(e) STATE RENEWABLE ENERGY ACCOUNT PRO-  
10          GRAM.—

11           “(1) IN GENERAL.—Not later than December  
12          31, 2008, the Secretary shall establish a State re-  
13          newable energy account program.

14           “(2) DEPOSIT OF AMOUNTS.—All funds col-  
15          lected by the Secretary from the sale of renewable  
16          energy credits and the assessment of civil penalties  
17          under this section shall be deposited into the renew-  
18          able energy account established pursuant to this  
19          subsection.

20           “(3) MAINTENANCE OF ACCOUNT.—The State  
21          renewable energy account shall be held by the Sec-  
22          retary and shall not be transferred to the Treasury  
23          Department.

24           “(4) USE OF AMOUNTS.—Proceeds deposited in  
25          the State renewable energy account shall be used by

1 the Secretary, subject to appropriations, for a pro-  
2 gram to provide grants to the State agency respon-  
3 sible for developing State energy conservation plans  
4 under section 362 of the Energy Policy and Con-  
5 servation Act (42 U.S.C. 6322) for the purposes of  
6 promoting renewable energy production, including  
7 programs that promote technologies that reduce the  
8 use of electricity at customer sites such as solar  
9 water heating.

10 “(5) GUIDELINES AND CRITERIA.—The Sec-  
11 retary may issue guidelines and criteria for grants  
12 awarded under this subsection.

13 “(6) MAINTENANCE OF RECORDS AND EVI-  
14 DENCE OF COMPLIANCE.—State energy offices re-  
15 ceiving grants under this section shall maintain such  
16 records and evidence of compliance as the Secretary  
17 may require.

18 “(7) ALLOCATION OF FUNDS.—In allocating  
19 funds under this program, the Secretary shall give  
20 preference—

21 “(A) to States in regions that have a dis-  
22 proportionately small share of economically sus-  
23 tainable renewable energy generation capacity;  
24 and



1                   “(B) to State programs to stimulate or en-  
2                   hance innovative renewable energy technologies.

3           “(f) RULES.—Not later than 1 year after the date  
4 of enactment of this section, the Secretary shall issue rules  
5 implementing this section.

6           “(g) EXEMPTIONS.—This section shall not apply in  
7 any calendar year to an electric utility that—

8                   “(1) sold less than 4,000,000 megawatt-hours  
9 of electric energy to electric consumers during the  
10 preceding calendar year; or

11                   “(2) is located in Hawaii.

12           “(h) INFLATION ADJUSTMENT.—Not later than De-  
13 cember 31 of each year beginning in 2008, the Secretary  
14 shall adjust for inflation the price of a renewable energy  
15 credit under subsection (c)(2)(B) and the amount of the  
16 civil penalty per kilowatt-hour under subsection (d)(2).

17           “(i) STATE PROGRAMS.—

18                   “(1) IN GENERAL.—Nothing in this section  
19 shall diminish any authority of a State or political  
20 subdivision thereof to adopt or enforce any law or  
21 regulation respecting renewable energy, but, except  
22 as provided in subsection (d)(3), no such law or reg-  
23 ulation shall relieve any person of any requirement  
24 otherwise applicable under this section.

1           “(2) FEDERAL-STATE COORDINATION.—The  
 2       Secretary, in consultation with States having renew-  
 3       able energy programs, shall, to the maximum extent  
 4       practicable, facilitate coordination between the Fed-  
 5       eral program and State programs.

6       “(j) TERMINATION OF AUTHORITY.—This section  
 7       and the authority provided by this section terminate on  
 8       December 31, 2030.”.

9       **SEC. 505. EXTENSION AND EXPANSION OF CLEAN RENEW-**  
 10       **ABLE ENERGY BONDS.**

11       (a) EXTENSION.—Section 54(m) of the Internal Rev-  
 12       enue Code of 1986 (relating to termination) is amended  
 13       by striking “2007” and inserting “2012”.

14       (b) ANNUAL VOLUME CAP FOR BONDS ISSUED DUR-  
 15       ING EXTENSION PERIOD.—Paragraph (1) of section 54(f)  
 16       of the Internal Revenue Code of 1986 (relating to limita-  
 17       tion on amount of bonds designated) is amended to read  
 18       as follows:

19           “(1) NATIONAL LIMITATION.—

20           “(A) INITIAL NATIONAL LIMITATION.—

21           With respect to bonds issued after December  
 22           31, 2005, and before January 1, 2008, there is  
 23           a national clean renewable energy bond limita-  
 24           tion of \$800,000,000.

1 “(B) ANNUAL NATIONAL LIMITATION.—

2 With respect to bonds issued after December  
3 31, 2007, and before January 1, 2013, there is  
4 a national clean renewable energy bond limita-  
5 tion for each calendar year of  
6 \$1,000,000,000.”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to bonds issued after the date of  
9 the enactment of this Act.

10 **SEC. 506. CREDIT FOR WIND ENERGY PROPERTY IN-**  
11 **STALLED IN RESIDENCES AND BUSINESSES.**

12 (a) IN GENERAL.—Subpart B of part IV of sub-  
13 chapter A of chapter 1 of the Internal Revenue Code of  
14 1986, as amended by this Act, is amended by inserting  
15 after section 30C the following new section:

16 **“SEC. 30E. WIND ENERGY PROPERTY.**

17 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
18 lowed as a credit against the tax imposed by this chapter  
19 for the taxable year an amount equal to 30 percent of the  
20 amount paid or incurred by the taxpayer for qualified wind  
21 energy property placed in service or installed during such  
22 taxable year.

23 “(b) LIMITATIONS.—

24 “(1) IN GENERAL.—The credit allowed under  
25 subsection (a) (determined without regard to para-

1 graph (2)) for any taxable year shall not exceed  
2 \$10,000.

3 “(2) LIMITATION BASED ON AMOUNT OF  
4 TAX.—

5 “(A) IN GENERAL.—The credit allowed  
6 under subsection (a) for any taxable year shall  
7 not exceed the excess of—

8 “(i) the sum of the regular tax liabil-  
9 ity (as defined in section 26(b)) plus the  
10 tax imposed by section 55, over

11 “(ii) the sum of the credits allowable  
12 under this part (other than under this sec-  
13 tion and subpart C thereof, relating to re-  
14 fundable credits) and section 1397E.

15 “(B) CARRYOVER OF UNUSED CREDIT.—If  
16 the credit allowable under subsection (a) ex-  
17 ceeds the limitation imposed by subparagraph  
18 (A) for such taxable year, such excess shall be  
19 carried to the succeeding taxable year and  
20 added to the credit allowable under subsection  
21 (a) for such taxable year.

22 “(c) QUALIFIED WIND ENERGY PROPERTY.—For  
23 purposes of this section, the term ‘qualified wind energy  
24 property’ means a wind turbine if—

1           “(1) such turbine is placed in service or in-  
2           stalled on or in connection with property located in  
3           the United States,

4           “(2) in the case of an individual, the property  
5           on or in connection with which such turbine is in-  
6           stalled is a dwelling unit which is used as a resi-  
7           dence by the taxpayer,

8           “(3) such turbine is used to generate electricity  
9           for the property on or in connection with which it  
10          is installed, and

11          “(4) the original use of such turbine commences  
12          with the taxpayer.

13          “(d) SPECIAL RULES.—For purposes of this sec-  
14          tion—

15               “(1) TENANT-STOCKHOLDER IN COOPERATIVE  
16               HOUSING CORPORATION.—In the case of an indi-  
17               vidual who is a tenant-stockholder (as defined in sec-  
18               tion 216(b)(2)) in a cooperative housing corporation  
19               (as defined in section 216(b)(1)), such individual  
20               shall be treated as having paid his tenant-stock-  
21               holder’s proportionate share (as defined in section  
22               216(b)(3)) of any expenditures paid or incurred for  
23               qualified wind energy property by such corporation,  
24               and such credit shall be allocated appropriately to  
25               such individual.

1 “(2) CONDOMINIUMS.—

2 “(A) IN GENERAL.—In the case of an indi-  
3 vidual who is a member of a condominium man-  
4 agement association with respect to a condo-  
5 minium which he owns, such individual shall be  
6 treated as having paid his proportionate share  
7 of expenditures paid or incurred for qualified  
8 wind energy property by such association, and  
9 such credit shall be allocated appropriately to  
10 such individual.

11 “(B) CONDOMINIUM MANAGEMENT ASSO-  
12 CIATION.—For purposes of this paragraph, the  
13 term ‘condominium management association’  
14 means an organization which meets the require-  
15 ments of section 528(c)(2) with respect to a  
16 condominium project of which substantially all  
17 of the units are used by individuals as resi-  
18 dences.

19 “(3) LABOR COSTS; PROPERTY SUBSIDIZED BY  
20 ENERGY FINANCING.—Rules similar to the rules of  
21 paragraphs (1) and (9) of section 25D(e) shall apply  
22 for purposes of this section.

23 “(e) BASIS ADJUSTMENT.—For purposes of this sub-  
24 title, if a credit is allowed under this section for any ex-  
25 penditure with respect to a residence or other property,

1 the basis of such residence or other property shall be re-  
 2 duced by the amount of the credit so allowed.

3 “(f) TERMINATION.—The credit allowed under this  
 4 section shall not apply to property placed in service or in-  
 5 stalled after December 31, 2011.”.

6 (b) CONFORMING AMENDMENT.—Subsection (a) of  
 7 section 1016 of the Internal Revenue Code of 1986 (relat-  
 8 ing to general rule for adjustments to basis) is amended  
 9 by striking “and” at the end of paragraph (36), by strik-  
 10 ing the period at the end of paragraph (37) and inserting  
 11 “, and”, and by adding at the end the following new para-  
 12 graph:

13 “(38) in the case of a residence or other prop-  
 14 erty with respect to which a credit was allowed  
 15 under section 30E, to the extent provided in section  
 16 30E(e).”.

17 (c) CLERICAL AMENDMENT.—The table of sections  
 18 for subpart B of part IV of subchapter A of chapter 1  
 19 of the Internal Revenue Code of 1986 is amended by in-  
 20 serting after the item relating to section 30D the following  
 21 new item:

“Sec. 30E. Wind energy property.”.

22 (d) EFFECTIVE DATE.—The amendments made by  
 23 this section shall apply to taxable years ending after De-  
 24 cember 31, 2006.

1 **SEC. 507. EXTENSION OF BUSINESS SOLAR INVESTMENT**  
2 **CREDIT.**

3 (a) **ENERGY PERCENTAGE.**—Subclause (II) of sec-  
4 tion 48(a)(2)(A)(i) of the Internal Revenue Code of 1986  
5 is amended by striking “January 1, 2008” and inserting  
6 “January 1, 2013”.

7 (b) **HYBRID SOLAR LIGHTING SYSTEMS.**—Clause (ii)  
8 of section 48(a)(3)(A) of the Internal Revenue Code of  
9 1986 is amended by striking “January 1, 2008” and in-  
10 serting “January 1, 2013”.

11 (c) **SOLAR INVESTMENT CREDIT ALLOWED FOR PUB-**  
12 **LIC UTILITY PROPERTY.**—The second sentence of section  
13 48(a)(3) of the Internal Revenue Code of 1986 is amended  
14 by inserting “(other than property described in clause (i)  
15 or (ii) of subparagraph (A))” before “shall not”.

16 (d) **EFFECTIVE DATE.**—The amendments made by  
17 this section shall apply to periods after the date of the  
18 enactment of this Act, in taxable years ending after such  
19 date, under rules similar to the rules of section 48(m) of  
20 the Internal Revenue Code of 1986 (as in effect on the  
21 day before the date of the enactment of the Revenue Rec-  
22 onciliation Act of 1990).



1 **SEC. 508. EXTENSION OF CREDIT RESIDENTIAL ENERGY EF-**  
2 **FICIENT PROPERTY.**

3 (a) IN GENERAL.—Section 25D(g) of the Internal  
4 Revenue Code of 1986 is amended by striking “December  
5 31, 2007” and inserting “December 31, 2012”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to property placed in service after  
8 the date of the enactment of this Act, in taxable years  
9 ending after such date.

10 **SEC. 509. CLEAN ENERGY COAL BONDS.**

11 (a) IN GENERAL.—Subpart H of part IV of sub-  
12 chapter A of chapter 1 of the Internal Revenue Code of  
13 1986 is amended by adding at the end the following new  
14 section:

15 **“SEC. 54A. CREDIT TO HOLDERS OF CLEAN ENERGY COAL**  
16 **BONDS.**

17 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds  
18 a clean energy coal bond on 1 or more credit allowance  
19 dates of the bond occurring during any taxable year, there  
20 shall be allowed as a credit against the tax imposed by  
21 this chapter for the taxable year an amount equal to the  
22 sum of the credits determined under subsection (b) with  
23 respect to such dates.

24 “(b) AMOUNT OF CREDIT.—

25 “(1) IN GENERAL.—The amount of the credit  
26 determined under this subsection with respect to any

1 credit allowance date for a clean energy coal bond is  
2 25 percent of the annual credit determined with re-  
3 spect to such bond.

4 “(2) ANNUAL CREDIT.—The annual credit de-  
5 termined with respect to any clean energy coal bond  
6 is the product of—

7 “(A) the credit rate determined by the Sec-  
8 retary under paragraph (3) for the day on  
9 which such bond was sold, multiplied by

10 “(B) the outstanding face amount of the  
11 bond.

12 “(3) DETERMINATION.—For purposes of para-  
13 graph (2), with respect to any clean energy coal  
14 bond, the Secretary shall determine daily or cause to  
15 be determined daily a credit rate which shall apply  
16 to the first day on which there is a binding, written  
17 contract for the sale or exchange of the bond. The  
18 credit rate for any day is the credit rate which the  
19 Secretary or the Secretary’s designee estimates will  
20 permit the issuance of clean energy coal bonds with  
21 a specified maturity or redemption date without dis-  
22 count and without interest cost to the qualified  
23 issuer.

1           “(4) CREDIT ALLOWANCE DATE.—For purposes  
2       of this section, the term ‘credit allowance date’  
3       means—

4                   “(A) March 15,

5                   “(B) June 15,

6                   “(C) September 15, and

7                   “(D) December 15.

8       Such term also includes the last day on which the  
9       bond is outstanding.

10           “(5) SPECIAL RULE FOR ISSUANCE AND RE-  
11       DEMPTION.—In the case of a bond which is issued  
12       during the 3-month period ending on a credit allow-  
13       ance date, the amount of the credit determined  
14       under this subsection with respect to such credit al-  
15       lowance date shall be a ratable portion of the credit  
16       otherwise determined based on the portion of the 3-  
17       month period during which the bond is outstanding.  
18       A similar rule shall apply when the bond is redeemed  
19       or matures.

20           “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
21       credit allowed under subsection (a) for any taxable year  
22       shall not exceed the excess of—

23                   “(1) the sum of the regular tax liability (as de-  
24       fined in section 26(b)) plus the tax imposed by sec-  
25       tion 55, over

1           “(2) the sum of the credits allowable under this  
2           part (other than subpart C thereof (relating to re-  
3           fundable credits) and this section) and section  
4           1397E.

5           “(d) CLEAN ENERGY COAL BOND.—For purposes of  
6 this section—

7           “(1) IN GENERAL.—The term ‘clean energy  
8           coal bond’ means any bond issued as part of an  
9           issue if—

10           “(A) the bond is issued by a qualified  
11           issuer pursuant to an allocation by the Sec-  
12           retary to such issuer of a portion of the na-  
13           tional clean energy coal bond limitation under  
14           subsection (f)(2),

15           “(B) 95 percent or more of the proceeds  
16           from the sale of such issue are to be used for  
17           capital expenditures incurred by qualified bor-  
18           rowers for 1 or more qualified projects,

19           “(C) the qualified issuer designates such  
20           bond for purposes of this section and the bond  
21           is in registered form, and

22           “(D) the issue meets the requirements of  
23           subsection (h).

24           “(2) QUALIFIED PROJECT; SPECIAL USE  
25           RULES.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           project’ means a qualifying advanced coal  
3           project (as defined in section 48A(c)(1)) placed  
4           in service by a qualified borrower.

5           “(B) REFINANCING RULES.—For purposes  
6           of paragraph (1)(B), a qualified project may be  
7           refinanced with proceeds of a clean energy coal  
8           bond only if the indebtedness being refinanced  
9           (including any obligation directly or indirectly  
10          refinanced by such indebtedness) was originally  
11          incurred by a qualified borrower after the date  
12          of the enactment of this section.

13          “(C) REIMBURSEMENT.—For purposes of  
14          paragraph (1)(B), a clean energy coal bond  
15          may be issued to reimburse a qualified borrower  
16          for amounts paid after the date of the enact-  
17          ment of this section with respect to a qualified  
18          project, but only if—

19               “(i) prior to the payment of the origi-  
20               nal expenditure, the qualified borrower de-  
21               clared its intent to reimburse such expendi-  
22               ture with the proceeds of a clean energy  
23               coal bond,

24               “(ii) not later than 60 days after pay-  
25               ment of the original expenditure, the quali-

1           fied issuer adopts an official intent to re-  
2           imburse the original expenditure with such  
3           proceeds, and

4           “(iii) the reimbursement is made not  
5           later than 18 months after the date the  
6           original expenditure is paid.

7           “(D) TREATMENT OF CHANGES IN USE.—

8           For purposes of paragraph (1)(B), the proceeds  
9           of an issue shall not be treated as used for a  
10          qualified project to the extent that a qualified  
11          borrower takes any action within its control  
12          which causes such proceeds not to be used for  
13          a qualified project. The Secretary shall pre-  
14          scribe regulations specifying remedial actions  
15          that may be taken (including conditions to tak-  
16          ing such remedial actions) to prevent an action  
17          described in the preceding sentence from caus-  
18          ing a bond to fail to be a clean energy coal  
19          bond.

20          “(e) MATURITY LIMITATIONS.—

21          “(1) DURATION OF TERM.—A bond shall not be  
22          treated as a clean energy coal bond if the maturity  
23          of such bond exceeds the maximum term determined  
24          by the Secretary under paragraph (2) with respect  
25          to such bond.

1           “(2) MAXIMUM TERM.—During each calendar  
2           month, the Secretary shall determine the maximum  
3           term permitted under this paragraph for bonds  
4           issued during the following calendar month. Such  
5           maximum term shall be the term which the Sec-  
6           retary estimates will result in the present value of  
7           the obligation to repay the principal on the bond  
8           being equal to 50 percent of the face amount of such  
9           bond. Such present value shall be determined using  
10          as a discount rate the average annual interest rate  
11          of tax of tax-exempt obligations having a term of 10  
12          years or more which are issued during the month. If  
13          the term as so determined is not a multiple of a  
14          whole year, such term shall be rounded to the next  
15          highest whole year.

16          “(3) RATABLE PRINCIPAL AMORTIZATION RE-  
17          QUIRED.—A bond shall not be treated as a clean en-  
18          ergy coal bond unless it is part of an issue which  
19          provides for an equal amount of principal to be paid  
20          by the qualified issuer during each calendar year  
21          that the issue is outstanding.

22          “(f) LIMITATION ON AMOUNT OF BONDS DES-  
23          IGNATED.—

1           “(1) NATIONAL LIMITATION.—There is a na-  
2           tional clean energy coal bond limitation of  
3           \$1,000,000,000.

4           “(2) ALLOCATION BY SECRETARY.—The Sec-  
5           retary shall allocate the amount described in para-  
6           graph (1) among qualified projects in such manner  
7           as the Secretary determines appropriate.

8           “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
9           income includes the amount of the credit allowed to the  
10          taxpayer under this section (determined without regard to  
11          subsection (c)) and the amount so included shall be treat-  
12          ed as interest income.

13          “(h) SPECIAL RULES RELATING TO EXPENDI-  
14          TURES.—

15               “(1) IN GENERAL.—An issue shall be treated as  
16               meeting the requirements of this subsection if, as of  
17               the date of issuance, the qualified issuer reasonably  
18               expects—

19                     “(A) at least 95 percent of the proceeds  
20                     from the sale of the issue are to be spent for  
21                     1 or more qualified projects within the 5-year  
22                     period beginning on the date of issuance of the  
23                     clean energy bond,

24                     “(B) a binding commitment with a third  
25                     party to spend at least 10 percent of the pro-



ceeds from the sale of the issue will be incurred within the 6-month period beginning on the date of issuance of the clean energy bond or, in the case of a clean energy bond the proceeds of which are to be loaned to 2 or more qualified borrowers, such binding commitment will be incurred within the 6-month period beginning on the date of the loan of such proceeds to a qualified borrower, and

“(C) such projects will be completed with due diligence and the proceeds from the sale of the issue will be spent with due diligence.

“(2) EXTENSION OF PERIOD.—Upon submission of a request prior to the expiration of the period described in paragraph (1)(A), the Secretary may extend such period if the qualified issuer establishes that the failure to satisfy the 5-year requirement is due to reasonable cause and the related projects will continue to proceed with due diligence.

“(3) FAILURE TO SPEND REQUIRED AMOUNT OF BOND PROCEEDS WITHIN 5 YEARS.—To the extent that less than 95 percent of the proceeds of such issue are expended by the close of the 5-year period beginning on the date of issuance (or if an extension has been obtained under paragraph (2), by

1 the close of the extended period), the qualified issuer  
 2 shall redeem all of the nonqualified bonds within 90  
 3 days after the end of such period. For purposes of  
 4 this paragraph, the amount of the nonqualified  
 5 bonds required to be redeemed shall be determined  
 6 in the same manner as under section 142.

7 “(i) SPECIAL RULES RELATING TO ARBITRAGE.—A  
 8 bond which is part of an issue shall not be treated as a  
 9 clean energy coal bond unless, with respect to the issue  
 10 of which the bond is a part, the qualified issuer satisfies  
 11 the arbitrage requirements of section 148 with respect to  
 12 proceeds of the issue.

13 “(j) COOPERATIVE ELECTRIC COMPANY; QUALIFIED  
 14 ENERGY TAX CREDIT BOND LENDER; GOVERNMENTAL  
 15 BODY; QUALIFIED BORROWER.—For purposes of this sec-  
 16 tion—

17 “(1) COOPERATIVE ELECTRIC COMPANY.—The  
 18 term ‘cooperative electric company’ means a mutual  
 19 or cooperative electric company described in section  
 20 501(c)(12) or section 1381(a)(2)(C), or a not-for-  
 21 profit electric utility which has received a loan or  
 22 loan guarantee under the Rural Electrification Act.

23 “(2) CLEAN ENERGY BOND LENDER.—The  
 24 term ‘clean energy bond lender’ means a lender  
 25 which is a cooperative which is owned by, or has out-

1 standing loans to, 100 or more cooperative electric  
 2 companies and is in existence on February 1, 2002,  
 3 and shall include any affiliated entity which is con-  
 4 trolled by such lender.

5 “(3) GOVERNMENTAL BODY.—The term ‘gov-  
 6 ernmental body’ means any State, territory, posses-  
 7 sion of the United States, the District of Columbia,  
 8 Indian tribal government, and any political subdivi-  
 9 sion thereof.

10 “(4) QUALIFIED ISSUER.—The term ‘qualified  
 11 issuer’ means—

12 “(A) a clean energy bond lender,

13 “(B) a cooperative electric company,

14 “(C) a governmental body, or

15 “(D) the Tennessee Valley Authority.

16 “(5) QUALIFIED BORROWER.—The term ‘quali-  
 17 fied borrower’ means—

18 “(A) a mutual or cooperative electric com-  
 19 pany described in section 501(c)(12) or  
 20 1381(a)(2)(C),

21 “(B) a governmental body, or

22 “(C) the Tennessee Valley Authority.

23 “(k) SPECIAL RULES RELATING TO POOL BONDS.—  
 24 No portion of a pooled financing bond may be allocable  
 25 to any loan unless the borrower has entered into a written

1 loan commitment for such portion prior to the issue date  
2 of such issue.

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

4 For purposes of this section—

5 “(1) BOND.—The term ‘bond’ includes any ob-  
6 ligation.

7 “(2) POOLED FINANCING BOND.—The term  
8 ‘pooled financing bond’ shall have the meaning given  
9 such term by section 149(f)(4)(A).

10 “(3) PARTNERSHIP; S CORPORATION; AND  
11 OTHER PASS-THRU ENTITIES.—

12 “(A) IN GENERAL.—Under regulations  
13 prescribed by the Secretary, in the case of a  
14 partnership, trust, S corporation, or other pass-  
15 thru entity, rules similar to the rules of section  
16 41(g) shall apply with respect to the credit al-  
17 lowable under subsection (a).

18 “(B) NO BASIS ADJUSTMENT.—Rules simi-  
19 lar to the rules under section 1397E(i)(2) shall  
20 apply.

21 “(4) BONDS HELD BY REGULATED INVEST-  
22 MENT COMPANIES.—If any clean energy coal bond is  
23 held by a regulated investment company, the credit  
24 determined under subsection (a) shall be allowed to

1 shareholders of such company under procedures pre-  
2 scribed by the Secretary.

3 “(5) TREATMENT FOR ESTIMATED TAX PUR-  
4 POSES.—Solely for purposes of sections 6654 and  
5 6655, the credit allowed by this section to a tax-  
6 payer by reason of holding a clean energy coal bond  
7 on a credit allowance date shall be treated as if it  
8 were a payment of estimated tax made by the tax-  
9 payer on such date.

10 “(6) REPORTING.—Issuers of clean energy coal  
11 bonds shall submit reports similar to the reports re-  
12 quired under section 149(e).

13 “(m) TERMINATION.—This section shall not apply  
14 with respect to any bond issued after December 31,  
15 2010.”.

16 (b) REPORTING.—Subsection (d) of section 6049 of  
17 the Internal Revenue Code of 1986 (relating to returns  
18 regarding payments of interest) is amended by adding at  
19 the end the following new paragraph:

20 “(9) REPORTING OF CREDIT ON CLEAN ENERGY  
21 COAL BONDS.—

22 “(A) IN GENERAL.—For purposes of sub-  
23 section (a), the term ‘interest’ includes amounts  
24 includible in gross income under section 54A(g)  
25 and such amounts shall be treated as paid on

1 the credit allowance date (as defined in section  
2 54A(b)(4)).

3 “(B) REPORTING TO CORPORATIONS,  
4 ETC.—Except as otherwise provided in regula-  
5 tions, in the case of any interest described in  
6 subparagraph (A), subsection (b)(4) shall be  
7 applied without regard to subparagraphs (A),  
8 (H), (I), (J), (K), and (L)(i) of such subsection.

9 “(C) REGULATORY AUTHORITY.—The Sec-  
10 retary may prescribe such regulations as are  
11 necessary or appropriate to carry out the pur-  
12 poses of this paragraph, including regulations  
13 which require more frequent or more detailed  
14 reporting.”.

15 (c) CLERICAL AMENDMENT.—The table of sections  
16 for subpart H of part IV of subchapter A of chapter 1  
17 of the Internal Revenue Code of 1986 is amended by add-  
18 ing at the end the following new item:

“Sec. 54A. Credit to holders of clean energy coal bonds.”.

19 (d) ISSUANCE OF REGULATIONS.—The Secretary of  
20 the Treasury shall issues regulations required under sec-  
21 tion 54A of the Internal Revenue Code of 1986 (as added  
22 by this section) not later than 120 days after the date  
23 of the enactment of this Act.

1 (e) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to bonds issued after December  
 3 31, 2006.

4 **SEC. 510. INCREASE IN CREDIT LIMITATION FOR QUALI-**  
 5 **FYING GASIFICATION PROJECTS.**

6 (a) IN GENERAL.—Paragraph (1) of section 48B(d)  
 7 of the Internal Revenue Code of 1986 is amended by strik-  
 8 ing “\$350,000,000” and inserting “\$4,000,000,000”.

9 (b) EFFECTIVE DATE.—The amendment made by  
 10 this section shall take effect as if included in section 1307  
 11 of the Energy Policy Act of 2005.

12 **SEC. 511. MODIFICATION OF QUALIFYING ADVANCED COAL**  
 13 **PROJECT CREDIT.**

14 (a) IN GENERAL.—Subparagraph (C) of section  
 15 48A(e)(1) of the Internal Revenue Code of 1986 is amend-  
 16 ed by inserting “(300 megawatts in the case of projects  
 17 using subbituminous or lignite as a primary feedstock)”  
 18 after “400 megawatts”.

19 (b) EFFECTIVE DATE.—The amendment made by  
 20 this section shall take effect as if included in section 1307  
 21 of the Energy Policy Act of 2005.

22 **SEC. 512. GREAT PLAINS SYNFUELS TRUST.**

23 (a) IN GENERAL.—Not later than 90 days after the  
 24 date of enactment of this Act, the Secretary shall—

1           (1) establish a trust to be known as the “Great  
2       Plains Synfuels Trust” (referred to in this section as  
3       the “Trust”); and

4           (2) deposit in the Trust 50 percent of the rev-  
5       enue-sharing payments that would otherwise be re-  
6       ceived under the asset purchase agreement between  
7       the Secretary and the Dakota Gasification Company,  
8       dated October 7, 1988, and as in effect on the date  
9       of enactment of this Act, as a result of the operation  
10      of the Great Plains Synfuels Plant.

11      (b) COAL DEVELOPMENT PROGRAM.—Not later than  
12   180 days after the date of enactment of this Act, the Sec-  
13   retary shall—

14           (1) establish an advanced clean low-rank coal  
15       development program; and

16           (2) use funds from the Trust, on such cost-  
17       sharing basis as the Secretary shall establish, to  
18       carry out the program at the Great Plains Synfuels  
19       Plant.

## 20   **TITLE VI—ENERGY EFFICIENCY**

### 21   **SEC. 601. ENERGY CREDIT FOR COMBINED HEAT AND** 22       **POWER SYSTEM PROPERTY.**

23      (a) IN GENERAL.—Section 48(a)(3)(A) of the Inter-  
24   nal Revenue Code of 1986 (defining energy property) is  
25   by striking “or” at the end of clause (iii), by inserting



1 “or” at the end of clause (iv), and by adding at the end  
 2 the following new clause:

3 “(v) combined heat and power system  
 4 property,”.

5 (b) COMBINED HEAT AND POWER SYSTEM PROP-  
 6 ERTY.—Section 48 of the Internal Revenue Code of 1986  
 7 is amended by adding at the end the following new sub-  
 8 section:

9 “(d) COMBINED HEAT AND POWER SYSTEM PROP-  
 10 ERTY.—For purposes of subsection (a)(3)(A)(v)—

11 “(1) COMBINED HEAT AND POWER SYSTEM  
 12 PROPERTY.—The term ‘combined heat and power  
 13 system property’ means property comprising a sys-  
 14 tem—

15 “(A) which uses the same energy source  
 16 for the simultaneous or sequential generation of  
 17 electrical power, mechanical shaft power, or  
 18 both, in combination with the generation of  
 19 steam or other forms of useful thermal energy  
 20 (including heating and cooling applications),

21 “(B) which has an electrical capacity of  
 22 not more than 15 megawatts or a mechanical  
 23 energy capacity of not more than 2,000 horse-  
 24 power or an equivalent combination of electrical  
 25 and mechanical energy capacities,

1 “(C) which produces—

2 “(i) at least 20 percent of its total  
3 useful energy in the form of thermal en-  
4 ergy which is not used to produce electrical  
5 or mechanical power (or combination  
6 thereof), and

7 “(ii) at least 20 percent of its total  
8 useful energy in the form of electrical or  
9 mechanical power (or combination thereof),

10 “(D) the energy efficiency percentage of  
11 which exceeds 60 percent, and

12 “(E) which is placed in service before Jan-  
13 uary 1, 2011.

14 “(2) SPECIAL RULES.—

15 “(A) ENERGY EFFICIENCY PERCENT-  
16 AGE.—For purposes of this subsection, the en-  
17 ergy efficiency percentage of a system is the  
18 fraction—

19 “(i) the numerator of which is the  
20 total useful electrical, thermal, and me-  
21 chanical power produced by the system at  
22 normal operating rates, and expected to be  
23 consumed in its normal application, and

1 “(ii) the denominator of which is the  
2 lower heating value of the fuel sources for  
3 the system.

4 “(B) DETERMINATIONS MADE ON BTU  
5 BASIS.—The energy efficiency percentage and  
6 the percentages under paragraph (1)(C) shall  
7 be determined on a Btu basis.

8 “(C) INPUT AND OUTPUT PROPERTY NOT  
9 INCLUDED.—The term ‘combined heat and  
10 power system property’ does not include prop-  
11 erty used to transport the energy source to the  
12 facility or to distribute energy produced by the  
13 facility.

14 “(D) CERTAIN EXCEPTION NOT TO  
15 APPLY.—The first sentence of the matter in  
16 subsection (a)(3) which follows subparagraph  
17 (D) thereof shall not apply to combined heat  
18 and power system property.

19 “(3) SYSTEMS USING BAGASSE.—If a system is  
20 designed to use bagasse for at least 90 percent of  
21 the energy source—

22 “(A) paragraph (1)(D) shall not apply, but

23 “(B) the amount of credit determined  
24 under subsection (a) with respect to such sys-  
25 tem shall not exceed the amount which bears

1           the same ratio to such amount of credit (deter-  
 2           mined without regard to this paragraph) as the  
 3           energy efficiency percentage of such system  
 4           bears to 60 percent.”.

5           (c) **EFFECTIVE DATE.**—The amendments made by  
 6 this section shall apply to periods after December 31,  
 7 2006, in taxable years ending after such date, under rules  
 8 similar to the rules of section 48(m) of the Internal Rev-  
 9 enue Code of 1986 (as in effect on the day before the date  
 10 of the enactment of the Revenue Reconciliation Act of  
 11 1990).

12 **SEC. 602. EXTENSION OF NEW ENERGY EFFICIENT HOME**  
 13 **CREDIT.**

14           (a) **IN GENERAL.**—Section 45L(g) of the Internal  
 15 Revenue Code of 1986 is amended by striking “December  
 16 31, 2007” and inserting “December 31, 2010”.

17           (b) **EFFECTIVE DATE.**—The amendment made by  
 18 this section shall apply to qualified new energy efficient  
 19 homes acquired after the date of enactment of this Act,  
 20 in taxable years ending after such date.

21 **SEC. 603. MODIFICATION AND EXTENSION OF ENERGY EF-**  
 22 **FICIENT COMMERCIAL BUILDINGS DEDUC-**  
 23 **TION.**

24           (a) **INCREASE IN CREDIT AMOUNT.**—

1           (1) IN GENERAL.—Subparagraph (A) of section  
 2       179D(b)(1) of the Internal Revenue Code of 1986 is  
 3       amended by striking “\$1.80” and inserting “\$2.25”.

4           (2) PARTIAL ALLOWANCE.—Subparagraph (A)  
 5       of section 179D(1) of such Code is amended—

6                   (A) by striking “\$.60” and inserting  
 7                   “\$.75”, and

8                   (B) by striking “\$1.80” and inserting  
 9                   “\$2.25”.

10       (b) EXTENSION.—Section 179D(g) of the Internal  
 11       Revenue Code of 1986 is amended by striking “December  
 12       31, 2007” and inserting “December 31, 2010”.

13       (c) EFFECTIVE DATE.—The amendments made by  
 14       this section shall apply to property placed in service after  
 15       December 31, 2006.

16       **SEC. 604. EXTENSION OF NONBUSINESS ENERGY PROP-**  
 17       **ERTY.**

18       (a) IN GENERAL.—Section 25C(g) of the Internal  
 19       Revenue Code of 1986 is amended by striking “December  
 20       31, 2007” and inserting “December 31, 2010”.

21       (b) EFFECTIVE DATE.—The amendment made by  
 22       this section shall apply to property placed in service after  
 23       the date of the enactment of this Act.

○