

109TH CONGRESS
2D SESSION

H. R. 5372

To promote the increased utilization of domestically produced, renewable, biobased motor vehicle fuel supplies and the increased manufacture of flexible-fuel vehicles in the United States, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2006

Ms. HERSETH (for herself, Mr. ETHERIDGE, Ms. PELOSI, Mr. PETERSON of Minnesota, Mr. DELAHUNT, Ms. KAPTUR, Mr. INSLEE, Mr. POMEROY, Mr. HOLDEN, Mr. FORD, Mr. SALAZAR, Mr. KIND, Ms. DELAURO, and Ms. MCCOLLUM of Minnesota) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Agriculture, Science, and Ways and Means, 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 the increased utilization of domestically produced, renewable, biobased motor vehicle fuel supplies and the increased manufacture of flexible-fuel vehicles in the United States, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Bioenergy Innovation,
3 Optional Fuel Utilization, and Energy Legacy
4 (BIOFUEL) Act of 2006”.

5 **SEC. 2. DEFINITIONS.**

6 For purposes of this Act—

7 (1) the term “B–20 fuel” means diesel fuel con-
8 taining 20 percent biodiesel;

9 (2) the term “dual fueled automobile” has the
10 meaning given such term in section 32901(a)(8) of
11 title 49, United States Code;

12 (3) the term “E–85 fuel” means automotive
13 fuel containing gasoline and 85 percent ethanol; and

14 (4) the term “flexible-fuel vehicle” means a ve-
15 hicle capable of operating on gasoline and on any
16 mixture containing gasoline and up to 85 percent
17 ethanol.

18 **TITLE I—BIOFUELS PROGRAMS**

19 **SEC. 101. VOLUME OF RENEWABLE FUELS.**

20 (a) RENEWABLE FUELS SCHEDULE.—Section
21 211(o)(2)(B) of the Clean Air Act (42 U.S.C.
22 7545((o)(2)(B)) is amended to read as follows:

23 “(B) APPLICABLE VOLUME.—

24 “(i) CALENDAR YEARS 2006 THROUGH
25 2008.—For the purpose of subparagraph
26 (A), the applicable volume for any of cal-

1 endar years 2006 through 2008 shall be
 2 determined in accordance with the fol-
 3 lowing table:

“Calendar Year:	Applicable volume of renewable fuel (in billions of gallons):
2006	4.0
2007	4.7
2008	5.4.

4 “(ii) CALENDAR YEARS 2009 THROUGH
 5 2015 AND THEREAFTER.—For the purpose
 6 of subparagraph (A), the applicable volume
 7 for any of calendar years 2009 through
 8 2015 and thereafter shall be determined in
 9 accordance with the following table where
 10 the applicable volume is a percentage of
 11 the total number of gallons of light duty
 12 motor vehicle fuel (other than diesel fuel)
 13 sold or introduced into commerce, as esti-
 14 mated by the Administrator in cooperation
 15 with the Secretary of Energy:

“Calendar year:	Applicable volume of renewable fuel:
2009	6%
2010	7%
2011	9%
2012	11%
2013	14%
2014	17%
2015 and thereafter	20%.

16 “(iii) MINIMUM QUANTITY DERIVED
 17 FROM CELLULOSIC BIOMASS.—For cal-
 18 endar year 2009 and each calendar year

1 thereafter through 2015, the 2.5-to-1 ratio
 2 referred to in paragraph (4) shall not
 3 apply and of the applicable volume of re-
 4 newable fuel referred to in clause (i) a por-
 5 tion shall consist of renewable fuel created
 6 from cellulosic feedstocks as specified in
 7 the following table. The percentages in the
 8 table refer to a percentage of the total of
 9 the applicable volume of renewable fuel re-
 10 quired under clause (ii).

“Calendar year:	Portion of applicable volume consisting of cellulosic biomass
2009	4%
2010	6%
2011	9%
2012	13%
2013	18%
2014	24%
2015 and thereafter	30%”.

11 (b) BIODIESEL PROGRAM.—

12 (1) BIODIESEL FUEL PROGRAM.—Section 211
 13 of the Clean Air Act (42 U.S.C. 7545) is amended
 14 by inserting after subsection (o) the following:

15 “(p) BIODIESEL PROGRAM.—

16 “(1) DEFINITION OF BIODIESEL.—In this sub-
 17 section, the term ‘biodiesel’ means biodiesel (as de-
 18 fined in section 312(f) of the Energy Policy Act of
 19 1992 (42 U.S.C. 13220(f))).

20 “(2) BIODIESEL FUEL PROGRAM.—

1 “(A) REGULATIONS.—

2 “(i) IN GENERAL.—Not later than 1
3 year after the date of enactment of this
4 subsection, the Administrator shall promul-
5 gate regulations to ensure that diesel sold
6 or introduced into commerce in the United
7 States (except in noncontiguous States or
8 territories), on an annual average basis,
9 contains the applicable volume of biodiesel
10 fuel determined in accordance with sub-
11 paragraph (B).

12 “(ii) PROVISIONS OF REGULATIONS.—
13 Regardless of the date of promulgation,
14 the regulations promulgated under clause
15 (i)—

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

22 “(II) shall not restrict geographic
23 areas in which biodiesel fuel may be
24 used or impose any per-gallon obliga-
25 tion for the use of biodiesel fuel.

1 “(B) APPLICABLE VOLUME IN CALENDAR
 2 YEARS AFTER 2008.—For the purpose of sub-
 3 paragraph (A), the applicable volume for each
 4 calendar year after 2008 shall be a percentage
 5 of the total volume of diesel fuel sold or intro-
 6 duced into commerce in that calendar year, de-
 7 termined in accordance with the following table:

“Calendar year:	Applicable volume of biodiesel as a percentage of total diesel fuel:
2009	1%
2010	2%
2011	3%
2012	5%
2013	7%
2014	10%
2015 and thereafter	15%.

8 “(3) CREDIT PROGRAM.—

9 “(A) IN GENERAL.—The regulations pro-
 10 mulgated pursuant to paragraph (2)(A) shall
 11 provide for the generation of an appropriate
 12 amount of credits by any person that refines,
 13 blends, or imports diesel that contains a quan-
 14 tity of biodiesel fuel that is greater than the
 15 quantity required under paragraph (2).

16 “(B) USE OF CREDITS.—A person that
 17 generates a credit under subparagraph (A) may
 18 use the credit, or transfer all or a portion of the
 19 credit to another person, for the purpose of

1 complying with regulations promulgated pursu-
2 ant to paragraph (2).

3 “(C) DURATION OF CREDITS.—A credit
4 generated under this paragraph shall be valid
5 during the 1-year period beginning on the date
6 on which the credit is generated.

7 “(D) INABILITY TO GENERATE OR PUR-
8 CHASE SUFFICIENT CREDITS.—The regulations
9 promulgated pursuant to paragraph (2)(A)
10 shall include provisions allowing any person
11 that is unable to generate or purchase sufficient
12 credits under subparagraph (A) to meet the re-
13 quirements of paragraph (2) by carrying for-
14 ward a credit generated during a previous year
15 on the condition that the person, during the cal-
16 endar year following the year in which the bio-
17 diesel fuel deficit is created—

18 “(i) achieves compliance with the bio-
19 diesel fuel requirement under paragraph
20 (2); and

21 “(ii) generates or purchases additional
22 credits under subparagraph (A) to offset
23 the deficit of the previous year.”.

1 **SEC. 102. REQUIREMENT TO MANUFACTURE DUAL FUELED**
 2 **AUTOMOBILES.**

3 (a) REQUIREMENT.—

4 (1) IN GENERAL.—Chapter 329 of title 49,
 5 United States Code, is amended by inserting after
 6 section 32902 the following:

7 **“§ 32902A. Requirement to manufacture dual fueled**
 8 **automobiles**

9 “(a) REQUIREMENT.—Each manufacturer of new
 10 automobiles that are capable of operating on gasoline or
 11 diesel fuel shall ensure that the percentage of the total
 12 of such automobiles, manufactured and distributed in
 13 commerce for sale in the United States, which are dual
 14 fueled automobiles (as defined in this chapter) is equal
 15 to not less than the applicable percentage for each applica-
 16 ble model year set forth in the following table:

“For each of the following model years:	The percentage of dual fueled automobiles manufactured shall be not less than:
2008	10
2009	20
2010	30
2011	40
2012	50
2013	75.

17 “(b) PRODUCTION CREDITS FOR EXCEEDING FLEXI-
 18 BLE FUEL AUTOMOBILE PRODUCTION REQUIREMENT.—

19 “(1) EARNING AND PERIOD FOR APPLYING
 20 CREDITS.—If the number of dual fueled automobiles
 21 manufactured by a manufacturer in a particular

1 model year exceeds the number required under sub-
2 section (a), the manufacturer earns credits under
3 this section, which may be applied to any of the 3
4 consecutive model years immediately after the model
5 year for which the credits are earned.

6 “(2) TRADING CREDITS.—A manufacturer that
7 has earned credits under paragraph (1) may sell
8 credits to another manufacturer to enable the pur-
9 chaser to meet the requirement under subsection
10 (a).”.

11 (2) TECHNICAL AMENDMENT.—The table of
12 sections for chapter 329 of title 49, United States
13 Code, is amended by inserting after the item relating
14 to section 32902 the following:

“32902A. Requirement to manufacture dual fueled automobiles.”.

15 (b) EDUCATION PROGRAM.—The Secretary of En-
16 ergy shall carry out an education program to inform peo-
17 ple about which automobiles are dual fueled automobiles
18 and how to exercise their opportunity to choose alternative
19 fuels. The Secretary is authorized to obtain from the auto-
20 mobile manufacturers their recall databases and other ap-
21 propriate databases to identify the owners of dual fueled
22 automobiles for purposes of notifying them of where alter-
23 native fuels are sold in their area.

1 **SEC. 103. E-85 FUEL PUMPS.**

2 (a) MARKET PENETRATION REPORTS.—After pro-
3 viding public notice and an opportunity for public com-
4 ment, the Secretary of Energy, in consultation with the
5 Secretary of Transportation, shall determine and report
6 to Congress annually on the market penetration for flexi-
7 ble-fuel vehicles in use within geographic regions to be es-
8 tablished by the Secretary for this purpose. Regions estab-
9 lished by the Secretary under this subsection shall not be
10 smaller than 1 entire State or larger than 5.

11 (b) REQUIREMENT.—When flexible-fuel vehicle mar-
12 ket penetration reaches 15 percent of light-duty motor ve-
13 hicles in a region, as determined by the Secretary of En-
14 ergy under subsection (a), the Secretary shall require
15 motor fuel retailers in that region to install an E-85 fuel
16 pump or pumps at their retail fuel facilities on a schedule
17 and priority to be determined by the Secretary. In imple-
18 menting this subsection, the Secretary shall—

19 (1) consider retail fuel companies' fuel sales vol-
20 ume and the physical capacity of individual retail lo-
21 cations when determining the mandate priority;

22 (2) require E-85 fuel pump installation con-
23 sistent with flexible-fuel vehicle market penetration
24 in that region; and

25 (3) consider the commercial availability of E-85
26 fuel in the region.

1 (c) PROHIBITION.—No oil company shall, through a
2 franchise or sales agreement or otherwise, prohibit a
3 motor fuel retailer from making E–85 or other biofuels
4 available for sale.

5 (d) CREDITS.—The Secretary of Energy may estab-
6 lish a system to allow retail motor fuel facilities within
7 a region that have installed E–85 fuel pumps and that
8 are not subject to the requirements established under sub-
9 section (b), including pumps installed before the date of
10 enactment of this Act, to sell credits to covered retail fuel
11 facilities to meet the requirements of such subsection, on
12 a pump for pump basis.

13 (e) CIVIL PENALTY.—A person who violates this sec-
14 tion or the requirements established by the Secretary of
15 Energy under this section shall be liable to the Secretary
16 for a civil penalty in the amount of \$1000 for each day
17 of such violation.

18 (f) STUDY AND REPORT.—Not later than 1 year after
19 the date of enactment of this Act, the Secretary of Energy
20 shall conduct a study and report to Congress on the feasi-
21 bility and expense of converting existing gasoline and die-
22 sel fuel infrastructure to transport and dispense E–85 fuel
23 and biodiesel.

1 **SEC. 104. ALTERNATIVE FUEL INFRASTRUCTURE FUND**
2 **AND GRANT PROGRAM.**

3 (a) ESTABLISHMENT OF FUND.—

4 (1) IN GENERAL.—There is established in the
5 Treasury a Alternative Fuel Infrastructure Fund
6 (hereinafter in this Act referred to as the “Fund”)
7 consisting of amounts transferred to the Fund under
8 paragraph (2) and amounts credited to the Fund
9 under paragraph (3).

10 (2) TRANSFER OF AMOUNTS.—For fiscal year
11 2007, and each fiscal year thereafter, the Secretary
12 of the Treasury shall transfer to the Fund an
13 amount determined by the Secretary to be equal to
14 the total amount deposited in the general fund of
15 the Treasury in the preceding fiscal year from fines,
16 penalties, and other moneys obtained through en-
17 forcement actions conducted pursuant to section
18 32912 of title 49, United States Code, including
19 moneys obtained under consent decrees.

20 (3) INVESTMENT OF AMOUNTS.—The Secretary
21 of the Treasury shall invest in interest-bearing obli-
22 gations of the United States such portion of the
23 Fund as is not, in the Secretary’s judgment, re-
24 quired to meet current withdrawals. Such obligations
25 shall be acquired and sold and interest on, and the
26 proceeds from the sale or redemption of, such obliga-

1 tions shall be credited to the Fund in accordance
2 with the requirements of section 9602 of the Inter-
3 nal Revenue Code of 1986.

4 (4) USE OF AMOUNTS IN THE FUND.—Amounts
5 in the Fund shall be made available without further
6 appropriation to the Secretary of Energy to carry
7 out the grant program described in subsection (b).

8 (b) ALTERNATIVE FUEL INFRASTRUCTURE GRANT
9 PROGRAM.—

10 (1) IN GENERAL.—The Secretary of Energy
11 shall establish and carry out a grant program to as-
12 sist retail gasoline service stations make required
13 conversions or installations to infrastructure nec-
14 essary for the dispensing of alternative fuels to in-
15 crease the availability to consumers of alternative
16 fuels.

17 (2) ELIGIBILITY.—Any entity that dispenses
18 automobile fuel at retail may be eligible for a grant
19 under this section.

20 (3) USE OF GRANT FUNDS.—Grants provided
21 under this section shall be used for the construction
22 or expansion of infrastructure necessary for the dis-
23 pensing of alternative fuels (as defined in section
24 32901(a)(1) of title 49, United States Code). Not

1 more than 3 percent of grant funds may be used for
2 administrative costs.

3 **SEC. 105. STRATEGIC FEEDSTOCK RESERVE.**

4 (a) PROGRAM.—The Secretary of Agriculture shall
5 establish and administer a renewable energy reserve pro-
6 gram to purchase agricultural commodities from pro-
7 ducers and to store such agricultural commodities with
8 such producers.

9 (b) PURCHASES.—

10 (1) IN GENERAL.—The Secretary of Agriculture
11 shall purchase agricultural commodities at commer-
12 cial rates in order to establish, maintain, or enhance
13 the renewable energy reserve when—

14 (A) such commodities are in abundant sup-
15 ply;

16 (B) there is need for adequate carryover
17 stocks to ensure a reliable supply of the com-
18 modities to meet renewable energy demands;

19 (C) the average price of an agricultural
20 commodity in a county is less than 100 percent
21 of the applicable loan rate for a nonrecourse
22 marketing assistance loan; and

23 (D) it is necessary to ensure adequate sup-
24 plies of renewable fuels in the marketplace.

1 (2) LIMITATION.—Purchases by the Secretary
2 of Agriculture under paragraph (1) shall be limited
3 to—

4 (A) the type and quantity of commodities
5 necessary to provide for not more than one year
6 of estimated utilization for renewable energy
7 purposes; and

8 (B) quantities of commodities for research
9 and development of renewable fuels.

10 (c) SALE OF STOCKS.—A commodity shall not be sold
11 from the renewable energy reserve unless—

12 (1) the average market price of the commodity
13 in the United States is greater than or equal to the
14 applicable loan rate for a nonrecourse marketing as-
15 sistance loan; and

16 (2) such commodity will be used to produce re-
17 newable energy.

18 (d) STORAGE PAYMENTS.—Payments made by the
19 Secretary of Agriculture for the storage of commodities
20 shall reflect local commercial storage rates.

21 **SEC. 106. DEPARTMENT OF AGRICULTURE BIOENERGY**
22 **PROGRAM.**

23 (a) DEFINITION OF BIOENERGY.—Subsection (a)(1)
24 of section 9010 of the Farm Security and Rural Invest-
25 ment Act of 2002 (7 U.S.C. 8108) is amended by striking

1 subparagraph (B) and inserting the following new sub-
2 paragraph:

3 “(B) ethanol derived from cellulosic feed-
4 stocks.”.

5 (b) REAUTHORIZATION.—Subsection (c) of such sec-
6 tion is amended by striking paragraph (2) and inserting
7 the following new paragraph:

8 “(2) such sums as may be necessary for each
9 of fiscal years 2007 through 2016.”.

10 **SEC. 107. FARM-BASED ENERGY FINANCING PROGRAM.**

11 (a) IN GENERAL.—Subtitle A of the Consolidated
12 Farm and Rural Development Act (7 U.S.C. 1921–1936a)
13 is amended by adding at the end the following:

14 **“SEC. 310H. FARM-BASED ENERGY FINANCING PROGRAM.**

15 “(a) IN GENERAL.—The Secretary may make loans
16 to eligible farmers and ranchers in the United States, and
17 to eligible farm cooperatives and private domestic corpora-
18 tions, partnerships, joint operations, trusts, and limited li-
19 ability companies that are controlled by farmers and
20 ranchers, to enable such entities to create or expand facili-
21 ties designed to convert agricultural commodities (includ-
22 ing the capture of wind, solar energy, and methane) into
23 fuel.

1 “(b) ELIGIBILITY.—Paragraphs (1) and (3) of the
2 2nd sentence of section 302 shall apply in determining the
3 eligibility of applicants for a loan under this section.

4 “(c) LOAN TERMS.—

5 “(1) MAXIMUM PRINCIPAL AMOUNT.—The
6 amount of a loan under this section shall not exceed
7 \$25,000,000.

8 “(2) INTEREST RATE.—The Secretary set the
9 rate at which loans under this section shall bear in-
10 terest, except that the rate shall not exceed the cur-
11 rent market yield for outstanding municipal obliga-
12 tions with remaining periods to maturity comparable
13 to the average maturity for the loans, and shall be
14 adjusted to the nearest $\frac{1}{8}$ of 1 percent.

15 “(3) MAXIMUM REPAYMENT PERIOD.—The pe-
16 riod for repayment of a loan under this section shall
17 not exceed 20 years.

18 “(d) LIMITATIONS ON AUTHORIZATION OF APPRO-
19 PRIATIONS.—For loans under this section, there are au-
20 thorized to be appropriated to the Secretary not more than
21 \$250,000,000 for each fiscal year.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall take effect on October 1, 2006.

1 **SEC. 108. AUTHORITY OF BANKS FOR COOPERATIVES TO FI-**
2 **NANCE RENEWABLE FUEL MANUFACTURING**
3 **BY AGRICULTURAL COOPERATIVES.**

4 Section 3.8(b)(1) of the Farm Credit Act of 1971 (12
5 U.S.C. 2129(b)(1)) is amended by adding at the end the
6 following:

7 “(E) Any association of farmers or of pro-
8 ducers or harvesters of aquatic products, or any
9 federation of such associations which—

10 “(i) has producer and investor classes
11 of membership, but only if—

12 “(I) at least 50 percent of the
13 voting control of the association is
14 held by farmers or producers or har-
15 vesters of aquatic products; and

16 “(II) the producer class, if treat-
17 ed as a separate entity, operates on a
18 cooperative basis; and

19 “(ii) is engaged in processing, pre-
20 paring for market, handling, or marketing
21 biofuels, ethanol, or other renewable en-
22 ergy products.”.

1 **SEC. 109. BAN ON CONDITIONING BUSINESS AND INDUSTRY**
 2 **LOAN GUARANTEE ON LENDER OBTAINING**
 3 **UNSUBORDINATED INTEREST IN FARMING**
 4 **OR RANCHING OPERATION OF BORROWER.**

5 Section 310B(g)(2) of the Consolidated Farm and
 6 Rural Development Act (7 U.S.C. 1932(g)(2)) is amended
 7 by adding at the end the following:

8 “(D) LIMITATION.—The Secretary may
 9 not require, as a condition of providing a guar-
 10 antee under this paragraph, that the lender ob-
 11 tain an unsubordinated interest in the farming
 12 or ranching operation of the farmer or ranch-
 13 er.”.

14 **SEC. 110. RESEARCH, DEVELOPMENT, AND DEMONSTRA-**
 15 **TION.**

16 (a) SECRETARY OF ENERGY.—The Secretary of En-
 17 ergy, in consultation with the Secretary of Agriculture,
 18 shall establish a program of research, development, and
 19 demonstration with the goals of—

20 (1) improving the efficiency and cost-effective-
 21 ness of ethanol production;

22 (2) developing new processes to extract energy
 23 from biological sources, including wood chips and pe-
 24 rennial grasses;

25 (3) advancing biomass gasification;

1 (4) promoting the development of new vehicle
2 efficiency technologies, including flexible fuel vehi-
3 cles, hybrid vehicles, and plug-in hybrid vehicles; and
4 (5) improving the operational characteristics of
5 automobile engines operating on biofuels.

6 (b) SECRETARY OF AGRICULTURE.—The Secretary
7 of Agriculture, in consultation with the Secretary of En-
8 ergy, shall establish a program of research, development,
9 and demonstration for developing new feedstocks and
10 processes to extract energy from biological sources, includ-
11 ing wood chips and perennial grasses.

12 (c) SUN GRANT INITIATIVE.—Section 9011(j)(1)(C)
13 of the Farm Security and Rural Investment Act of 2002
14 (7 U.S.C. 8109(j)(1)(C); also known as the “Sun Grant
15 Research Initiative Act of 2003”) is amended by striking
16 “2010” and inserting “2012”.

17 (d) CLEARINGHOUSE.—The Secretary of Energy
18 shall establish a clearinghouse to facilitate the availability
19 of the information, technologies, and processes generated
20 under this section.

21 (e) AUTHORIZATION OF APPROPRIATIONS.—There
22 are authorized to be appropriated—

23 (1) to the Secretary of Energy \$50,000,000 for
24 each of the fiscal years 2007 through 2016, for car-
25 rying out subsections (a) and (d); and

1 (2) to the Secretary of Agriculture \$50,000,000
2 for each of the fiscal years 2007 through 2016, for
3 carrying out subsection (b).

4 **SEC. 111. BIOFUELS PRODUCTION FACILITY GRANT PRO-**
5 **GRAM.**

6 (a) ESTABLISHMENT.—The Secretary of Energy
7 shall establish a grant program to provide up to 25 per-
8 cent of the cost of financing a biofuels production facility
9 capable of producing biofuels with at least 20 Btus of en-
10 ergy output for every Btu of hydrocarbon input.

11 (b) AUTHORIZATION OF APPROPRIATIONS.—There
12 are authorized to be appropriated to the Secretary of En-
13 ergy \$10,000,000 for each of the fiscal years 2007
14 through 2016, for carrying this section.

15 **SEC. 112. CARBON TRADING.**

16 (a) FINDINGS.—The Congress finds that—

17 (1) American farmers today deserve credit for
18 creating the most prolific and abundant crop produc-
19 tion in human history;

20 (2) the increased use of renewable biofuels fuels
21 in the United States will encourage an even greater
22 level of production of bioenergy feedstocks by United
23 States agriculture;

1 (3) crops grown by American farmers have pro-
2 vided, and continue to provide, significant carbon se-
3 questration and greenhouse gas reduction effects;

4 (4) this increased bioenergy crop feedstock pro-
5 duction will amplify carbon capture benefits that em-
6 anate from United States agricultural production;

7 (5) this increased biofuels production will offset
8 considerable amounts of greenhouse gas emissions
9 that would otherwise be created by using petroleum;

10 (6) farmers have never been compensated by
11 the marketplace for the significant amounts of car-
12 bon that they have sequestered through their activi-
13 ties; and

14 (7) this sequestration activity mitigates global
15 warming and provides significant benefits to the
16 United States and to the world.

17 (b) SENSE OF CONGRESS.—It is the sense of Con-
18 gress that—

19 (1) Congress should consider and enact policies
20 that fairly but effectively reduce greenhouse gas
21 emissions in the United States and around the
22 world; and

23 (2) Congress should enact policies that encour-
24 age the development of systems that compensate
25 American agricultural producers for the beneficial

1 role that they play in reducing greenhouse gases and
 2 sequestering carbon from the atmosphere.

3 **TITLE II—TAX INCENTIVES**

4 **SEC. 201. EXTENSION OF CREDITS FOR ETHANOL AND BIO-** 5 **DIESEL.**

6 (a) ETHANOL.—Paragraph (1) of section 40(e) of the
 7 Internal Revenue Code of 1986 (relating to termination)
 8 is amended—

9 (1) in subparagraph (A) by striking “December
 10 31, 2010” and inserting “December 31, 2015”, and

11 (2) in subparagraph (B) by striking “January
 12 1, 2011” and inserting “January 1, 2016”.

13 (b) BIODIESEL.—Subsection (g) of section 40A (re-
 14 lating to termination) is amended by striking “December
 15 31, 2008” and inserting “December 31, 2015”.

16 **SEC. 202. INCREASE IN INCENTIVES FOR REFUELING PROP-** 17 **ERTY FOR ETHANOL AND BIODIESEL.**

18 (a) CREDIT AMOUNT.—Subsection (a) of section 30C
 19 of the Internal Revenue Code of 1986 (relating to credit
 20 allowed) is amended by inserting “(50 percent in the case
 21 of fuel which is ethanol or biodiesel, described in sub-
 22 section (c)(1))” after “30 percent”.

23 (b) LIMITATION.—Paragraph (1) of section 30C(b)
 24 of such Code (relating to limitation) is amended by insert-
 25 ing “(\$60,000 in the case that such property is with re-

1 spect to fuel which is ethanol or biodiesel, described in
 2 subsection (c)(1))” before the comma at the end.

3 (c) EXTENSION OF CREDIT.—Subsection (g) of sec-
 4 tion 30C of such Code (relating to termination) is amend-
 5 ed by striking “and” at the end of paragraph (1), by re-
 6 designating paragraph (2) as paragraph (3), and by in-
 7 serting after paragraph (2) the following new paragraph:

8 “(2) in the case of property relating to ethanol
 9 or biodiesel, after December 31, 2015, and”.

10 (d) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to property placed in service after
 12 the date of the enactment of this Act in taxable years end-
 13 ing after such date.

14 **SEC. 203. SMALL ETHANOL PRODUCER CREDIT.**

15 (a) INCREASE IN LIMITATION.—Subparagraph (C) of
 16 section 40(b)(4) of the Internal Revenue Code of 1986 (re-
 17 lating to limitation) is amended by striking “15,000,000”
 18 and inserting “30,000,000”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 subsection (a) shall apply to alcohol produced, sold, or
 21 used after the date of the enactment of this Act in taxable
 22 years ending after such date.

1 **SEC. 204. INFRASTRUCTURE BONDS FOR FACILITIES PRO-**
2 **DUCING MOTOR VEHICLE FUEL FROM BIO-**
3 **MASS.**

4 (a) **QUALIFIED FACILITY.**—Subparagraph (A) of sec-
5 tion 54(d)(2) of the Internal Revenue Code of 1986 (defin-
6 ing qualified project) is amended to read as follows:

7 “(A) **QUALIFIED PROJECT.**—The term
8 ‘qualified project’ means—

9 “(i) **FACILITY PRODUCING ELEC-**
10 **TRICITY FROM QUALIFIED ENERGY RE-**
11 **SOURCES.**—Any qualified facility (as deter-
12 mined under section 45(d) without regard
13 to paragraph (10) and to any placed in
14 service date) owned by a qualified bor-
15 rower.

16 “(ii) **FACILITY PRODUCING MOTOR**
17 **VEHICLE FUEL FROM BIOMASS.**—Any facil-
18 ity using closed-loop or open-loop biomass
19 (as defined in section 45(c)) to produce a
20 fuel for use in a motor vehicle (as defined
21 in section 30(c)(2)).”.

22 (b) **NATIONAL CLEAN RENEWABLE ENERGY BOND**
23 **LIMITATION.**—Subsection (f) of section 54 of such Code
24 is amended to read as follows:

25 “(f) **LIMITATION ON AMOUNT OF BONDS DES-**
26 **IGNATED.**—

1 “(1) NATIONAL LIMITATION.—There is a na-
 2 tional clean renewable energy bond limitation for
 3 each calendar year of—

4 “(A) \$800,000,000 in the case of projects
 5 described in subsection (d)(2)(A)(i), and

6 “(B) \$800,000,000 in the case of projects
 7 described in subsection (d)(2)(A)(ii).

8 “(2) ALLOCATION BY SECRETARY.—The Sec-
 9 retary shall allocate the amounts described in para-
 10 graph (1) among qualified projects in such manner
 11 as the Secretary determines appropriate, except that
 12 the Secretary may not allocate more than
 13 \$500,000,000 of the national clean renewable energy
 14 bond limitation for any calendar year to finance
 15 qualified projects of qualified borrowers which are
 16 governmental bodies.”.

17 (c) EXTENSION OF CREDIT.—Subsection (m) of sec-
 18 tion 54 of such Code (relating to termination) is amended
 19 by striking “December 31, 2007” and inserting “Decem-
 20 ber 31, 2012”.

21 (d) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to bonds issued after the date of
 23 the enactment of this Act.

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