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

IN THE SENATE OF THE UNITED STATES

NOVEMBER 16, 2005

Mr. BAYH (for himself, Mr. BROWNBACK, Mr. LIEBERMAN, Mr. COLEMAN, Mr. GRAHAM, Mr. SALAZAR, Mr. SESSIONS, Mr. NELSON of Florida, Mr. LUGAR, and Mr. OBAMA) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Vehicle and Fuel Choices for American Security Act".

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

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) the United States is dangerously dependent on oil;

(2) that dependence threatens the national security, weakens the economy, and harms the environment of the United States;

(3) the United States currently imports nearly 60 percent of oil needed in the United States, and that percentage is expected to grow to almost 70 percent by 2025 if no actions are taken;

(4) approximately 2,500,000 barrels of oil per day are imported from countries in the Persian Gulf region;

(5) dependence on foreign oil has led to strategic partnerships with some regimes that do not share the democratic values of the United States;

(6) terrorists have identified oil as a strategic vulnerability and have increased attacks against oil infrastructure worldwide;

(7) oil imports comprise nearly 30 percent of the dangerously high United States trade deficit;

(8) it is technically feasible to achieve oil savings of more than 2,500,000 barrels per day by 2017 and 7,000,000 barrels per day by 2026;

(9) those goals can be achieved by establishing a set of flexible policies, including—

(A) increasing the gasoline-efficiency of cars, trucks, tires, and oil;

(B) providing economic incentives for companies and consumers to purchase fuel-efficient vehicles;

(C) encouraging the use of transit and the reduction of truck idling; and

(D) increasing production and commercialization of alternative liquid fuels;

(10) technology available as of the date of enactment of this Act (including popular hybrid-electric vehicle models, the sales of which in the United States increased 173 percent in the first 5 months of 2005 as compared with the same period in 2004) make an oil savings plan eminently achievable;

(11) achieving those goals will benefit consumers and businesses through lower fuel bills and reduction in world oil prices;

(12) achieving those goals will help protect the economy of the United States from high and volatile oil prices; and

(13) it is urgent, essential, and feasible to implement an action plan to achieve oil savings as soon as practicable because any delay in initiating action will—

(A) make achieving necessary oil savings more difficult and expensive; and

(B) increase the risks to the national security, economy, and environment of the United States.

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

(1) to accelerate market penetration of electric drive and alternative motor vehicles;

(2) to enable the accelerated market penetration of efficient technologies and alternative fuels without adverse impact on air quality while maintaining a policy of fuel neutrality, so as to allow market forces to elect the technologies and fuels that are consumer-friendly, safe, environmentally-sound, and economic;

(3) to provide time-limited financial incentives to encourage production and consumer purchase of oil saving technologies and fuels nationwide; and

(4) to promote a nationwide diversity of motor vehicle fuels and advanced motor vehicle technology, including advanced lean burn technology, hybrid technology, flexible fuel motor vehicles, alternatively fueled motor vehicles, and other oil saving technologies.

TITLE I—OIL SAVINGS PLAN AND REQUIREMENTS

SEC. 101. OIL SAVINGS TARGET AND ACTION PLAN.

Not later than 270 days after the date of enactment of this Act, the Director of the Office of Management and Budget (referred to in this title as the ''Director'') shall publish in the Federal Register an action plan consisting of—

(1) a list of requirements proposed or to be proposed pursuant to section 102 that are authorized to be issued under law in effect on the date of enactment of this Act, and this Act, that will be sufficient, when taken together, to save from the baseline determined under section 105—

(A) 2,500,000 barrels of oil per day on average during calendar year 2016;

(B) 7,000,000 barrels of oil per day on average during calendar year 2026; and

(C) 10,000,000 barrels per day on average during calendar year 2031; and

(2) a Federal Government-wide analysis of—

(A) the expected oil savings from the baseline to be accomplished by each requirement; and

(B) whether all such requirements, taken together, will achieve the oil savings specified in this section.

SEC. 102. STANDARDS AND REQUIREMENTS.

(a) IN GENERAL.—On or before the date of publication of the action plan under section 101, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the head of any other agency the President determines appropriate shall each propose, or issue a notice of intent to propose, regulations establishing each standard or other requirement listed in the action plan that is under the jurisdiction of the respective agency using authorities described in subsection (b).

(b) AUTHORITIES.—The head of each agency described in subsection (a) shall use to carry out this section—

(1) any authority in existence on the date of enactment of this Act (including regulations); and

(2) any new authority provided under this Act (including an amendment made by this Act).

(c) FINAL REGULATIONS.—Not later than 18 months after the date of enactment of this Act, the head of each agency described in subsection (a) shall promulgate final versions of the regulations required under this section.

(d) AGENCY ANALYSES.—Each proposed and final regulation promulgated under this section shall—

(1) be designed to achieve at least the oil savings resulting from the regulation under the action plan published under section 101; and

(2) be accompanied by an analysis by the applicable agency describing the manner in which the regulation will promote the achievement of the oil savings from the baseline determined under section 105.

SEC. 103. INITIAL EVALUATION.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Director shall publish in the Federal Register a Federal Government-wide analysis of the oil savings achieved from the baseline established under section 105.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the analysis required under subsection (a)—

(1) the Director shall publish a revised action plan that is adequate to achieve the targets; and

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 102.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

SEC. 104. REVIEW AND UPDATE OF ACTION PLAN.

(a) REVIEW.—Not later than January 1, 2011, and every 3 years thereafter, the Director shall submit to Congress, and publish, a report that—

(1) evaluates the progress achieved in implementing the oil savings targets established under section 101;

(2) analyzes the expected oil savings under the standards and requirements established under this Act and the amendments made by this Act; and

(3)(A) analyzes the potential to achieve oil savings that are in addition to the savings required by section 101; and

(B) if the President determines that it is in the national interest, establishes a higher oil savings target for calendar year 2017 or any subsequent calendar year.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the report required under subsection (a)—

(1) the Director shall publish a revised action plan that is adequate to achieve the targets; and

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 102.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

SEC. 105. BASELINE AND ANALYSIS REQUIREMENTS.

In performing the analyses and promulgating proposed or final regulations to establish standards and other requirements necessary to achieve the oil savings required by this title, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the head of any other agency the President determines to be appropriate shall—

(1) determine oil savings as the projected reduction in oil consumption from the baseline established by the reference case contained in the report of the Energy Information Administration entitled "Annual Energy Outlook 2005";

(2) determine the oil savings projections required on an annual basis for each of calendar years 2009 through 2026; and

(3) account for any overlap among the standards and other requirements to ensure that the projected oil savings from all the promulgated standards and requirements, taken together, are as accurate as practicable.

TITLE II—FUEL EFFICIENT VEHICLES FOR THE 21ST CENTURY

SEC. 201. TIRE EFFICIENCY PROGRAM.

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

(1) in subsection (b)—

(A) in the first sentence, by striking ‘‘The Secretary’’ and inserting the following:

‘‘(1) UNIFORM QUALITY GRADING SYSTEM.—

‘‘(A) IN GENERAL.—The Secretary’’;

(B) in the second sentence, by striking ‘‘The Secretary’’ and inserting the following:

‘‘(2) NOMENCLATURE AND MARKETING PRACTICES.—The Secretary’’;

(C) in the third sentence, by striking ‘‘A tire standard’’ and inserting the following:

"(3) EFFECT OF STANDARDS AND REGULATIONS.—A tire standard"; and

(D) in paragraph (1), as designated by subparagraph (A), by adding at the end the following:

"(B) INCLUSION.—The grading system established pursuant to subparagraph (A) shall include standards for rating the fuel efficiency of tires designed for use on passenger cars and light trucks."; and

(2) by adding at the end the following:

"(d) NATIONAL TIRE EFFICIENCY PROGRAM.—

"(1) DEFINITION.—In this subsection, the term 'fuel economy', with respect to a tire, means the extent to which the tire contributes to the fuel economy of the motor vehicle on which the tire is mounted.

"(2) PROGRAM.—The Secretary shall develop and carry out a national tire fuel efficiency program for tires designed for use on passenger cars and light trucks.

"(3) REQUIREMENTS.—Not later than March 31, 2008, the Secretary shall issue regulations, which establish—

"(A) policies and procedures for testing and labeling tires for fuel economy to enable tire buyers to make informed purchasing decisions about the fuel economy of tires;

"(B) policies and procedures to promote the purchase of energy efficient replacement tires, including purchase incentives, website listings on the Internet, printed fuel economy guide booklets, and mandatory requirements for tire retailers to provide tire buyers with fuel efficiency information on tires; and

"(C) minimum fuel economy standards for tires.

"(4) MINIMUM FUEL ECONOMY STANDARDS.—In promulgating minimum fuel economy standards for tires, the Secretary shall design standards that—

"(A) ensure, in conjunction with the requirements under paragraph (3)(B), that the average fuel economy of replacement tires is not less than the average fuel economy of tires sold as original equipment;

"(B) secure the maximum technically feasible and cost-effective fuel savings;

"(C) do not adversely affect tire safety;

"(D) incorporate the results from—

"(i) laboratory testing; and

"(ii) to the extent appropriate and available, on-road fleet testing programs conducted by manufacturers; and

"(E) do not adversely affect efforts to manage scrap tires.

"(5) APPLICABILITY.—The policies, procedures, and standards developed under paragraph (3) shall apply to all tire types and models regulated under the uniform tire quality grading standards in section 575.104 of title 49, Code of Federal Regulations (or a successor regulation).

"(6) REVIEW.—

"(A) IN GENERAL.—Not less than once every 3 years, the Secretary shall—

"(i) review the minimum fuel economy standards in effect for tires under this subsection; and

"(ii) subject to subparagraph (B), revise the standards as necessary to ensure compliance with standards described in paragraph (4).

"(B) LIMITATION.—The Secretary may not reduce the average fuel economy standards applicable to replacement tires.

"(7) NO PREEMPTION OF STATE LAW.—Nothing in this section shall be construed to preempt any provision of State law relating to higher fuel economy standards applicable to replacement tires designed for use on passenger cars and light trucks.

"(8) EXCEPTIONS.—Nothing in this section shall apply to—

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

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

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

"(D) a motorcycle tire; or

"(E) a tire manufactured specifically for use in an off-road motorized recreational vehicle.".

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

(c) TIME FOR IMPLEMENTATION.—Beginning not later than March 31, 2008, the Secretary of Transportation shall administer the national tire fuel efficiency program established under section 30123(d) of title 49, United States Code, in accordance with the policies, procedures, and standards developed under section 30123(d)(3) of such title.

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

SEC. 202. REDUCTION OF SCHOOL BUS IDLING.

(a) STATEMENT OF POLICY.—Congress encourages each local educational agency (as defined in section 9101(26) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801(26))) that receives Federal funds under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) to develop a policy to reduce the incidence of school bus idling at schools while picking up and unloading students.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Administrator of the Environmental Protection Agency, working in coordination with the Secretary of Education, $5,000,000 for each of fiscal years 2007 through 2012 for use in educating States and local education agencies about—

(1) benefits of reducing school bus idling; and

(2) ways in which school bus idling may be reduced.

SEC. 203. FUEL EFFICIENCY FOR HEAVY DUTY TRUCKS.

Part C of subtitle VI of title 49, United States Code, is amended by inserting after chapter 329 the following:

"CHAPTER 330—HEAVY DUTY VEHICLE FUEL ECONOMY STANDARDS

"§ 33001. Purpose and policy

"The purpose of this chapter is to reduce petroleum consumption by heavy duty motor vehicles.

"§ 33002. Definition

"In this chapter, the term 'heavy duty motor vehicle'—

"(1) means a vehicle having a gross vehicle weight rating of at least 10,000 pounds that is driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways; and

"(2) does not include a vehicle operated only on a rail line.

"§ 33003. Testing and assessment

"(a) GENERAL REQUIREMENTS.—The Administrator of the Environmental Protection Agency (referred to in this section as the 'Administrator') shall develop and coordinate a national testing and assessment program to—

"(1) determine the fuel economy of heavy duty vehicles; and

"(2) assess the fuel efficiency attainable through available technology.

"(b) TESTING.—The Administrator shall—

"(1) design a National testing program to assess the fuel economy of heavy duty vehicles (based on the program for light duty vehicles); and

"(2) implement the program described in paragraph (1) not later than 18 months after the date of enactment of this chapter.

"(c) ASSESSMENT.—The Administrator shall consult with the Secretary of Transportation on the assessment of available technologies to enhance the fuel efficiency of heavy duty vehicles to ensure that vehicle use and needs are considered appropriately in the assessment.

"(d) REPORTING.—The Administrator shall—

"(1) not later than 2 years after the date of enactment of this chapter, submit a report to Congress regarding the results of the assessment of available technologies to improve the fuel efficiency of heavy duty vehicles.

"(2) submit a report to Congress, at least biannually, that addresses the fuel economy of heavy duty vehicles; and

"§ 33004. Standards

"(a) GENERAL REQUIREMENTS.—Not later than 18 months after completing the testing and assessments under section 33003, the Secretary of Transportation shall prescribe average heavy duty vehicle fuel economy standards. Each standard shall be the maximum feasible average fuel economy level that the Secretary decides that manufacturers can achieve in that model year. The Secretary may prescribe separate standards for different classes of heavy duty motor vehicles. The standards for each model year shall be completed not later than 18 months before the beginning of each model year.

"(b) CONSIDERATIONS AND CONSULTATION.—In determining maximum feasible average fuel economy, the Secretary shall consider—

"(1) relevant available heavy duty motor vehicle fuel consumption information;

"(2) technological feasibility;

"(3) economic practicability;

"(4) the desirability of reducing United States dependence on oil;

"(5) the effects of average fuel economy standards on vehicle safety;

"(6) the effects of average fuel economy standards on levels of employment and competitiveness of the heavy truck manufacturing industry ; and

"(7) the extent to which the standard will carry out the purpose described in section 33001.

"(c) COOPERATION.—The Secretary may advise, assist, and cooperate with departments, agencies, and instrumentalities of the United States Government, States, and other public and private agencies in developing fuel economy standards for heavy duty motor vehicles.

"(d) 5-YEAR PLAN FOR TESTING STANDARDS.—The Secretary shall establish, periodically review, and continually update a 5-year plan for testing heavy duty motor vehicle fuel economy standards prescribed under this chapter. In developing and establishing testing priorities, the Secretary shall consider factors the Secretary considers appropriate, consistent with the purpose described in section 33001 and the Secretary's other duties and powers under this chapter.

“§ 33005. Authorization of appropriations

“There are authorized to be appropriated, for each of fiscal years 2007 through 2011, such sums as may be necessary to carry out this chapter.”.

SEC. 204. NEAR-TERM VEHICLE TECHNOLOGY PROGRAM.

(a) PURPOSES.—The purposes of this section are—

(1) to enable and promote, in partnership with industry, comprehensive development, demonstration, and commercialization of a wide range of electric drive components, systems, and vehicles using diverse electric drive transportation technologies;

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

(3) to expand the availability of the existing electric infrastructure for fueling light duty transportation and other on-road and nonroad vehicles that are using petroleum and are mobile sources of emissions—

(A) including the more than 3,000,000 reported units (such as electric forklifts, golf carts, and similar nonroad vehicles) in use on the date of enactment of this Act; and

(B) with the goal of enhancing the energy security of the United States, reduce dependence on imported oil, and reduce emissions through the expansion of grid supported mobility;

(4) to accelerate the widespread commercialization of all types of electric drive vehicle technology into all sizes and applications of vehicles, including commercialization of plug-in hybrid electric vehicles and plug-in hybrid fuel cell vehicles; and

(5) to improve the energy efficiency of and reduce the petroleum use in transportation.

(b) DEFINITIONS.—In this section:

(1) BATTERY.—The term ‘‘battery’’ means an energy storage device used in an on-road or nonroad vehicle powered in whole or in part using an off-board or on-board source of electricity.

(2) ELECTRIC DRIVE TRANSPORTATION TECHNOLOGY.—The term ‘‘electric drive transportation technology’’ means—

(A) vehicles that use an electric motor for all or part of their motive power and that may or may not use off-board electricity, including battery electric vehicles, fuel cell vehicles, engine dominant hybrid electric vehicles, plug-in hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and electric rail; or

(B) equipment relating to transportation or mobile sources of air pollution that use an electric motor to replace an internal combustion engine for all or part of the work of the equipment, including corded electric equipment linked to transportation or mobile sources of air pollution.

(3) ENGINE DOMINANT HYBRID ELECTRIC VEHICLE.—The term ''engine dominant hybrid electric vehicle'' means an on-road or nonroad vehicle that—

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

(i) any combustible fuel;

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

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

(4) FUEL CELL VEHICLE.—The term ''fuel cell vehicle'' means an on-road or nonroad vehicle that uses a fuel cell (as defined in section 3 of the Spark M. Matsunaga Hydrogen Research, Development, and Demonstration Act of 1990).

(5) 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).

(6) 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 using—

(A) any combustible fuel;

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

(C) a means of using an off-board source of electricity.

(7) PLUG-IN HYBRID FUEL CELL VEHICLE.—The term ''plug-in hybrid fuel cell vehicle'' means a fuel cell vehicle with a battery powered by an off-board source of electricity.

(c) PROGRAM.—The Secretary shall conduct a program of research, development, demonstration, and commercial application for electric drive transportation technology, including—

(1) high capacity, high efficiency batteries;

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

(3) high power drive train systems for passenger and commercial vehicles and for nonroad equipment;

(4) control system development and power train development and integration for plug-in hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and engine dominant hybrid electric vehicles, including—

(A) development of efficient cooling systems;

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

(C) development of different control systems that optimize for different goals, including—

(i) battery life;

(ii) reduction of petroleum consumption; and

(iii) green house gas reduction;

(5) nanomaterial technology applied to both battery and fuel cell systems;

(6) large-scale demonstrations, testing, and evaluation of plug-in hybrid electric vehicles in dif-

ferent applications with different batteries and control systems, including—

(A) military applications;

(B) mass market passenger and light-duty truck applications;

(C) private fleet applications; and

(D) medium- and heavy-duty applications;

(7) a nationwide education strategy for electric drive transportation technologies providing secondary and high school teaching materials and support for university education focused on electric drive system and component engineering;

(8) development, in consultation with the Administrator of the Environmental Protection Agency, of procedures for testing and certification of criteria pollutants, fuel economy, and petroleum use for light-, medium-, and heavy-duty vehicle applications, including consideration of—

(A) the vehicle and fuel as a system, not just an engine; and

(B) nightly off-board charging; and

(9) advancement of battery and corded electric transportation technologies in mobile source applications by—

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

(B) working with industry and the Administrator of the Environmental Protection Agency to—

(i) understand and inventory markets; and

(ii) identify and implement methods of removing barriers for existing and emerging applications.

(d) GOALS.—The goals of the electric drive transportation technology program established under subsection (c) shall be to develop, in partnership with industry and institutions of higher education, projects that focus on—

(1) innovative electric drive technology developed in the United States;

(2) growth of employment in the United States in electric drive design and manufacturing;

(3) validation of the plug-in hybrid potential through fleet demonstrations; and

(4) acceleration of fuel cell commercialization through comprehensive development and commercialization of the electric drive technology systems that are the foundational technology of the fuel cell vehicle system.

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

SEC. 205. LIGHTWEIGHT MATERIALS RESEARCH AND DEVELOPMENT.

(a) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary of Energy shall establish a research and development program to determine ways in which—

(1) the weight of vehicles may be reduced to improve fuel efficiency without compromising passenger safety; and

(2) the cost of lightweight materials (such as steel alloys and carbon fibers) required for the construction of lighter-weight vehicles may be reduced.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $60,000,000 for each of fiscal years 2007 through 2012.

SEC. 206. HYBRID AND ADVANCED DIESEL VEHICLES.

(a) HYBRID VEHICLES.—The Energy Policy Act of 2005 is amended by striking section 711 (42 U.S.C. 16061) and inserting the following:

“SEC. 711. HYBRID VEHICLES.

“(a) DEFINITIONS.—In this section:

"(1) COST.—The term 'cost' has the meaning given the term 'cost of a loan guarantee' within the meaning of section 502(5)(C) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5)(C)).

"(2) ELIGIBLE PROJECT.—The term 'eligible project' means a project to—

"(A) improve hybrid technologies under subsection (b); or

"(B) encourage domestic production of efficient hybrid and advanced diesel vehicles under section 712(a).

"(3) GUARANTEE.—

"(A) IN GENERAL.—The term 'guarantee' has the meaning given the term 'loan guarantee' in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a).

"(B) INCLUSION.—The term 'guarantee' includes a loan guarantee commitment (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)).

"(4) HYBRID TECHNOLOGY.—The term 'hybrid technology' means a battery or other rechargeable energy storage system, power electronic, hybrid systems integration, and any other technology for use in hybrid vehicles.

"(5) OBLIGATION.—The term 'obligation' means the loan or other debt obligation that is guaranteed under this section.

"(b) AUTHORIZATION.—The Secretary shall accelerate efforts directed toward the improvement of hybrid technologies, including through the provision of loan guarantees under subsection (c).

"(c) LOAN GUARANTEES.—

"(1) IN GENERAL.—The Secretary shall make guarantees under this section for eligible projects on such terms and conditions as the Secretary, in consultation with the Secretary of the Treasury, determines to be appropriate.

"(2) SPECIFIC APPROPRIATION OR CONTRIBUTION.—No guarantee shall be made unless—

"(A) an appropriation for the cost has been made; or

"(B) the Secretary has received from the borrower a payment in full for the cost of the obligation and deposited the payment into the Treasury.

"(3) AMOUNT.—Unless otherwise provided by law, a guarantee by the Secretary shall not exceed an amount equal to 80 percent of the project cost of the hybrid technology that is the subject of the guarantee, as estimated at the time at which the guarantee is issued.

"(4) REPAYMENT.—

"(A) IN GENERAL.—No guarantee shall be made unless the Secretary determines that there is a reasonable prospect of repayment of the principal and interest on the obligation by the borrower.

"(B) AMOUNT.—No guarantee shall be made unless the Secretary determines that the amount of the obligation (when combined with amounts available to the borrower from other sources) will be sufficient to carry out the project.

"(C) SUBORDINATION.—The obligation shall be subject to the condition that the obligation is not subordinate to other financing.

"(5) INTEREST RATE.—An obligation shall bear interest at a rate that does not exceed a level that the Secretary determines appropriate, taking into account the prevailing rate of interest in the private sector for similar loans and risks.

"(6) TERM.—The term of an obligation shall require full repayment over a period not to exceed the lesser of—

"(A) 30 years; or

"(B) 90 percent of the projected useful life of the physical asset to be financed by the obligation (as determined by the Secretary).

"(7) DEFAULTS.—

"(A) PAYMENT BY SECRETARY.—

"(i) IN GENERAL.—If a borrower defaults on the obligation (as defined in regulations promulgated by the Secretary and specified in the guarantee contract), the holder of the guarantee shall have the right to demand payment of the unpaid amount from the Secretary.

"(ii) PAYMENT REQUIRED.—Within such period as may be specified in the guarantee or related agreements, the Secretary shall pay to the holder of the guarantee the unpaid interest on, and unpaid principal of the obligation as to which the borrower has defaulted, unless the Secretary finds that—

"(I) there was no default by the borrower in the payment of interest or principal; or

"(II) the default has been remedied.

"(iii) FORBEARANCE.—Nothing in this subsection precludes any forbearance by the holder of the obligation for the benefit of the borrower that may be agreed upon by the parties to the obligation and approved by the Secretary.

"(B) SUBROGATION.—

"(i) IN GENERAL.—If the Secretary makes a payment under subparagraph (A), the Secretary shall be subrogated to the rights of the recipient of the payment as specified in the guarantee or related agreements including, where appropriate, the authority (notwithstanding any other provision of law) to—

"(I) complete, maintain, operate, lease, or otherwise dispose of any property acquired pursuant to the guarantee or related agreements; or

"(II) permit the borrower, pursuant to an agreement with the Secretary, to continue to pursue the purposes of the eligible project, as the

Secretary determines to be in the public interest.

"(ii) SUPERIORITY OF RIGHTS.—The rights of the Secretary, with respect to any property acquired pursuant to a guarantee or related agreement, shall be superior to the rights of any other person with respect to the property.

"(iii) TERMS AND CONDITIONS.—A guarantee agreement shall include such detailed terms and conditions as the Secretary determines appropriate to—

"(I) protect the interests of the United States in the case of default; and

"(II) have available all the patents and technology necessary for any person selected, including the Secretary, to complete and operate the eligible project.

"(C) PAYMENT OF PRINCIPAL AND INTEREST BY SECRETARY.—With respect to any obligation guaranteed under this section, the Secretary may enter into a contract to pay, and pay, holders of the obligation, for and on behalf of the borrower, from funds appropriated for that purpose, the principal and interest payments that become due and payable on the unpaid balance of the obligation if the Secretary finds that—

"(i)(I) the borrower is unable to meet the payments and is not in default;

"(II) it is in the public interest to permit the borrower to continue to pursue the purposes of the eligible project; and

"(III) the probable net benefit to the Federal Government in paying the principal and interest will be greater than the benefit that would result in the event of a default;

"(ii) the amount of the payment that the Secretary is authorized to pay will be no greater than the amount of principal and interest that the borrower is obligated to pay under the agreement being guaranteed; and

"(iii) the borrower agrees to reimburse the Secretary for the payment (including interest) on terms and conditions that are satisfactory to the Secretary.

"(D) ACTION BY ATTORNEY GENERAL.—

"(i) NOTIFICATION.—If the borrower defaults on an obligation, the Secretary shall notify the Attorney General of the default.

"(ii) RECOVERY.—On receipt of notification, the Attorney General shall take such action as the Attorney General determines to be appropriate to recover the unpaid principal and interest due from—

"(I) such assets of the defaulting borrower as are associated with the obligation; or

"(II) any other security pledged to secure the obligation.

"(8) FEES.—

"(A) IN GENERAL.—The Secretary shall charge and collect fees for guarantees in amounts the Secretary determines are sufficient to cover applicable administrative expenses.

"(B) AVAILABILITY.—Fees collected under this paragraph shall—

"(i) be deposited by the Secretary into the Treasury; and "(ii) remain available until expended, subject to such other conditions as are contained in annual appropriations Acts.

"(9) RECORDS; AUDITS.—

"(A) IN GENERAL.—A recipient of a guarantee shall keep such records and other pertinent documents as the Secretary shall prescribe by regulation, including such records as the Secretary may require to facilitate an effective audit.

"(B) ACCESS.—The Secretary and the Comptroller General of the United States, or their duly authorized representatives, shall have access, for the purpose of audit, to the records and other pertinent documents.

"(10) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all guarantees issued under this section with respect to principal and interest.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to provide the cost of guarantees under this section.".

(b) EFFICIENT HYBRID AND ADVANCED DIESEL VEHICLES.—Section 712(a) of the Energy Policy Act of 2005

(42 U.S.C. 16062(a)) is amended in the second sentence by striking ‘‘grants to automobile manufacturers’’ and inserting ‘‘grants and the provision of loan guarantees under section 711(c) to automobile manufacturers and suppliers’’.

SEC. 207. ADVANCED TECHNOLOGY MOTOR VEHICLES MANUFACTURING CREDIT.

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

‘‘SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES MANUFACTURING CREDIT.

‘‘(a) CREDIT ALLOWED.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 35 percent of so much of the qualified investment of an eligible taxpayer for such taxable year as does not exceed $75,000,000.

‘‘(b) QUALIFIED INVESTMENT.—For purposes of this section—

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

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

"(B) for engineering integration of such vehicles and components as described in subsection (d), and

"(C) for research and development related to advanced technology motor vehicles and eligible components.

"(2) ATTRIBUTION RULES.—In the event a facility of the eligible taxpayer produces both advanced technology motor vehicles and conventional motor vehicles, or eligible and non-eligible components, only the qualified investment attributable to production of advanced technology motor vehicles and eligible components shall be taken into account.

"(c) ADVANCED TECHNOLOGY MOTOR VEHICLES AND ELIGIBLE COMPONENTS.—For purposes of this section—

"(1) ADVANCED TECHNOLOGY MOTOR VEHICLE.—The term 'advanced technology motor vehicle' means—

"(A) any new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3)), or

''(B) any new qualified hybrid motor vehicle (as defined in section 30B(d)(2)(A) and determined without regard to any gross vehicle weight rating).

''(2) ELIGIBLE COMPONENTS.—The term 'eligible component' means any component inherent to any advanced technology motor vehicle, including—

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

''(i) electric motor or generator,

''(ii) power split device,

''(iii) power control unit,

''(iv) power controls,

''(v) integrated starter generator, or

''(vi) battery,

''(B) with respect to any hydraulic new qualified hybrid motor vehicle—

''(i) hydraulic accumulator vessel,

''(ii) hydraulic pump, or

''(iii) hydraulic pump-motor assembly,

''(C) with respect to any new advanced lean burn technology motor vehicle—

''(i) diesel engine,

''(ii) turbocharger,

''(iii) fuel injection system, or

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

"(D) with respect to any advanced technology motor vehicle, any other component submitted for approval by the Secretary.

"(d) ENGINEERING INTEGRATION COSTS.—For purposes of subsection (b)(1)(B), costs for engineering integration are costs incurred prior to the market introduction of advanced technology vehicles for engineering tasks related to—

"(1) establishing functional, structural, and performance requirements for component and subsystems to meet overall vehicle objectives for a specific application,

"(2) designing interfaces for components and subsystems with mating systems within a specific vehicle application,

"(3) designing cost effective, efficient, and reliable manufacturing processes to produce components and subsystems for a specific vehicle application, and

"(4) validating functionality and performance of components and subsystems for a specific vehicle application.

"(e) ELIGIBLE TAXPAYER.—For purposes of this section, the term 'eligible taxpayer' means any taxpayer if more than 50 percent of its gross receipts for the taxable year is derived from the manufacture of motor vehicles or any component parts of such vehicles.

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

"(1) the sum of—

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

"(B) the tax imposed by section 55 for such taxable year and any prior taxable year beginning after 1986 and not taken into account under section 53 for any prior taxable year, over

"(2) the sum of the credits allowable under subpart A and sections 27, 30, and 30B for the taxable year.

"(g) REDUCTION IN BASIS.—For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this paragraph) result from such expenditure shall be reduced by the amount of the credit so allowed.

''(h) NO DOUBLE BENEFIT.—

''(1) COORDINATION WITH OTHER DEDUCTIONS AND CREDITS.—Except as provided in paragraph (2), the amount of any deduction or other credit allowable under this chapter for any cost taken into account in determining the amount of the credit under subsection (a) shall be reduced by the amount of such credit attributable to such cost.

''(2) RESEARCH AND DEVELOPMENT COSTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), any amount described in subsection (b)(1)(C) taken into account in determining the amount of the credit under subsection (a) for any taxable year shall not be taken into account for purposes of determining the credit under section 41 for such taxable year.

''(B) COSTS TAKEN INTO ACCOUNT IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any amounts described in subsection (b)(1)(C) taken into account in determining the amount of the credit under subsection (a) for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

"(i) BUSINESS CARRYOVERS ALLOWED.—If the credit allowable under subsection (a) for a taxable year exceeds the limitation under subsection (f) for such taxable year, such excess (to the extent of the credit allowable with respect to property subject to the allowance for depreciation) shall be allowed as a credit carryback and carryforward under rules similar to the rules of section 39.

"(j) SPECIAL RULES.—For purposes of this section, rules similar to the rules of paragraphs (4) and (5) of section 179A(e) and paragraphs (1) and (2) of section 41(f) shall apply

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

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

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

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a) of the Internal Revenue Code of 1986 is amended by striking "and" at the

end of paragraph (35), by striking the period at the end of paragraph (36) and inserting ", and", and by adding at the end the following new paragraph:

"(37) to the extent provided in section 30D(g).".

(2) Section 6501(m) of such Code is amended by inserting "30D(k)," after "30C(e)(5),".

(3) The table of sections for subpart B of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 30C the following new item:

"Sec. 30D. Advanced technology motor vehicles manufacturing credit.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts incurred in taxable years beginning after December 31, 2005.

SEC. 208. CONSUMER INCENTIVES TO PURCHASE ADVANCED TECHNOLOGY VEHICLES.

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

(1) IN GENERAL.—Section 30D of the Internal Revenue Code of 1986 is amended by striking subsection (f) and by redesignating subsections (g) through (j) as subsections (f) through (i), respectively.

(2) CONFORMING AMENDMENTS.—

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

(B) Section 38(b)(25) of such Code is amended by striking "section 30B(g)(1)" and inserting "section 30B(f)(1)".

(C) Section 55(c)(2) of such Code is amended by striking "section 30B(g)(2)" and inserting "section 30B(f)(2)".

(D) Section 1016(a)(36) of such Code is amended by striking "section 30B(h)(4)" and inserting "section 30B(g)(4)".

(E) Section 6501(m) of such Code is amended by striking "section 30B(h)(9)" and inserting "section 30B(g)(9)".

(b) EXTENSION OF ALTERNATIVE VEHICLE CREDIT FOR NEW QUALIFIED HYBRID MOTOR VEHICLES.—Paragraph (3) of section 30B(i) of the Internal Revenue Code of 1986 (as redesignated by subsection (a)) is amended by striking "December 31, 2009" and inserting "December 31, 2010".

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

SEC. 209. FEDERAL FLEET REQUIREMENTS.

(a) REGULATIONS.—

(1) IN GENERAL.—The Secretary of Energy shall issue regulations for Federal fleets subject to the Energy Policy Act of 1992 (42 U.S.C. 13201 et seq.) requiring that not later than fiscal year 2016 each Federal agency achieve at least a 30 percent reduction in petroleum consumption, as calculated from the baseline established by the Secretary for fiscal year 1999.

(2) REQUIREMENT.—Not later than fiscal year 2016, of the Federal vehicles required to be alternative fueled vehicles under title V of the Energy Policy Act of 1992 (42 U.S.C. 13251 et seq.), at least 30 percent shall be hybrid motor vehicles (including plug-in hybrid motor vehicles) or new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986).

(b) INCLUSION OF ELECTRIC DRIVE IN ENERGY POLICY ACT OF 1992.—Section 508(a) of the Energy Policy Act of 1992 (42 U.S.C. 13258(a)) is amended—

(1) by inserting "(1)" before "The Secretary"; and

(2) by adding at the end the following:

"(2) Not later than January 31, 2007, the Secretary shall—

"(A) allocate credit in an amount to be determined by the Secretary for—

"(i) acquisition of—

"(I) a light-duty hybrid electric vehicle;

"(II) a plug-in hybrid electric vehicle;

"(III) a fuel cell electric vehicle;

"(IV) a medium- or heavy-duty hybrid electric vehicle;

"(V) a neighborhood electric vehicle; or

"(VI) a medium- or heavy-duty dedicated vehicle; and

"(ii) investment in qualified alternative fuel infrastructure or nonroad equipment, as determined by the Secretary; and

"(B) allocate more than 1, but not to exceed 5, credits for investment in an emerging technology relating to any vehicle described in subparagraph (A) to encourage—

"(i) a reduction in petroleum demand;

"(ii) technological advancement; and

"(iii) environmental safety.".

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section (including the amendments made by subsection (b)) $10,000,000 for the period of fiscal years 2007 through 2012.

SEC. 210. TAX INCENTIVES FOR PRIVATE FLEETS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 48B the following new section:

"SEC. 48C. FUEL-EFFICIENT FLEET CREDIT.

"(a) GENERAL RULE.—For purposes of section 46, the fuel-efficient fleet credit for any taxable year is 15 percent of the qualified fuel-efficient vehicle investment amount of an eligible taxpayer for such taxable year.

"(b) VEHICLE PURCHASE REQUIREMENT.—In the case of any eligible taxpayer which places less than 10 qualified fuel-efficient vehicles in service during the taxable year, the qualified fuel-efficient vehicle investment amount shall be zero.

"(c) QUALIFIED FUEL-EFFICIENT VEHICLE INVESTMENT AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified fuel-efficient vehicle investment amount' means the basis of any qualified fuel-efficient vehicle placed in service by an eligible taxpayer during the taxable year.

"(2) QUALIFIED FUEL-EFFICIENT VEHICLE.—The term 'qualified fuel-efficient vehicle' means an automobile which has a fuel economy which is at least 125 percent greater than the average fuel economy standard for an automobile of the same class and model year.

"(3) OTHER TERMS.—The terms 'automobile', 'average fuel economy standard', 'fuel economy', and 'model year' have the meanings given to such terms under section 32901 of title 49, United States Code.

"(d) ELIGIBLE TAXPAYER.—The term 'eligible taxpayer' means, with respect to any taxable year, a taxpayer who owns a fleet of 100 or more vehicles which are used in the trade or business of the taxpayer on the first day of such taxable year.

"(e) TERMINATION.—This section shall not apply to any vehicle placed in service after December 31, 2010.".

(b) CREDIT TREATED AS PART OF INVESTMENT CREDIT.—Section 46 of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by adding at the end the following new paragraph:

''(5) the fuel-efficient fleet credit.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 49(a)(1)(C) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following new clause:

''(v) the basis of any qualified fuel-efficient vehicle which is taken into account under section 48C.''.

(2) The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 48 the following new item:

''Sec. 48C. Fuel-efficient fleet credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2005, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 211. REDUCING INCENTIVES TO GUZZLE GAS.

(a) INCLUSION OF HEAVY VEHICLES IN LIMITATION ON DEPRECIATION OF CERTAIN LUXURY AUTOMOBILES.—

(1) IN GENERAL.—Section 280F(d)(5)(A) of the Internal Revenue Code of 1986 (defining passenger automobile) is amended—

(A) by striking clause (ii) and inserting the following new clause:

"(ii)(I) which is rated at 6,000 pounds unloaded gross vehicle weight or less, or

"(II) which is rated at more than 6,000 pounds but not more than 14,000 pounds gross vehicle weight.",

(B) by striking "clause (ii)" in the second sentence and inserting "clause (ii)(I)".

(2) EXCEPTION FOR VEHICLES USED IN FARMING BUSINESS.—Section 280F(d)(5)(B) of such Code (relating to exception for certain vehicles) is amended by striking "and" at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

"(iii) any vehicle used in a farming business (as defined in section 263A(e)(4), and".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(b) UPDATED DEPRECIATION DEDUCTION LIMITS.—

(1) IN GENERAL.—Subparagraph (A) of section 280F(a)(1) of the Internal Revenue Code of 1986 (relating to limitation on amount of depreciation for luxury automobiles) is amended to read as follows:

"(I) LIMITATION.—The amount of the depreciation deduction for any taxable year shall not exceed for any passenger automobile—

"(i) for the 1st taxable year in the recovery period—

"(I) described in subsection (d)(5)(A)(ii)(I), $4,000,

"(II) described in the second sentence of subsection (d)(5)(A), $5,000, and

"(III) described in subsection (d)(5)(A)(ii)(II), $6,000,

"(ii) for the 2nd taxable year in the recovery period—

“(I) described in subsection (d)(5)(A)(ii)(I), $6,400,

“(II) described in the second sentence of subsection (d)(5)(A), $8,000, and

“(III) described in subsection (d)(5)(A)(ii)(II), $9,600,

“(iii) for the 3rd taxable year in the recovery period—

“(I) described in subsection (d)(5)(A)(ii)(I), $3,850,

“(II) described in the second sentence of subsection (d)(5)(A), $4,800, and

“(III) described in subsection (d)(5)(A)(ii)(II), $5,775, and

“(iv) for each succeeding taxable year in the recovery period—

“(I) described in subsection (d)(5)(A)(ii)(I), $2,325,

“(II) described in the second sentence of subsection (d)(5)(A), $2,900, and

“(III) described in subsection (d)(5)(A)(ii)(II), $3,475.”.

(2) YEARS AFTER RECOVERY PERIOD.—Section 280F(a)(1)(B)(ii) of such Code is amended to read as follows:

"(ii) LIMITATION.—The amount treated as an expense under clause (i) for any taxable year shall not exceed for any passenger automobile—

"(I) described in subsection (d)(5)(A)(ii)(I), $2,325,

"(II) described in the second sentence of subsection (d)(5)(A), $2,900, and

"(III) described in subsection (d)(5)(A)(ii)(II), $3,475.".

(3) INFLATION ADJUSTMENT.—Section 280F(d)(7) of such Code (relating to automobile price inflation adjustment) is amended—

(A) by striking "after 1988" in subparagraph (A) and inserting "after 2006", and

(B) by striking subparagraph (B) and inserting the following new subparagraph:

"(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of this paragraph—

"(i) IN GENERAL.—The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

"(I) the average wage index for the preceding calendar year, exceeds

"(II) the average wage index for 2005.

"(ii) AVERAGE WAGE INDEX.—The term 'average wage index' means the average wage index published by the Social Security Administration.".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(c) EXPENSING LIMITATION FOR FARM VEHICLES.—

(1) IN GENERAL.—Paragraph (6) of section 179(b) of the Internal Revenue Code of 1986 (relating to limitations) is amended to read as follows:

"(6) LIMITATION ON COST TAKEN INTO ACCOUNT FOR FARM VEHICLES.—The cost of any vehicle described in section 280F(d)(5)(B)(iii) for any taxable year which may be taken into account under this section shall not exceed $30,000.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

SEC. 212. INCREASING THE EFFICIENCY OF MOTOR VEHICLES.

(a) DEFINITIONS.—In this section:

(1) ALTERNATIVE FUEL.—The term ‘‘alternative fuel’’ has the meaning given the term in section 32901(a) of title 49, United States Code.

(2) E85.—The term ‘‘E85’’ means a fuel blend containing 85 percent ethanol and 15 percent gasoline or diesel by volume.

(3) FLEXIBLE FUEL MOTOR VEHICLE.—The term ‘‘flexible fuel motor vehicle’’ means a light duty motor vehicle warrantied by the manufacturer of the vehicle to operate on any combination of gasoline, E85, and M85.

(4) HYBRID MOTOR VEHICLE.—The term ‘‘hybrid motor vehicle’’ means a new qualified hybrid motor vehicle (as defined in section 30B(d)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy.

(5) LIGHT-DUTY MOTOR VEHICLE.—The term ‘‘light-duty motor vehicle’’ means, as defined in reg-

ulations promulgated by the Administrator of the Environmental Protection Agency in effect on the date of enactment of this Act—

(A) a light-duty truck; or

(B) a light-duty vehicle.

(6) M85.—The term ''M85'' means a fuel blend containing 85 percent methanol and 15 percent gasoline or diesel by volume.

(7) PLUG-IN HYBRID MOTOR VEHICLE.—The term ''plug-in hybrid electric vehicle'' means a hybrid motor vehicle that—

(A) has an onboard, rechargeable storage device capable of propelling the vehicle solely by electricity for at least 10 miles; and

(B) achieves at least 125 percent of the model year 2002 city fuel economy.

(8) QUALIFIED MOTOR VEHICLE.—The term ''qualified motor vehicle'' means—

(A) a new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy;

(B) an alternative fueled automobile (as defined in section 32901(a) of title 49, United States Code);

(C) a flexible fuel motor vehicle;

(D) a new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);

(E) a hybrid motor vehicle;

(F) a plug-in hybrid motor vehicle; and

(G) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year 2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

(b) REQUIREMENTS.—

(1) MODEL YEAR 2012.—Not less than 10 percent of light-duty motor vehicles manufactured for model year 2012 and sold in the United States shall be qualified motor vehicles.

(2) MODEL YEAR 2013.—Not less than 20 percent of light-duty motor vehicles manufactured for model year 2013 and sold in the United States shall be qualified motor vehicles.

(3) MODEL YEAR 2014.—Not less than 30 percent of light-duty motor vehicles manufactured for

model year 2014 and sold in the United States shall be qualified motor vehicles.

(4) MODEL YEAR 2015.—Not less than 40 percent of light-duty motor vehicles manufactured for model year 2015 shall be qualified motor vehicles.

(5) MODEL YEAR 2016.—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2016 shall be qualified motor vehicles.

(6) MODEL YEARS 2017 AND THEREAFTER.—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2017 and each model year thereafter and sold in the United States shall be qualified motor vehicles, of which not less than 10 percent shall be—

(A) hybrid motor vehicles;

(B) plug-in hybrid motor vehicles;

(C) new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986);

(D) new qualified fuel cell motor vehicles (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986); or

(E) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year

2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

(c) RULEMAKING.—Not later than 1 year after the date of enactment of this Act, the Secretary of Transportation shall promulgate regulations to carry out this section.

TITLE III—FUEL CHOICES FOR THE 21ST CENTURY

SEC. 301. INCREASE IN ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

(a) IN GENERAL.—Subsection (a) of section 30C of the Internal Revenue Code of 1986 is amended by striking "30 percent" and inserting "50 percent".

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

SEC. 302. USE OF CAFÉ PENALTIES TO BUILD ALTERNATIVE FUELING INFRASTRUCTURE.

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

"(e) ALTERNATIVE FUELING INFRASTRUCTURE TRUST FUND.—(1) There is established in the Treasury of the United States a trust fund, to be known as the Alternative Fueling Infrastructure Trust Fund, consisting of such amounts as are deposited into the Trust Fund under paragraph (2) and any interest earned on investment of amounts in the Trust Fund.

"(2) The Secretary of Transportation shall remit 90 percent of the amount collected in civil penalties under this section to the Trust Fund.

"(3)(A) The Secretary of Energy shall obligate such sums as are available in the Trust Fund to establish a grant program to increase the number of locations at which consumers may purchase alternative fuels.

"(B)(i) The Secretary of Energy may award grants under this paragraph, in an amount equal to not more than $150,000 per fueling station, to—

"(I) individual fueling stations; and

"(II) corporations (including nonprofit corporations) with demonstrated experience in the administration of grant funding for the purpose of alternative fueling infrastructure.

"(ii) In awarding grants under this paragraph, the Secretary shall consider the number of vehicles in service capable of using a specific type of alternative fuel.

"(iii) Grant recipients shall provide a non-Federal match of not less than $1 for every $3 of grant funds received under this paragraph.

''(iv) Each grant recipient shall select the locations for each alternative fuel station to be constructed with grant funds received under this paragraph on a formal, open, and competitive basis.

''(C) Grant funds received under this paragraph may be used to—

''(i) construct new facilities to dispense alternative fuels;

''(ii) purchase equipment to upgrade, expand, or otherwise improve existing alternative fuel facilities; or

''(iii) purchase equipment or pay for specific turnkey fueling services by alternative fuel providers.

''(D) Facilities constructed or upgraded with grant funds under this paragraph shall—

''(i) provide alternative fuel available to the public for a period not less than 4 years;

''(ii) establish a marketing plan to advance the sale and use of alternative fuels;

''(iii) prominently display the price of alternative fuel on the marquee and in the station;

''(iv) provide point of sale materials on alternative fuel;

''(v) clearly label the dispenser with consistent materials;

"(vi) price the alternative fuel at the same margin that is received for unleaded gasoline; and

"(vii) support and use all available tax incentives to reduce the cost of the alternative fuel to the lowest possible retail price.

"(E) Not later than the date on which each alternative fuel station begins to offer alternative fuel to the public, the grant recipient that used grant funds to construct such station shall notify the Secretary of Energy of such opening. The Secretary of Energy shall add each new alternative fuel station to the alternative fuel station locator on its Website when it receives notification under this subparagraph.

"(F) Not later than 6 months after the receipt of a grant award under this paragraph, and every 6 months thereafter, each grant recipient shall submit a report to the Secretary of Energy that describes—

"(i) the status of each alternative fuel station constructed with grant funds received under this paragraph;

"(ii) the amount of alternative fuel dispensed at each station during the preceding 6-month period; and "(iii) the average price per gallon of the alternative fuel sold at each station during the preceding 6-month period.".

SEC. 303. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM CELLULOSIC BIOMASS.

Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by striking clause (iii) and inserting the following:

"(iii) MINIMUM QUANTITY DERIVED FROM CELLULOSIC BIOMASS.—

"(I) IN GENERAL.—The applicable volume referred to in clause (ii) shall contain a minimum of—

"(aa) for each of calendar years 2010 through 2012, 75,000,000 gallons that are derived from cellulosic biomass; and

"(bb) for calendar year 2013 and each calendar year thereafter, 250,000,000 gallons that are derived from cellulosic biomass.

"(II) RATIO.—For calendar year 2010 and each calendar year thereafter, the 2.5-to-1 ratio referred to in paragraph (4) shall not apply.''.

SEC. 304. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM SUGAR.

(a) IN GENERAL.—Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by adding at the end the following:

"(v) MINIMUM QUANTITY DERIVED FROM SUGAR.—For calendar year 2008 and each calendar year thereafter, the applicable volume referred to in clause (ii) shall contain a minimum of 100,000,000 gallons that are derived from domestically-grown sugarcane, sugar beets, or sugar components.''.

(b) APPLICABLE VOLUME.—Section 211(o)(2)(B)(i) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)(i)) is amended—

(1) in the item relating to calendar year 2008, by striking "5.4'' and inserting "5.5'';

(2) in the item relating to calendar year 2009, by striking "6.1'' and inserting "6.2'';

(3) in the item relating to calendar year 2010, by striking "6.8'' and inserting "6.9'';

(4) in the item relating to calendar year 2011, by striking "7.4" and inserting "7.5"; and

(5) in the item relating to calendar year 2012, by striking "7.5" and inserting "7.6".

SEC. 305. BIOENERGY RESEARCH AND DEVELOPMENT.

Section 931(c) of the Energy Policy Act of 2005 (42 U.S.C. 16231(c)) is amended—

(1) in paragraph (1), by striking "$213,000,000" and inserting "$326,000,000";

(2) in paragraph (2), by striking "$251,000,000" and inserting "$377,000,000"; and

(3) in paragraph (3), by striking "$274,000,000" and inserting "$398,000,000".

SEC. 306. PRODUCTION INCENTIVES FOR CELLULOSIC BIOFUELS.

Section 942(f) of the Energy Policy Act of 2005 (42 U.S.C. 16251(f)) is amended by striking "$250,000,000" and inserting "$200,000,000 for each of fiscal years 2007 through 2011".

SEC. 307. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E–85 FUEL.

(a) PURPOSES OF LOANS.—Section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) in paragraph (9)(B)(ii), by striking ''or'' at the end;

(2) in paragraph (10), by striking the period at the end and inserting ''; or''; and

(3) by adding at the end the following:

''(11) building infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.''.

(b) PROGRAM.—Subtitle B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941 et seq.) is amended by adding at the end the following:

''SEC. 320. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E–85 FUEL.

''(a) IN GENERAL.—The Secretary shall establish a low-interest loan and grant program to assist farmer-owned ethanol producers (including cooperatives and limited liability corporations) to develop and build infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.

''(b) TERMS.—

''(1) INTEREST RATE.—A low-interest loan under this section shall be fixed at not more than 5 percent for each year.

"(2) AMORTIZATION.—The repayment of a loan under this section shall be amortized over the expected life of the infrastructure project that is being financed with the proceeds of the loan.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.".

(c) REGULATIONS.—As soon as practicable after the date of enactment of this Act, the Secretary of Agriculture shall promulgate such regulations as are necessary to carry out the amendments made by this section.

SEC. 308. TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.

(a) DEFINITIONS.—In this section:

(1) TRANSIT-ORIENTED DEVELOPMENT CORRIDOR.—The term "Transit-Oriented Development Corridor" or "TODC" means a geographic area designated by the Secretary under subsection (b).

(2) OTHER TERMS.—The terms "fixed guide way", "local governmental authority", "mass transportation", "Secretary", "State", and "urbanized area" have the meanings given the terms in section 5302 of title 49, United States Code.

(b) TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.—

(1) IN GENERAL.—The Secretary shall develop and carry out a program to designate geographic areas in urbanized areas as Transit-Oriented Development Corridors.

(2) CRITERIA.—An area designated as a TODC under paragraph (1) shall include rights-of-way for fixed guide way mass transportation facilities (including commercial development of facilities that have a physical and functional connection with each facility).

(3) NUMBER OF TODCS.—In consultation with State transportation departments and metropolitan planning organizations, the Secretary shall designate—

(A) not fewer than 10 TODCs by December 31, 2015; and

(B) not fewer than 20 TODCs by December 31, 2025.

(4) TRANSIT GRANTS.—

(A) IN GENERAL.—The Secretary make grants to eligible states and local governmental authorities to pay the Federal share of the cost of designating geographic areas in urbanized areas as TODCs.

(B) APPLICATION.—Each eligible State or local governmental authority that desires to receive a grant under this paragraph shall submit an application to the Secretary, at such time, in such manner, and accompanied by such additional information as the Secretary may reasonably require.

(C) LABOR STANDARDS.—Subchapter IV of chapter 31 of title 40, United States Code shall apply to projects that receive funding under this section.

(D) FEDERAL SHARE.—The Federal share of the cost of a project under this subsection shall be 50 percent.

(c) TODC RESEARCH AND DEVELOPMENT.—To support effective deployment of grants and incentives under this section, the Secretary shall establish a TODC research and development program to conduct research on the best practices and performance criteria for TODCs.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2007 through 2012.

TITLE IV—NATIONWIDE ENERGY SECURITY MEDIA CAMPAIGN

SEC. 401. NATIONWIDE MEDIA CAMPAIGN TO DECREASE OIL CONSUMPTION.

(a) IN GENERAL.—The Secretary of Energy, acting through the Assistant Secretary for Energy Efficiency and Renewable Energy (referred to in this section as the ''Secretary''), shall develop and conduct a national media campaign for the purpose of decreasing oil consumption in the United States over the next decade.

(b) CONTRACT WITH ENTITY.—The Secretary shall carry out subsection (a) directly or through—

(1) competitively bid contracts with 1 or more nationally recognized media firms for the development and distribution of monthly television, radio, and newspaper public service announcements; or

(2) collective agreements with 1 or more nationally recognized institutes, businesses, or nonprofit organizations for the funding, development, and distribution of monthly television, radio, and newspaper public service announcements.

(c) USE OF FUNDS.—

(1) IN GENERAL.—Amounts made available to carry out this section shall be used for the following:

(A) ADVERTISING COSTS.—

(i) The purchase of media time and space.

(ii) Creative and talent costs.

(iii) Testing and evaluation of advertising.

(iv) Evaluation of the effectiveness of the media campaign.

(v) The negotiated fees for the winning bidder on requests from proposals issued either by the Secretary for purposes otherwise authorized in this section.

(vi) Entertainment industry outreach, interactive outreach, media projects and activities, public information, news media outreach, and corporate sponsorship and participation.

(B) ADMINISTRATIVE COSTS.—Operational and management expenses.

(2) LIMITATIONS.—In carrying out this section, the Secretary shall allocate not less than 85 percent of funds made available under subsection (e) for each fiscal year for the advertising functions specified under paragraph (1)(A).

(d) REPORTS.—The Secretary shall annually submit to Congress a report that describes—

(1) the strategy of the national media campaign and whether specific objectives of the campaign were accomplished, including—

(A) determinations concerning the rate of change of oil consumption, in both absolute and per capita terms; and

(B) an evaluation that enables consideration whether the media campaign contributed to reduction of oil consumption;

(2) steps taken to ensure that the national media campaign operates in an effective and efficient manner consistent with the overall strategy and focus of the campaign;

(3) plans to purchase advertising time and space;

(4) policies and practices implemented to ensure that Federal funds are used responsibly to purchase advertising time and space and eliminate the potential for waste, fraud, and abuse; and

(5) all contracts or cooperative agreements entered into with a corporation, partnership, or individual working on behalf of the national media campaign.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for each of fiscal years 2006 through 2010.

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