

109TH CONGRESS
2D SESSION

S. 2571

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

IN THE SENATE OF THE UNITED STATES

APRIL 6, 2006

Mr. CONRAD introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

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

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Breaking Our Long-Term Dependence Energy Act of
6 2006” or the “BOLD Energy Act of 2006”.

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

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purposes.
Sec. 3. Definitions.

TITLE I—VEHICLE FUEL ECONOMY

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

TITLE II—ALTERNATIVE FUEL VEHICLES

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

TITLE III—ALTERNATIVE FUELS

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

TITLE IV—DOMESTIC PRODUCTION OF OIL AND NATURAL GAS

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

TITLE V—ELECTRICITY AND RENEWABLES

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

TITLE VI—ENERGY EFFICIENCY

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

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

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

Sec. 604. Extension of nonbusiness energy property.

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

2 (a) FINDINGS.—Congress finds that—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

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

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

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

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

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

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

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

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

10 (i) any combustible fuel; and

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

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

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

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

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

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

(10) NORTH AMERICAN TRANSMISSION GRID.—

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

(11) NONROAD VEHICLE.—The term “nonroad

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

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

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

(13) PLUG-IN HYBRID ELECTRIC VEHICLE.—

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

(A) uses—

(i) any combustible fuel; and

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

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

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

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

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

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

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

15 (1) in section 32901(a)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 “(c) RULEMAKING.—

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

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

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

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

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

5 (b) COORDINATION WITH VEHICLE TAX CREDITS.—

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

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

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

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

24 (c) STUDY.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (1) in subsection (b)—

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

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

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

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

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

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

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

19 “(d) NATIONAL TIRE EFFICIENCY PROGRAM.—

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

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

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

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

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

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

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

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

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

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

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

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

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

14 “(D) a motorcycle tire; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (c) CONFORMING AMENDMENTS.—

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

“Sec. 45N. Idling reduction credit.”.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 “(a) CREDIT ALLOWED.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 “(i) electric motor or generator,

7 “(ii) power split device,

8 “(iii) power control unit,

9 “(iv) power controls,

10 “(v) integrated starter generator, or

11 “(vi) battery,

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

14 “(i) hydraulic accumulator vessel,

15 “(ii) hydraulic pump, or

16 “(iii) hydraulic pump-motor assembly,

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

19 “(i) diesel engine,

20 “(ii) turbocharger,

21 “(iii) fuel injection system, or

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

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

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

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

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

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

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

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

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

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

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

12 “(1) the sum of—

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

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

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

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

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

4 “(h) NO DOUBLE BENEFIT.—

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

12 “(2) RESEARCH AND DEVELOPMENT COSTS.—

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

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

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

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

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

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

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

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

(B) CONFORMING AMENDMENTS.—

(i) Section 1016(a) of the Internal Revenue Code of 1986, as amended by this Act, is amended by striking “and” at the end of paragraph (37), by striking the period at the end of paragraph (38) and inserting “, and”, and by adding at the end the following new paragraph:

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

(ii) Section 6501(m) of such Code, as amended by this Act, is amended by inserting “30D(k),” after “30C(e)(5),”.

(iii) 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 paragraph shall apply to amounts incurred in taxable years beginning after December 31, 2006.

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

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

11 (B) ESTABLISHMENT OF PROGRAM.—

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

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

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

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

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

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

15 (iii) certify that such manufacturer—

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

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

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

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

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

10 (i) the lesser of —

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (i) battery life;

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

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

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

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

9 (i) understand and inventory markets;
10 and

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

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

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

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

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

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

3 (2) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

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

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

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

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

14 “(2) APPLICATION WITH OTHER CREDITS.—

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

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

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

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

1 **TITLE III—ALTERNATIVE FUELS**

2 **SEC. 301. BIOFUELS.**

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

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

8 (2) in paragraph (2)—

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

11 (B) by striking “and”;

12 (3) in paragraph (3)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 ; and

2 (2) in clause (ii)—

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

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

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

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

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

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

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

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

1 are derived from cellulosic bio-
2 mass;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 “(11) ETHANOL PROMOTION PROGRAM.—

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

14 “(B) ADMINISTRATION.—The program—

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

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

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

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

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

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

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

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

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

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

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

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

8 “(1) DEFINITION OF RENEWABLE FUEL.—

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

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

15 “(i) animal fat;

16 “(ii) vegetable oil;

17 “(iii) recycled yellow grease;

18 “(iv) thermal depolymerization;

19 “(v) thermochemical conversion;

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

22 “(vii) a diesel-ethanol blend.

23 “(2) RENEWABLE FUEL PROGRAM.—

24 “(A) REGULATIONS.—

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

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

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

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

19 “(II) shall not—

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

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

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

10 “(B) APPLICABLE VOLUME.—

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

**“Applicable volume of renewable
 fuel in diesel motor pool
 (in millions of gallons):**

	Calendar year:
250	2008
500	2009
750	2010
1,000	2011
1,250	2012
1,500	2013
1,750	2014
2,000	2015.

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

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

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

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

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

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

25 “(II) the ratio that—

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

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

7 “(3) APPLICABLE PERCENTAGES.—

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

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

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

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

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

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

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

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

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

“(4) CREDIT PROGRAM.—

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

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

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

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

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

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

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

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

9 “(5) WAIVERS.—

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

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

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

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

“(C) TERMINATION OF WAIVERS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (a) INCOME TAX CREDITS.—

24 (1) ALCOHOL USED AS FUEL.—

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

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

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

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

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

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

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

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

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

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

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

“(E) SUCROSE OR CELLULOSIC ETHANOL PRODUCER.—

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

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

(C) CONFORMING AMENDMENTS.—

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

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

5 (b) EXCISE TAX CREDITS.—

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

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

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

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

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

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

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

8 (d) EFFECTIVE DATE.—

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

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

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

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

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

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

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

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

5 (3) the project site has been identified;

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

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

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

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

13 (B) carbon capture capability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 4 (A) \$40,000,000 for fiscal year 2007;
- 5 (B) \$48,000,000 for fiscal year 2008;
- 6 (C) \$56,000,000 for fiscal year 2009; and
- 7 (D) \$62,000,000 for fiscal year 2010.

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

- 14 (A) \$50,000,000 for fiscal year 2007;
- 15 (B) \$75,000,000 for fiscal year 2008;
- 16 (C) \$100,000,000 for fiscal year 2009; and
- 17 (D) \$110,000,000 for fiscal year 2010.

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

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

- 23 (A) \$3,500,000 for fiscal year 2007;
- 24 (B) \$4,000,000 for fiscal year 2008;
- 25 (C) \$4,500,000 for fiscal year 2009; and

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

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

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

8 (A) for the controlled hydrogen fleet—

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

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

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

12 and

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

14 and

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

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

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

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

20 and

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

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

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

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

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

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

3 (b) FEDERAL AND STATE PROCUREMENT OF FUEL
4 CELL VEHICLES AND HYDROGEN ENERGY SYSTEMS.—
5 Section 782(e) of the Energy Policy Act of 2005 (42
6 U.S.C. 16122(e)) is amended by striking paragraphs (2)
7 and (3) and inserting the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 “(3) INVESTMENT OF AMOUNTS.—

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

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

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

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

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

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

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

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

22 “(4) TRANSFERS OF AMOUNTS.—

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

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

“(B) ADJUSTMENTS.—Proper adjustment shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

“(5) EXPENDITURES FROM THE FUND.—

“(A) IN GENERAL.—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) AMOUNT AND PERSONS ELIGIBLE.—The Secretary of Energy may award grants under this paragraph in an amount not to exceed \$150,000 to persons who have expertise in—

“(i) operating a fueling station; or

“(ii) administering grants for the purpose of establishing an alternative fueling infrastructure.

“(C) OTHER CONSIDERATIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 “(i) from an industrial source, or

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

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

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

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

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

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

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

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

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

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

TITLE V—ELECTRICITY AND RENEWABLES

SEC. 501. DOE NATIONAL AND NORTH AMERICAN ELECTRICITY GRID STUDIES.

(a) FINDINGS.—Congress finds that—

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

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

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

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

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

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

20 (b) STUDIES.—

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

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

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

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

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

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

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

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

4 (D) diversification of power supply;

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

8 (F) promotion of national energy security;

9 (G) transmission losses; and

10 (H) reliability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 “(a) DEFINITIONS.—In this section:

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

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

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

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

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

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

1 “(B) ocean energy;

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

5 “(D) landfill gas.

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

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

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

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

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

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

12 “(6) INCREMENTAL HYDROPOWER.—

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

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

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

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

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

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

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

21 “(iii) landfill gas; or

22 “(iv) incremental hydropower; and

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

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

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

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

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

“(III) landfill gas; or

“(IV) incremental hydropower;

and

“(ii) the incremental geothermal production.

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

“(b) RENEWABLE ENERGY REQUIREMENT.—

“(1) REQUIREMENT.—

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

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

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

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

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

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

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

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

16 “(D) a combination of the foregoing.

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

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

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

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

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

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

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

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

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

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

3 “(d) ENFORCEMENT.—

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

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

15 “(3) MITIGATION OR WAIVER.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 “(2) is located in Hawaii.

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

17 “(i) STATE PROGRAMS.—

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

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

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

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

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

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

19 “(1) NATIONAL LIMITATION.—

20 “(A) INITIAL NATIONAL LIMITATION.—

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

1 “(B) ANNUAL NATIONAL LIMITATION.—

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

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

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

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

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

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

23 “(b) LIMITATIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “(2) CONDOMINIUMS.—

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

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

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

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

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

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

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

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

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

“Sec. 30E. Wind energy property.”.

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

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

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

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

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

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

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

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

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

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

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

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

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

24 “(b) AMOUNT OF CREDIT.—

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

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

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

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

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

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

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

4 “(A) March 15,

5 “(B) June 15,

6 “(C) September 15, and

7 “(D) December 15.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 “(D) TREATMENT OF CHANGES IN USE.—

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

20 “(e) MATURITY LIMITATIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 “(A) a clean energy bond lender,

13 “(B) a cooperative electric company,

14 “(C) a governmental body, or

15 “(D) the Tennessee Valley Authority.

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

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

21 “(B) a governmental body, or

22 “(C) the Tennessee Valley Authority.

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

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

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

4 For purposes of this section—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (d) ISSUANCE OF REGULATIONS.—The Secretary of
20 the Treasury shall issues regulations required under sec-
21 tion 54A of the Internal Revenue Code of 1986 (as added
22 by this section) not later than 120 days after the date
23 of the enactment of this Act.

1 (e) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to bonds issued after December
 3 31, 2006.

4 **SEC. 510. INCREASE IN CREDIT LIMITATION FOR QUALI-**
 5 **FYING GASIFICATION PROJECTS.**

6 (a) IN GENERAL.—Paragraph (1) of section 48B(d)
 7 of the Internal Revenue Code of 1986 is amended by strik-
 8 ing “\$350,000,000” and inserting “\$4,000,000,000”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall take effect as if included in section 1307
 11 of the Energy Policy Act of 2005.

12 **SEC. 511. MODIFICATION OF QUALIFYING ADVANCED COAL**
 13 **PROJECT CREDIT.**

14 (a) IN GENERAL.—Subparagraph (C) of section
 15 48A(e)(1) of the Internal Revenue Code of 1986 is amend-
 16 ed by inserting “(300 megawatts in the case of projects
 17 using subbituminous or lignite as a primary feedstock)”
 18 after “400 megawatts”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 this section shall take effect as if included in section 1307
 21 of the Energy Policy Act of 2005.

22 **SEC. 512. GREAT PLAINS SYNFUELS TRUST.**

23 (a) IN GENERAL.—Not later than 90 days after the
 24 date of enactment of this Act, the Secretary shall—

1 (1) establish a trust to be known as the “Great
2 Plains Synfuels Trust” (referred to in this section as
3 the “Trust”); and

4 (2) deposit in the Trust 50 percent of the rev-
5 enue-sharing payments that would otherwise be re-
6 ceived under the asset purchase agreement between
7 the Secretary and the Dakota Gasification Company,
8 dated October 7, 1988, and as in effect on the date
9 of enactment of this Act, as a result of the operation
10 of the Great Plains Synfuels Plant.

11 (b) COAL DEVELOPMENT PROGRAM.—Not later than
12 180 days after the date of enactment of this Act, the Sec-
13 retary shall—

14 (1) establish an advanced clean low-rank coal
15 development program; and

16 (2) use funds from the Trust, on such cost-
17 sharing basis as the Secretary shall establish, to
18 carry out the program at the Great Plains Synfuels
19 Plant.

20 **TITLE VI—ENERGY EFFICIENCY**

21 **SEC. 601. ENERGY CREDIT FOR COMBINED HEAT AND** 22 **POWER SYSTEM PROPERTY.**

23 (a) IN GENERAL.—Section 48(a)(3)(A) of the Inter-
24 nal Revenue Code of 1986 (defining energy property) is
25 by striking “or” at the end of clause (iii), by inserting

1 “or” at the end of clause (iv), and by adding at the end
 2 the following new clause:

3 “(v) combined heat and power system
 4 property,”.

5 (b) COMBINED HEAT AND POWER SYSTEM PROP-
 6 erty.—Section 48 of the Internal Revenue Code of 1986
 7 is amended by adding at the end the following new sub-
 8 section:

9 “(d) COMBINED HEAT AND POWER SYSTEM PROP-
 10 erty.—For purposes of subsection (a)(3)(A)(v)—

11 “(1) COMBINED HEAT AND POWER SYSTEM
 12 PROPERTY.—The term ‘combined heat and power
 13 system property’ means property comprising a sys-
 14 tem—

15 “(A) which uses the same energy source
 16 for the simultaneous or sequential generation of
 17 electrical power, mechanical shaft power, or
 18 both, in combination with the generation of
 19 steam or other forms of useful thermal energy
 20 (including heating and cooling applications),

21 “(B) which has an electrical capacity of
 22 not more than 15 megawatts or a mechanical
 23 energy capacity of not more than 2,000 horse-
 24 power or an equivalent combination of electrical
 25 and mechanical energy capacities,

1 “(C) which produces—

2 “(i) at least 20 percent of its total
3 useful energy in the form of thermal en-
4 ergy which is not used to produce electrical
5 or mechanical power (or combination
6 thereof), and

7 “(ii) at least 20 percent of its total
8 useful energy in the form of electrical or
9 mechanical power (or combination thereof),

10 “(D) the energy efficiency percentage of
11 which exceeds 60 percent, and

12 “(E) which is placed in service before Jan-
13 uary 1, 2011.

14 “(2) SPECIAL RULES.—

15 “(A) ENERGY EFFICIENCY PERCENT-
16 AGE.—For purposes of this subsection, the en-
17 ergy efficiency percentage of a system is the
18 fraction—

19 “(i) the numerator of which is the
20 total useful electrical, thermal, and me-
21 chanical power produced by the system at
22 normal operating rates, and expected to be
23 consumed in its normal application, and

1 “(ii) the denominator of which is the
 2 lower heating value of the fuel sources for
 3 the system.

4 “(B) DETERMINATIONS MADE ON BTU
 5 BASIS.—The energy efficiency percentage and
 6 the percentages under paragraph (1)(C) shall
 7 be determined on a Btu basis.

8 “(C) INPUT AND OUTPUT PROPERTY NOT
 9 INCLUDED.—The term ‘combined heat and
 10 power system property’ does not include prop-
 11 erty used to transport the energy source to the
 12 facility or to distribute energy produced by the
 13 facility.

14 “(D) CERTAIN EXCEPTION NOT TO
 15 APPLY.—The first sentence of the matter in
 16 subsection (a)(3) which follows subparagraph
 17 (D) thereof shall not apply to combined heat
 18 and power system property.

19 “(3) SYSTEMS USING BAGASSE.—If a system is
 20 designed to use bagasse for at least 90 percent of
 21 the energy source—

22 “(A) paragraph (1)(D) shall not apply, but

23 “(B) the amount of credit determined
 24 under subsection (a) with respect to such sys-
 25 tem shall not exceed the amount which bears

1 the same ratio to such amount of credit (deter-
 2 mined without regard to this paragraph) as the
 3 energy efficiency percentage of such system
 4 bears to 60 percent.”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to periods after December 31,
 7 2006, in taxable years ending after such date, under rules
 8 similar to the rules of section 48(m) of the Internal Rev-
 9 enue Code of 1986 (as in effect on the day before the date
 10 of the enactment of the Revenue Reconciliation Act of
 11 1990).

12 **SEC. 602. EXTENSION OF NEW ENERGY EFFICIENT HOME**
 13 **CREDIT.**

14 (a) IN GENERAL.—Section 45L(g) of the Internal
 15 Revenue Code of 1986 is amended by striking “December
 16 31, 2007” and inserting “December 31, 2010”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to qualified new energy efficient
 19 homes acquired after the date of enactment of this Act,
 20 in taxable years ending after such date.

21 **SEC. 603. MODIFICATION AND EXTENSION OF ENERGY EF-**
 22 **FICIENT COMMERCIAL BUILDINGS DEDUC-**
 23 **TION.**

24 (a) INCREASE IN CREDIT AMOUNT.—

1 (1) IN GENERAL.—Subparagraph (A) of section
 2 179D(b)(1) of the Internal Revenue Code of 1986 is
 3 amended by striking “\$1.80” and inserting “\$2.25”.

4 (2) PARTIAL ALLOWANCE.—Subparagraph (A)
 5 of section 179D(1) of such Code is amended—

6 (A) by striking “\$.60” and inserting
 7 “\$.75”, and

8 (B) by striking “\$1.80” and inserting
 9 “\$2.25”.

10 (b) EXTENSION.—Section 179D(g) of the Internal
 11 Revenue Code of 1986 is amended by striking “December
 12 31, 2007” and inserting “December 31, 2010”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to property placed in service after
 15 December 31, 2006.

16 **SEC. 604. EXTENSION OF NONBUSINESS ENERGY PROP-**
 17 **ERTY.**

18 (a) IN GENERAL.—Section 25C(g) of the Internal
 19 Revenue Code of 1986 is amended by striking “December
 20 31, 2007” and inserting “December 31, 2010”.

21 (b) EFFECTIVE DATE.—The amendment made by
 22 this section shall apply to property placed in service after
 23 the date of the enactment of this Act.

○