

110TH CONGRESS  
1ST SESSION

# H. R. 2354

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

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## IN THE HOUSE OF REPRESENTATIVES

MAY 16, 2007

Mr. VISCLOSKY introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means, Transportation and Infrastructure, Armed Services, Oversight and Government Reform, and Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

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

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

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

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

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Office of Energy Security.
- Sec. 3. Credit for production of qualified flexible fuel motor vehicles.
- Sec. 4. Incentives for the retail sale of alternative fuels as motor vehicle fuel.
- Sec. 5. Freedom for fuel franchisers.
- Sec. 6. Alternative diesel fuel content of diesel.
- Sec. 7. Excise tax credit for production of cellulosic biomass ethanol.
- Sec. 8. Incentive for Federal and State fleets for medium and heavy duty hybrids.
- Sec. 9. Credit for qualifying ethanol blending and processing equipment.
- Sec. 10. Public access to Federal alternative refueling stations.
- Sec. 11. Purchase of clean fuel buses.
- Sec. 12. Domestic fuel production volumes to meet Department of Defense needs.
- Sec. 13. Federal fleet energy conservation improvement.

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

4 (a) DEFINITIONS.—In this section:

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

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

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

14 (c) DIRECTOR.—

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

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

5           (d) RESPONSIBILITIES.—

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

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

13                 (A) serve as head of the energy commu-  
14                 nity;

15                 (B) act as the principal advisor to the  
16                 President, the National Security Council, the  
17                 National Economic Council, the Domestic Pol-  
18                 icy Council, and the Homeland Security Council  
19                 with respect to intelligence matters relating to  
20                 energy security;

21                 (C) with request to budget requests and  
22                 appropriations for Federal programs relating to  
23                 energy security—

24                         (i) consult with the President and the  
25                         Director of the Office of Management and

1 Budget with respect to each major Federal  
2 budgetary decision relating to energy secu-  
3 rity of the United States;

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

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

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

23 (D) establish and meet regularly with a  
24 council of business and labor leaders to develop  
25 and provide to the President and Congress rec-

1           ommendations relating to the impact of energy  
2           supply and prices on economic growth;

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

7           (F) carry out such other responsibilities as  
8           the President may assign.

9       (e) STAFF.—

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

15           (2) COMPENSATION.—

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

23           (B) MAXIMUM RATE OF PAY.—The rate of  
24           pay for the personnel appointed by the Director  
25           shall not exceed the rate payable for level V of

1 the Executive Schedule under section 5316 of  
2 title 5, United States Code.

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

6 **SEC. 3. CREDIT FOR PRODUCTION OF QUALIFIED FLEXIBLE**  
7 **FUEL MOTOR VEHICLES.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of  
10 1986 is amended by adding at the end the following new  
11 section:

12 **“SEC. 450. PRODUCTION OF QUALIFIED FLEXIBLE FUEL**  
13 **MOTOR VEHICLES.**

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

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

25 “(1) the excess of—

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

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

6           “(2) \$100.

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

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

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

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

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

1        requirements relating to cold start, safety, or vehicle  
2        functions) of the volume of consists of ethanol.

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

4 For purposes of this section—

5            “(1) MOTOR VEHICLE.—The term ‘motor vehi-  
6        cle’ has the meaning given such term by section  
7        30(c)(2).

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

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

21           “(4) NO DOUBLE BENEFIT.—The amount of  
22       any deduction or credit allowable under this chapter  
23       (other than the credits allowable under this section  
24       and section 30B) shall be reduced by the amount of

1 credit allowed under subsection (a) for such vehicle  
2 for the taxable year.

3 “(5) ELECTION NOT TO TAKE CREDIT.—No  
4 credit shall be allowed under subsection (a) for any  
5 vehicle if the taxpayer elects to not have this section  
6 apply to such vehicle.

7 “(6) TERMINATION.—This section shall not  
8 apply to any vehicle produced after December 31,  
9 2011.

10 “(7) CROSS REFERENCE.—For an election to  
11 claim certain minimum tax credits in lieu of the  
12 credit determined under this section, see section  
13 53(e).”.

14 (b) CREDIT ALLOWED AGAINST THE ALTERNATIVE  
15 MINIMUM TAX.—Section 38(c)(4)(B) of the Internal Rev-  
16 enue Code of 1986 (defining specified credits) is amended  
17 by striking “and” at the end of clause (i), by striking the  
18 period at the end of clause (ii)(II) and inserting “, and”,  
19 and by adding at the end the following new clause:

20 “(iii) the credit determined under sec-  
21 tion 45O.”.

22 (c) ELECTION TO USE ADDITIONAL AMT CREDIT.—  
23 Section 53 of the Internal Revenue Code of 1986 (relating  
24 to credit for prior year minimum tax liability) is amended  
25 by adding at the end the following new subsection:

1       “(f) ADDITIONAL CREDIT IN LIEU OF FLEXIBLE  
2 FUEL MOTOR VEHICLE CREDIT.—

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

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

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

23          “(d) CONFORMING AMENDMENTS.—Section 38(b) of  
24 the Internal Revenue Code of 1986 is amended by striking  
25 “plus” at the end of paragraph (30), by striking the period

1 at the end of paragraph (31) and inserting “, plus”, and  
 2 by adding at the end the following new paragraph:

3 “(32) the qualified flexible fuel motor vehicle  
 4 production credit determined under section  
 5 450(a).”.

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

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

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

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

16 (a) IN GENERAL.—Subpart D of part IV of sub-  
 17 chapter A of chapter 1 of the Internal Revenue Code of  
 18 1986 (relating to business related credits) is amended by  
 19 inserting after section 40A the following new section:

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

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

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

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

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

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

12           “(2) SOLD AT RETAIL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 “(a) DEFINITION.—In this section:

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

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

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

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

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

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

24 “(b) PROHIBITIONS.—

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

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

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

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

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

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

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

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

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

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

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

4 (2) CONFORMING AMENDMENTS.—

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

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

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

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

14 and

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

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

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

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

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

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

7 (3) in subsection (d) (as redesignated by para-  
8 graph (1))—

9 (A) by striking “(d) As used in this sec-  
10 tion,” and inserting the following: “‘section—  
11 ‘(1) the term’”;

12 (B) by striking the period at the end and  
13 inserting “; and”; and

14 (C) by adding at the end the following:

15 “(2) the term ‘gasohol’ includes any blend of  
16 ethanol and gasoline such as E-85.”.

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

18 (a) FINDINGS.—Congress finds that—

19 (1) section 211(o) of the Clean Air Act (42  
20 U.S.C. 7535(o)) (as amended by section 1501 of the  
21 Energy Policy Act of 2005 (Public Law 109-58))  
22 established a renewable fuel program under which  
23 entities in the petroleum sector are required to blend  
24 renewable fuels into motor vehicle fuel based on the  
25 gasoline motor pool;

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

6           (3)(A) the renewable fuel program under sec-  
7           tion 211(o) of the Clean Air Act requires a small  
8           percentage of the gasoline motor pool, totaling near-  
9           ly 140,000,000,000 gallons, to contain a renewable  
10          fuel; and

11          (B) the small percentage requirement described  
12          in subparagraph (A) does not include the  
13          40,000,000,000-gallon diesel motor pool.

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

18          “(p) ALTERNATIVE DIESEL FUEL PROGRAM FOR  
19          DIESEL MOTOR POOL.—

20                  “(1) DEFINITION OF ALTERNATIVE DIESEL  
21          FUEL.—

22                          “(A) IN GENERAL.—In this subsection, the  
23                          term ‘alternative diesel fuel’ means biodiesel (as  
24                          defined in section 312(f) of the Energy Policy  
25                          Act of 1992 (42 U.S.C. 13220(f))) and any

1 blending components derived from alternative  
2 fuel (provided that only the alternative fuel por-  
3 tion of any such blending component shall be  
4 considered to be part of the applicable volume  
5 under the alternative diesel fuel program estab-  
6 lished by this subsection).

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

10 “(i) animal fat;

11 “(ii) plant oil;

12 “(iii) recycled yellow grease;

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

14 “(v) thermal depolymerization;

15 “(vi) thermochemical conversion;

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

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

22 “(ix) sugar, starch, or cellulosic bio-  
23 mass.

24 “(2) ALTERNATIVE DIESEL FUEL PROGRAM.—

25 “(A) REGULATIONS.—

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

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

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

21                 “(II) shall not—

22                         “(aa) restrict geographic  
23                         areas in which alternative diesel  
24                         fuel may be used; or

1                                   “(bb) impose any per-gallon  
 2                                   obligation for the use of alter-  
 3                                   native diesel fuel.

4                                   “(iii) REQUIREMENT IN CASE OF  
 5                                   FAILURE TO PROMULGATE REGULA-  
 6                                   TIONS.—If the Administrator fails to pro-  
 7                                   mulgate regulations under clause (i), the  
 8                                   percentage of alternative diesel fuel in the  
 9                                   diesel motor pool sold or dispensed to con-  
 10                                   sumers in the United States, on a volume  
 11                                   basis, shall be 0.6 percent for calendar  
 12                                   year 2009.

13                                   “(B) APPLICABLE VOLUME.—

14                                   “(i) CALENDAR YEARS 2009 THROUGH  
 15                                   2016.—For the purpose of subparagraph  
 16                                   (A), the applicable volume for any of cal-  
 17                                   endar years 2009 through 2016 shall be  
 18                                   determined in accordance with the fol-  
 19                                   lowing table:

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

1                   “(ii) CALENDAR YEAR 2017 AND  
2                   THEREAFTER.—The applicable volume for  
3                   calendar year 2017 and each calendar year  
4                   thereafter shall be determined by the Ad-  
5                   ministrators, in coordination with the Sec-  
6                   retary of Agriculture and the Secretary of  
7                   Energy, based on a review of the imple-  
8                   mentation of the program during calendar  
9                   years 2009 through 2016, including a re-  
10                  view of—

11                   “(I) the impact of the use of al-  
12                  ternative diesel fuels on the environ-  
13                  ment, air quality, energy security, job  
14                  creation, and rural economic develop-  
15                  ment; and

16                   “(II) the expected annual rate of  
17                  future production of alternative diesel  
18                  fuels to be used as a blend component  
19                  or replacement to the diesel motor  
20                  pool.

21                   “(iii) MINIMUM APPLICABLE VOL-  
22                  UME.—For the purpose of subparagraph  
23                  (A), the applicable volume for calendar  
24                  year 2017 and each calendar year there-

1 after shall be equal to the product obtained  
2 by multiplying—

3 “(I) the number of gallons of die-  
4 sel that the Administrator estimates  
5 will be sold or introduced into com-  
6 merce during the calendar year; and

7 “(II) the ratio that—

8 “(aa) 2,000,000,000 gallons  
9 of alternative diesel fuel; bears to

10 “(bb) the number of gallons  
11 of diesel sold or introduced into  
12 commerce during calendar year  
13 2016.

14 “(3) APPLICABLE PERCENTAGES.—

15 “(A) PROVISION OF ESTIMATE OF VOL-  
16 UMES OF DIESEL SALES.—Not later than Octo-  
17 ber 31 of each of calendar years 2008 through  
18 2016, the Administrator of the Energy Infor-  
19 mation Administration shall provide to the Ad-  
20 ministrator an estimate, with respect to the fol-  
21 lowing calendar year, of the volumes of diesel  
22 projected to be sold or introduced into com-  
23 merce in the United States.

24 “(B) DETERMINATION OF APPLICABLE  
25 PERCENTAGES.—

1           “(i) IN GENERAL.—Not later than  
2           November 30 of each of calendar years  
3           2009 through 2016, based on the estimate  
4           provided under subparagraph (A), the Ad-  
5           ministrators shall determine and publish in  
6           the Federal Register, with respect to the  
7           following calendar year, the alternative die-  
8           sel fuel obligation that ensures that the re-  
9           quirements of paragraph (2) are met.

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

13                   “(I) be applicable to refineries,  
14                   blenders, and importers, as appro-  
15                   priate;

16                   “(II) be expressed in terms of a  
17                   volume percentage of diesel sold or in-  
18                   troduced into commerce in the United  
19                   States; and

20                   “(III) subject to subparagraph  
21                   (C), consist of a single applicable per-  
22                   centage that applies to all categories  
23                   of persons described in subclause (I).

24           “(C) ADJUSTMENTS.—In determining the  
25           applicable percentage for a calendar year, the

1 Administrator shall make adjustments to pre-  
2 vent the imposition of redundant obligations on  
3 any person described in subparagraph  
4 (B)(ii)(I).

5 “(4) CREDIT PROGRAM.—

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

14 “(B) USE OF CREDITS.—A person that  
15 generates a credit under subparagraph (A) may  
16 use the credit, or transfer all or a portion of the  
17 credit to another person, for the purpose of  
18 complying with regulations promulgated pursu-  
19 ant to paragraph (2).

20 “(C) DURATION OF CREDITS.—A credit  
21 generated under this paragraph shall be valid  
22 during the 1-year period beginning on the date  
23 on which the credit is generated.

24 “(D) INABILITY TO GENERATE OR PUR-  
25 CHASE SUFFICIENT CREDITS.—The regulations

1 promulgated pursuant to paragraph (2)(A)  
2 shall include provisions allowing any person  
3 that is unable to generate or purchase sufficient  
4 credits under subparagraph (A) to meet the re-  
5 quirements of paragraph (2) by carrying for-  
6 ward a credit generated during a previous year  
7 on the condition that the person, during the cal-  
8 endar year following the year in which the al-  
9 ternative diesel fuel deficit is created—

10 “(i) achieves compliance with the al-  
11 ternative diesel fuel requirement under  
12 paragraph (2); and

13 “(ii) generates or purchases additional  
14 credits under subparagraph (A) to offset  
15 the deficit of the previous year.

16 “(5) WAIVERS.—

17 “(A) IN GENERAL.—The Administrator, in  
18 consultation with the Secretary of Agriculture  
19 and the Secretary of Energy, may waive the re-  
20 quirements of paragraph (2) in whole or in part  
21 on receipt of a petition of 1 or more States by  
22 reducing the national quantity of alternative  
23 diesel fuel for the diesel motor pool required  
24 under paragraph (2) based on a determination

1 by the Administrator, after public notice and  
2 opportunity for comment, that—

3 “(i) implementation of the require-  
4 ment would severely harm the economy or  
5 environment of a State, a region, or the  
6 United States; or

7 “(ii) there is an inadequate domestic  
8 supply of alternative diesel fuel.

9 “(B) PETITIONS FOR WAIVERS.—Not later  
10 than 90 days after the date on which the Ad-  
11 ministrator receives a petition under subpara-  
12 graph (A), the Administrator, in consultation  
13 with the Secretary of Agriculture and the Sec-  
14 retary of Energy, shall approve or disapprove  
15 the petition.

16 “(C) TERMINATION OF WAIVERS.—

17 “(i) IN GENERAL.—Except as pro-  
18 vided in clause (ii), a waiver under sub-  
19 paragraph (A) shall terminate on the date  
20 that is 1 year after the date on which the  
21 waiver is provided.

22 “(ii) EXCEPTION.—The Adminis-  
23 trator, in consultation with the Secretary  
24 of Agriculture and the Secretary of En-  
25 ergy, may extend a waiver under subpara-

1 graph (A), as the Administrator deter-  
2 mines to be appropriate.”.

3 (c) PENALTIES AND ENFORCEMENT.—Section  
4 211(d) of the Clean Air Act (42 U.S.C. 7545(d)) is  
5 amended—

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

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

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

12 (1) in subsection (i)(4), by striking “section  
13 324” each place it appears and inserting “section  
14 325”;

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

17 (3) in subsection (n), by striking “section  
18 219(2)” and inserting “section 216(2)”;

19 (4) by redesignating the second subsection (r)  
20 and subsection (s) as subsections (s) and (t), respec-  
21 tively; and

22 (5) in subsection (t)(1) (as redesignated by  
23 paragraph (4)), by striking “this subtitle” and in-  
24 serting “this part”.

1 **SEC. 7. EXCISE TAX CREDIT FOR PRODUCTION OF CEL-**  
2 **LULOSIC BIOMASS ETHANOL.**

3 (a) ALLOWANCE OF EXCISE TAX CREDIT.—

4 (1) IN GENERAL.—Section 6426 of the Internal  
5 Revenue Code of 1986 (relating to credit for alcohol  
6 fuel, biodiesel, and alternative fuel mixtures) is  
7 amended by redesignating subsections (f) and (g) as  
8 subsections (g) and (h), respectively, and by insert-  
9 ing after subsection (e) the following new subsection:

10 “(f) CELLULOSIC BIOMASS ETHANOL CREDIT.—

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

15 “(A) the product of 51 cents times the  
16 equivalent number of gallons of renewable fuel  
17 specified in section 211(o)(4) of the Clean Air  
18 Act, times

19 “(B) the number of gallons of qualified cel-  
20 lulosic biomass ethanol fuel production of such  
21 producer.

22 “(2) DEFINITIONS.—

23 “(A) CELLULOSIC BIOMASS ETHANOL.—

24 The term ‘cellulosic biomass ethanol’ has the  
25 meaning given such term under section  
26 211(o)(1)(A) of the Clean Air Act.

1           “(B) QUALIFIED CELLULOSIC BIOMASS  
2           ETHANOL FUEL PRODUCTION.—The term  
3           ‘qualified cellulosic biomass ethanol fuel produc-  
4           tion’ means any alcohol which is cellulosic bio-  
5           mass ethanol which during the taxable year—

6                   “(i) is sold by the producer to another  
7                   person—

8                           “(I) for use by such other person  
9                           in the production of an alcohol fuel  
10                           mixture in such other person’s trade  
11                           or business (other than casual off-  
12                           farm production),

13                           “(II) for use by such other per-  
14                           son as a fuel in a trade or business,  
15                           or

16                           “(III) who sells such cellulosic  
17                           biomass ethanol at retail to another  
18                           person and places such ethanol in the  
19                           fuel tank of such other person, or

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

22           “(3) DENIAL OF DOUBLE BENEFIT.—No credit  
23           shall be allowed under subsection (b) or (c) to any  
24           taxpayer with respect to any fuel to the extent that  
25           a credit has been allowed with respect to such fuel

1 to any taxpayer under this subsection or a payment  
 2 has been made with respect to such fuel under sec-  
 3 tion 6427(e).

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

7 (2) CONFORMING AMENDMENTS.—

8 (A) Section 6426(a) of such Code is  
 9 amended—

10 (i) by striking “subsection (d)” in  
 11 paragraph (2) and inserting “subsections  
 12 (d) and (f)”, and

13 (ii) by striking “subsections (d) and  
 14 (e)” in the last sentence and inserting  
 15 “subsections (d), (e), and (f)”.

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

18 **“SEC. 6426. CREDIT FOR CERTAIN FUELS AND FUEL MIX-**  
 19 **TURES.”.**

20 (C) The table of section for subchapter B  
 21 of chapter 65 of such Code is amended by strik-  
 22 ing the item relating to section 6426 and in-  
 23 serting the following new item:

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

24 (b) CELLULOSIC BIOMASS ETHANOL NOT USED FOR  
 25 A TAXABLE PURPOSE.—

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

6           “(3) CELLULOSIC BIOMASS ETHANOL.—If any  
7           person sells or uses cellulosic biomass ethanol (as de-  
8           fined in section 6426(f)(2)(A)) for a purpose de-  
9           scribed in section 6426(f)(2)(B) in such person’s  
10          trade or business, the Secretary shall pay (without  
11          interest) to such person an amount equal to the cel-  
12          lulosic biomass ethanol credit with respect to such  
13          fuel.”.

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

17          “(4) COORDINATION WITH OTHER REPAYMENT  
18          PROVISIONS.—

19                 “(A) IN GENERAL.—No amount shall be  
20                 payable under paragraph (1), (2), or (3) with  
21                 respect to any mixture, alternative fuel, or cel-  
22                 lulosic biomass ethanol with respect to which an  
23                 amount is allowed as a credit under section  
24                 6426.

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

6           (3) TERMINATION.—Paragraph (6) of section  
7           6427(e) of such Code, as redesignated by paragraph  
8           (1), is amended by striking “and” at the end of sub-  
9           paragraph (C), by striking the period at the end of  
10          subparagraph (D) and inserting “, and”, and by  
11          adding at the end the following new subparagraph:

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

15          (4) CONFORMING AMENDMENT.—Paragraph (5)  
16          of section 6427(e) of such Code, as redesignated by  
17          paragraph (1), is amended by striking “or alter-  
18          native fuel mixture credit” and inserting “, alter-  
19          native fuel mixture credit, or cellulosic biomass eth-  
20          anol credit”.

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

1 **SEC. 8. INCENTIVE FOR FEDERAL AND STATE FLEETS FOR**  
2 **MEDIUM AND HEAVY DUTY HYBRIDS.**

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

5 (1) in paragraph (3), by striking “or a dual  
6 fueled vehicle” and inserting “, a dual fueled vehicle,  
7 or a medium or heavy duty vehicle that is a hybrid  
8 vehicle”;

9 (2) by redesignating paragraphs (11), (12),  
10 (13), and (14) as paragraphs (12), (14), (15), and  
11 (16), respectively;

12 (3) by inserting after paragraph (10) the fol-  
13 lowing:

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

18 (4) by inserting after paragraph (12) (as redес-  
19 igned by paragraph (2)) the following:

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

22 “(A) in the case of a medium duty vehicle,  
23 has a gross vehicle weight rating of more than  
24 8,500 pounds but not more than 14,000  
25 pounds; and

1           “(B) in the case of a heavy duty vehicle,  
2           has a gross vehicle weight rating of more than  
3           14,000 pounds;”.

4 **SEC. 9. CREDIT FOR QUALIFYING ETHANOL BLENDING AND**  
5 **PROCESSING EQUIPMENT.**

6           (a) ALLOWANCE OF QUALIFYING ETHANOL BLEND-  
7 ING AND PROCESSING EQUIPMENT CREDIT.—Section 46  
8 of the Internal Revenue Code of 1986 (relating to amount  
9 of credit) is amended by striking “and” at the end of para-  
10 graph (3), by striking the period at the end of paragraph  
11 (4) and inserting “, and”, and by adding at the end the  
12 following new paragraph:

13           “(5) the qualifying ethanol blending and proc-  
14           essing equipment credit.”.

15           (b) AMOUNT OF QUALIFYING ETHANOL BLENDING  
16 AND PROCESSING EQUIPMENT CREDIT.—Subpart E of  
17 part IV of subchapter A of chapter 1 of the Internal Rev-  
18 enue Code of 1986 (relating to rules for computing invest-  
19 ment credit) is amended by inserting after section 48B  
20 the following new section:

21 **“SEC. 48C. QUALIFYING ETHANOL BLENDING AND PROC-**  
22 **ESSING EQUIPMENT.**

23           “(a) IN GENERAL.—For purposes of section 46, the  
24 qualifying ethanol blending and processing equipment  
25 credit for any taxable year is an amount equal to 50 per-

1 cent of the basis of the qualifying ethanol blending and  
2 processing equipment placed in service at a qualifying fa-  
3 cility during such taxable year.

4 “(b) LIMITATION.—The credit allowed under sub-  
5 section (a) for qualifying ethanol blending and processing  
6 equipment placed in service at any 1 qualifying facility  
7 during any taxable year shall not exceed \$2,000,000.

8 “(c) QUALIFYING ETHANOL BLENDING AND PROC-  
9 ESSING EQUIPMENT.—For purposes of this section, the  
10 term ‘qualifying ethanol blending and processing equip-  
11 ment’ means any technology installed in or on a qualifying  
12 facility for blending ethanol with petroleum fuels for the  
13 purpose of direct retail sale, including in-line blending  
14 equipment, storage tanks, pumps and piping for dena-  
15 turants, and load-out equipment.

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

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

23 “(f) CERTAIN QUALIFIED PROGRESS EXPENDITURES  
24 RULES MADE APPLICABLE.—Rules similar to the rules of  
25 subsections (c)(4) and (d) of section 46 (as in effect on

1 the day before the enactment of the Revenue Reconcili-  
2 ation Act of 1990) shall apply for purposes of this sub-  
3 section.

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

6 (c) RECAPTURE OF CREDIT WHERE EMISSIONS RE-  
7 DUCTION OFFSET IS SOLD.—Paragraph (1) of section  
8 50(a) of the Internal Revenue Code of 1986 is amended  
9 by redesignating subparagraph (B) as subparagraph (C)  
10 and by inserting after subparagraph (A) the following new  
11 subparagraph:

12 “(B) SPECIAL RULE FOR QUALIFYING  
13 ETHANOL BLENDING AND PROCESSING EQUIP-  
14 MENT.—For purposes of subparagraph (A), any  
15 investment property which is qualifying ethanol  
16 blending and processing equipment (as defined  
17 in section 48C(c)) shall cease to be investment  
18 credit property with respect to a taxpayer if  
19 such taxpayer receives a payment in exchange  
20 for a credit for emission reductions attributable  
21 to such qualifying pollution control equipment  
22 for purposes of an offset requirement under  
23 part D of title I of the Clean Air Act.”.

24 (d) SPECIAL RULE FOR BASIS REDUCTION; RECAP-  
25 TURE OF CREDIT.—Paragraph (3) of section 50(c) of the

1 Internal Revenue Code of 1986 (relating to basis adjust-  
 2 ment to investment credit property) is amended by insert-  
 3 ing “or qualifying ethanol blending and processing equip-  
 4 ment credit” after “energy credit”.

5 (e) CERTAIN NONRECOURSE FINANCING EXCLUDED  
 6 FROM CREDIT BASE.—Section 49(a)(1)(C) of the Internal  
 7 Revenue Code of 1986 (defining credit base) is amended  
 8 by striking “and” at the end of clause (iii), by striking  
 9 the period at the end of clause (iv) and inserting “, and”,  
 10 and by adding at the end the following new clause:

11 “(v) the basis of any property which  
 12 is part of any qualifying ethanol blending  
 13 and processing equipment under section  
 14 48C.”.

15 (f) EFFECTIVE DATE.—The amendments made by  
 16 this section shall apply to property placed in service after  
 17 December 31, 2007, in taxable years ending after such  
 18 date, under rules similar to the rules of section 48(m) of  
 19 the Internal Revenue Code of 1986 (as in effect on the  
 20 day before the date of the enactment of the Revenue Rec-  
 21 onciliation Act of 1990).

22 **SEC. 10. PUBLIC ACCESS TO FEDERAL ALTERNATIVE RE-**  
 23 **FUELING STATIONS.**

24 (a) DEFINITIONS.—In this section:

1           (1) ALTERNATIVE FUEL REFUELING STA-  
2           TION.—The term “alternative fuel refueling station”  
3           has the meaning given the term “qualified alter-  
4           native fuel vehicle refueling property” in section  
5           30C(e)(1) of the Internal Revenue Code of 1986.

6           (2) SECRETARY.—The term “Secretary” means  
7           the Secretary of Energy.

8           (b) ACCESS TO FEDERAL ALTERNATIVE REFUELING  
9           STATIONS.—Not later than 18 months after the date of  
10          enactment of this Act—

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

15           (2) except as provided in subsection (d)(2), any  
16          alternative fuel refueling station located on property  
17          owned by the Federal government shall permit full  
18          public access for the purpose of refueling using al-  
19          ternative fuel.

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

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

24           (2) the date on which the Secretary determines  
25          that not less than 5 percent of the commercial re-

1 fueling infrastructure in the United States offers al-  
2 ternative fuels to the general public.

3 (d) EXCEPTIONS.—

4 (1) WAIVER.—Subsection (b)(1) shall not apply  
5 to any Federal property under the jurisdiction of a  
6 Federal agency if the Secretary determines that al-  
7 ternative fuel is not reasonably available to retail  
8 purchasers of the fuel, as certified by the head of  
9 the agency to the Secretary.

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

15 (e) REPORT.—Not later than October 31 of each year  
16 beginning after the date of enactment of this Act, the  
17 President shall submit to Congress a report that describes  
18 the progress of the agencies of the Federal Government  
19 (including the Executive Office of the President) in com-  
20 plying with—

21 (1) the Energy Policy Act of 1992 (42 U.S.C.  
22 13201 et seq.);

23 (2) Executive Order 13149 (65 Fed. Reg.  
24 24595; relating to greening the government through  
25 Federal fleet and transportation efficiency); and

1           (3) the fueling center requirements of this sec-  
2           tion.

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

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

7 **“§ 5326. Purchase of clean fuel buses**

8           “(a) DEFINITIONS.—In this section, the following  
9 definitions apply:

10           “(1) ALTERNATIVE DIESEL FUEL.—

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

13           “(i) biodiesel (as defined in section  
14 312(f) of the Energy Policy Act of 1992  
15 (42 U.S.C. 13220(f))); and

16           “(ii) any blending components derived  
17 from alternative fuel.

18           “(B) INCLUSIONS.—The term ‘alternative  
19 diesel fuel’ includes a diesel fuel substitute pro-  
20 duced from—

21           “(i) animal fat;

22           “(ii) plant oil;

23           “(iii) recycled yellow grease;

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

25           “(v) thermal depolymerization;

1 “(vi) thermochemical conversion;

2 “(vii) a coal-to-liquid process (includ-  
3 ing the Fischer-Tropsch process) that pro-  
4 vides for the sequestration of carbon emis-  
5 sions; or

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

8 “(2) CELLULOSIC BIOMASS ETHANOL.—The  
9 term ‘cellulosic biomass ethanol’ means ethanol de-  
10 rived from any lignocellulosic or hemicellulosic mat-  
11 ter that is available on a renewable or recurring  
12 basis, including—

13 “(A) dedicated energy crops and trees;

14 “(B) wood and wood residues;

15 “(C) plants;

16 “(D) grasses;

17 “(E) agricultural residues;

18 “(F) fibers;

19 “(G) animal wastes and other waste mate-  
20 rials; and

21 “(H) municipal solid waste.

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

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

25 “(i) compressed natural gas;

1 “(ii) liquefied natural gas;

2 “(iii) 1 or more batteries;

3 “(iv) a fuel that is composed of at  
4 least 85 percent ethanol (or another per-  
5 centage of not less than 70 percent, as the  
6 Secretary may determine, by rule, to pro-  
7 vide for requirements relating to cold start,  
8 safety, or vehicle functions);

9 “(v) electricity (including a hybrid  
10 electric or plug-in hybrid electric vehicle);

11 “(vi) a fuel cell;

12 “(vii) a fuel that is composed of at  
13 least 22 percent biodiesel (as defined in  
14 section 312(f) of the Energy Policy Act of  
15 1992 (42 U.S.C. 13220(f)) (or another  
16 percentage of not less than 10 percent, as  
17 the Secretary may determine, by rule, to  
18 provide for requirements relating to cold  
19 start, safety, or vehicle functions);

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

21 “(ix) liquid fuel manufactured with a  
22 coal feedstock; and

23 “(B) has been certified by the Adminis-  
24 trator of the Environmental Protection Agency  
25 to significantly reduce harmful emissions, par-

1           ticularly in a nonattainment area (as defined in  
2           section 171 of the Clean Air Act (42 U.S.C.  
3           7501)).

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

8                   “(A) are sold by the producer to another  
9           person—

10                   “(i) for use by the person in the pro-  
11           duction of a mixture of qualified fuels in  
12           the trade or business of the person (other  
13           than casual off-farm production);

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

16                   “(iii) that—

17                           “(I) sells to another person the  
18           qualified fuel at retail; and

19                           “(II) places the qualified fuel in  
20           the fuel tank of the person that pur-  
21           chased the qualified fuel; or

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

24           “(5) QUALIFIED FUEL.—The term ‘qualified  
25           fuel’ includes—

1           “(A) cellulosic biomass ethanol;

2           “(B) ethanol produced in facilities in which  
3 animal waste or other waste materials are di-  
4 gested or otherwise used to displace at least 90  
5 percent of the fossil fuels that would otherwise  
6 be used in the production of ethanol;

7           “(C) renewable fuels;

8           “(D) alternative diesel fuels;

9           “(E) sugar, starch, or cellulosic biomass;  
10 and

11           “(F) any other fuel that is not substan-  
12 tially petroleum.

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

16           “(A)(i) is produced from grain, starch, oil-  
17 seeds, vegetable, animal, or fish materials in-  
18 cluding fats, greases, and oils, sugarcane, sugar  
19 beets, sugar components, tobacco, potatoes, or  
20 other biomass; or

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

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

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

10          “(c) ULTRA-LOW SULFUR DIESEL.—

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

18           “(2) EXCEPTION.—Paragraph (1) shall not  
19 apply if the recipient enters into a 3-year purchase  
20 agreement with a qualified alternative fuel producer  
21 to acquire qualified fuels in a volume sufficient to  
22 power the clean fuel buses purchased using amounts  
23 made available under this section.

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

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

7           “(A) a certification that the applicant will  
8 operate the clean fuel bus only with the fuel at  
9 all times in accordance with the fuel capacity  
10 and use of the fuel recommended by the manu-  
11 facturer of the clean fuel bus; and

12           “(B) not later than 180 days after the  
13 purchase of the clean fuel bus and every 180  
14 days thereafter, a report that documents that  
15 the fuel was used in accordance with subpara-  
16 graph (A) during the 180-day period ending on  
17 the date of the report.

18           “(2) NONCOMPLIANCE.—Failure of an appli-  
19 cant or recipient of funds to provide the certification  
20 or documentation required under paragraph (1)  
21 shall—

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

24           “(B) require the applicant or recipient to  
25 reimburse the Secretary the full amount of the

1 funds not later than 90 days after the Sec-  
2 retary has determined that a violation has oc-  
3 curred.”.

4 (b) CONFORMING AMENDMENT.—The analysis for  
5 such chapter 53 is amended by inserting after the item  
6 relating to section 5325 the following:

“5326. Purchase of clean fuel buses.”.

7 **SEC. 12. DOMESTIC FUEL PRODUCTION VOLUMES TO MEET**  
8 **DEPARTMENT OF DEFENSE NEEDS.**

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

11 (1) in the heading, by striking “**and tar**  
12 **sands**” and inserting “**tar sands, and other**  
13 **sources**”;

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

1 depolymerization, or thermal conversion processes  
2 (referred to in this section as a ‘covered fuel’);

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

5 (4) in subsection (e), by striking the period at  
6 the end and inserting the following: “, with consider-  
7 ation given to military installations closed or re-  
8 aligned under a round of defense base closure and  
9 realignment.”; and

10 (5) by adding at the end the following new sub-  
11 section:

12 “(f) PRODUCTION FACILITIES FOR COVERED  
13 FUELS.—The Secretary of Defense may enter into con-  
14 tracts or other agreements with private companies or other  
15 entities to develop and operate production facilities for  
16 covered fuels, and may provide for the construction or cap-  
17 ital modification of production facilities for covered  
18 fuels.”.

19 **SEC. 13. FEDERAL FLEET ENERGY CONSERVATION IM-**  
20 **PROVEMENT.**

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

23 (1) in paragraph (3), by inserting before the  
24 semicolon at the end the following: “, including a ve-  
25 hicle that is propelled by electric drive transportation

1 technology, engine dominant hybrid electric tech-  
2 nology, or plug-in hybrid technology”;

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

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

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

8 “(15) the term ‘electric drive transportation  
9 technology’ means—

10 “(A) technology that uses an electric motor  
11 for all or part of the motive power of a vehicle  
12 (regardless of whether off-board electricity is  
13 used), including—

14 “(i) a battery electric vehicle;

15 “(ii) a fuel cell vehicle;

16 “(iii) an engine dominant hybrid elec-  
17 tric vehicle;

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

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

20 and

21 “(vi) an electric rail vehicle; or

22 “(B) technology that uses equipment for  
23 transportation (including transportation involv-  
24 ing any mobile source of air pollution) that uses  
25 an electric motor to replace an internal combus-

1           tion engine for all or part of the work of the  
2           equipment, including corded electric equipment  
3           that is linked to transportation or a mobile  
4           source of air pollution;

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

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

9                           “(i) any combustible fuel; and

10                           “(ii) an on-board, rechargeable stor-  
11                           age device; and

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

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

18                           “(A) any combustible fuel;

19                           “(B) an on-board, rechargeable storage de-  
20                           vice; and

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

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

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

3           (2) in subparagraph (D), by striking “fiscal  
4 year 1999 and thereafter,” and inserting “each of  
5 fiscal years 1999 through 2013; and”; and

6           (3) by inserting after subparagraph (D) the fol-  
7 lowing:

8                   “(E) 100 percent in fiscal year 2014 and  
9 thereafter,”.

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