

111TH CONGRESS
2D SESSION

S. 3714

To amend the Internal Revenue Code of 1986 to provide tax incentives
for clean coal technology, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 5, 2010

Mr. CONRAD (for himself and Mr. HATCH) introduced the following bill; which
was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide
tax incentives for clean coal 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; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Coal Energy Bridge Act of 2010”.

6 (b) FINDINGS.—The Congress finds the following:

7 (1) Significantly reducing greenhouse gas emis-
8 sions from United States coal plants must be part
9 of a strategy to address climate change.

1 (2) Carbon capture and sequestration is the key
 2 to continued enjoyment of the energy security and
 3 economic benefits associated with the use of the Na-
 4 tion’s abundant domestic coal resources for power
 5 generation.

6 (3) Multiple technology demonstrations that in-
 7 crease the efficiency of power plants and thereby re-
 8 duce carbon dioxide emissions and that demonstrate
 9 carbon dioxide capture and sequestration are needed
 10 in the near-term as a bridge to a reliable and afford-
 11 able power system that can achieve future green-
 12 house gas reduction goals.

13 **SEC. 2. SEVEN-YEAR AMORTIZATION FOR CERTAIN SYS-**
 14 **TEMS INSTALLED ON COAL-FIRED ELECTRIC**
 15 **GENERATION UNITS.**

16 (a) IN GENERAL.—Subsection (d) of section 169 of
 17 the Internal Revenue Code of 1986 (relating to amortiza-
 18 tion of pollution control facilities) is amended by adding
 19 at the end the following new paragraph:

20 “(6) SPECIAL RULE FOR SYSTEMS INSTALLED
 21 ON COAL-FIRED ELECTRIC GENERATION UNITS.—

22 “(A) IN GENERAL.—Any mechanical or
 23 electronic system—

“(i) which is installed on a coal-fired electric generation unit after the date of the enactment of this paragraph, and

“(ii) which reduces carbon dioxide emissions per net megawatt hour of electricity generation by 1 or more of the means described in subparagraph (B) or any other means,

shall be treated for purposes of this section as a new identifiable treatment facility which abates or controls atmospheric pollution or contamination by removing, altering, disposing, storing, or preventing the creation or emission of pollutants, contaminants, wastes, or heat. Paragraph (1)(C) of this subsection, and subsection (e), shall not apply to any system which is so treated.

“(B) MEANS FOR REDUCING EMISSIONS.—

The means described in this subparagraph are—

“(i) optimizing combustion,

“(ii) optimizing sootblowing and heat transfer,

“(iii) upgrading steam temperature control capabilities,

1 “(iv) reducing exit gas temperatures
2 (air heater modifications),

3 “(v) predrying low rank coals using
4 power plant waste heat,

5 “(vi) modifying steam turbines or
6 change the steam path/blading,

7 “(vii) replacing single speed motors
8 with variable speed drives for fans and
9 pumps, and

10 “(viii) improving operational controls,
11 including neural networks.

12 “(C) SPECIAL RULE FOR MINIMUM TAX.—
13 Section 56(a)(5) shall not apply to property to
14 which this paragraph applies.”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to property placed in service after
17 the date of the enactment of this Act.

18 **SEC. 3. CREDIT FOR INVESTMENT IN CARBON DIOXIDE**
19 **CAPTURE, TRANSPORT, AND STORAGE EQUIP-**
20 **MENT.**

21 (a) IN GENERAL.—Subpart E of part IV of sub-
22 chapter A of chapter 1 of the Internal Revenue Code of
23 1986 (relating to rules for computing investment credit)
24 is amended by inserting after section 48D the following
25 new section:

1 **“SEC. 48E. QUALIFYING CARBON DIOXIDE CAPTURE,**
2 **TRANSPORT, AND STORAGE EQUIPMENT**
3 **CREDIT.**

4 “(a) GENERAL RULE.—For purposes of section 46,
5 the qualifying carbon dioxide capture, transport, and stor-
6 age equipment credit for any taxable year is an amount
7 equal to 30 percent of the qualified investment for such
8 taxable year.

9 “(b) QUALIFIED INVESTMENT.—

10 “(1) IN GENERAL.—For purposes of subsection
11 (a), the qualified investment for any taxable year is
12 the basis of eligible carbon dioxide capture, trans-
13 port, and storage property placed in service by the
14 taxpayer during such taxable year which is part of
15 a qualifying clean coal project—

16 “(A)(i) the construction, reconstruction, or
17 erection of which is completed by the taxpayer,
18 or

19 “(ii) which is acquired by the taxpayer if
20 the original use of such property commences
21 with the taxpayer, and

22 “(B) with respect to which depreciation (or
23 amortization in lieu of depreciation) is allow-
24 able.

1 “(2) SPECIAL RULE FOR CERTAIN SUBSIDIZED
2 PROPERTY.—Rules similar to section 48(a)(4) shall
3 apply for purposes of this section.

4 “(3) CERTAIN QUALIFIED PROGRESS EXPENDI-
5 TURES RULES MADE APPLICABLE.—Rules similar to
6 the rules of subsections (c)(4) and (d) of section 46
7 (as in effect on the day before the enactment of the
8 Revenue Reconciliation Act of 1990) shall apply for
9 purposes of this section.

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

11 “(1) QUALIFYING CLEAN COAL PROJECT.—

12 “(A) IN GENERAL.—The term ‘qualifying
13 clean coal project’ means any project if such
14 project—

15 “(i) uses—

16 “(I) gasification technology (as
17 defined in section 48B(c)(2)), or

18 “(II) the combustion of coal, bio-
19 mass, or both

20 to produce electricity, qualified transpor-
21 tation fuels, or synthetic natural gas, and

22 “(ii)(I) is a new project which is de-
23 signed to meet the requirements of sub-
24 paragraphs (B), (C), and (D), as applica-
25 ble, or

“(II) consists of retrofits to existing equipment such that the project meets the requirements of subparagraphs (B), (C), and (D), as applicable.

“(B) REQUIREMENTS FOR ELECTRICITY PRODUCTION.—

“(i) IN GENERAL.—In the case of a qualifying clean coal project which is used to produce electricity, the project shall meet the emission requirement of clause (ii) and the carbon capture requirement of clause (iii).

“(ii) EMISSION REQUIREMENT.—The requirement of this clause is met if the project is designed—

“(I) to emit carbon dioxide at an average annual rate of less than 1,100 pounds per net megawatt hour of electrical generation, or

“(II) such that the carbon dioxide emissions of such project are no greater than half of the average carbon dioxide emissions for facilities producing electricity during 2005 from the same coal rank as such

1 project, as determined under regula-
2 tions prescribed by the Secretary in
3 consultation with the Secretary of En-
4 ergy and the Administrator of the En-
5 vironmental Protection Agency.

6 “(iii) CARBON CAPTURE REQUIRE-
7 MENT.—The requirement of this clause is
8 met—

9 “(I) if such unit is among the
10 first 1,000 megawatts of electric gen-
11 eration units certified by the Sec-
12 retary under subsection (e), to cap-
13 ture and sequester not less than
14 500,000 metric tons per year of car-
15 bon dioxide,

16 “(II) if such unit is among the
17 next 3,000 megawatts of electric gen-
18 eration units certified by the Sec-
19 retary under subsection (e), to cap-
20 ture and sequester not less than
21 1,000,000 metric tons per year of car-
22 bon dioxide, and

23 “(III) for any other unit, to cap-
24 ture and sequester not less than

1 2,000,000 metric tons per year of car-
2 bon dioxide.

3 “(C) REQUIREMENTS FOR TRANSPOR-
4 TATION FUELS.—

5 “(i) IN GENERAL.—In the case of any
6 qualifying clean coal project which is used
7 to produce qualified transportation fuels,
8 such project shall be designed such that
9 the cycle-wide carbon dioxide emissions for
10 such fuels are no greater than half of the
11 average cycle-wide carbon dioxide emis-
12 sions for comparable products during
13 2005, as determined under regulations pre-
14 scribed by the Secretary in consultation
15 with the Secretary of Energy and the Ad-
16 ministrator of the Environmental Protec-
17 tion Agency.

18 “(ii) CYCLE-WIDE CARBON DIOXIDE
19 EMISSIONS.—For purposes of this subpara-
20 graph, the term ‘cycle-wide carbon dioxide
21 emissions’ means the total emissions of
22 carbon dioxide in production and consump-
23 tion of a product.

24 “(iii) COMPARABLE PRODUCTS.—For
25 purposes of this subparagraph, the term

1 ‘comparable product’ means any transpor-
2 tation fuel derived from crude oil or coal.

3 “(D) REQUIREMENTS FOR SYNTHETIC
4 NATURAL GAS.—In the case of any qualifying
5 clean coal project which is used to produce syn-
6 thetic natural gas, such project shall be de-
7 signed such that the cycle-wide carbon dioxide
8 emissions for such gas is no greater than half
9 of the average cycle-wide carbon dioxide emis-
10 sions for such gas during 2005, as determined
11 under regulations prescribed by the Secretary in
12 consultation with the Secretary of Energy and
13 the Administrator of the Environmental Protec-
14 tion Agency. For purposes of this subpara-
15 graph, the term ‘cycle-wide carbon dioxide emis-
16 sions’ means the total emissions of carbon diox-
17 ide in production and consumption of a prod-
18 uct.

19 “(2) ELIGIBLE CARBON DIOXIDE CAPTURE,
20 TRANSPORT, AND STORAGE PROPERTY.—The term
21 ‘eligible carbon dioxide capture, transport, and stor-
22 age property’ means any property—

23 “(A) which is used to capture, transport,
24 or store carbon dioxide emitted at a qualifying
25 clean coal project, including equipment used to

1 separate and pressurize carbon dioxide for
2 transport (including equipment to operate such
3 equipment),

4 “(B)(i) the construction, reconstruction, or
5 erection of which is completed by the taxpayer,
6 or

7 “(ii) which is acquired by the taxpayer if
8 the original use of such property commences
9 with the taxpayer, and

10 “(C) with respect to which depreciation (or
11 amortization in lieu of depreciation) is allow-
12 able.

13 “(3) QUALIFIED TRANSPORTATION FUEL.—The
14 term ‘qualified transportation fuel’ means any liquid
15 fuel derived from the co-processing of coal and re-
16 newable biomass (as defined in section 9001(12) of
17 the Food, Conservation, and Energy Act of 2008).

18 “(4) COAL.—The term ‘coal’ means bituminous
19 coal, subbituminous coal, and lignite.

20 “(d) AGGREGATE CREDITS.—

21 “(1) IN GENERAL.—No credit shall be allowed
22 under this section with respect to any qualifying
23 clean coal project unless such project is certified by
24 the Secretary under subsection (e).

1 “(2) LIMITATION ON PROJECTS CERTIFIED.—
 2 The Secretary may certify under subsection (e) no
 3 more than—

4 “(A) 20 projects described in subsection
 5 (c)(1)(A)(ii)(I), and

6 “(B) 20 projects described in subsection
 7 (c)(1)(A)(ii)(II).

8 “(e) CERTIFICATION.—

9 “(1) CERTIFICATION PROCESS.—The Secretary,
 10 in consultation with the Secretary of Energy and the
 11 Administrator of the Environmental Protection
 12 Agency, shall establish a certification process to de-
 13 termine if a project meets all criteria and other re-
 14 quirements to be recognized as a qualifying clean
 15 coal project.

16 “(2) FEEDSTOCK REQUIREMENTS.—After the
 17 date of publication by the Secretary of the final cer-
 18 tification process referred to in paragraph (1), the
 19 Secretary shall allocate the limitation in subsection
 20 (d)(2) in equal amounts among—

21 “(A) projects using bituminous coal as a
 22 primary feedstock,

23 “(B) projects using subbituminous coal as
 24 a primary feedstock, and

1 “(C) projects using lignite as a primary
2 feedstock.

3 “(3) REDISTRIBUTION.—The Secretary may re-
4 allocate credits if the Secretary determines that
5 there is an insufficient quantity of qualifying appli-
6 cations for certification, pending at the time of re-
7 view, to comply with the feedstock requirements of
8 paragraph (2). The Secretary may conduct an addi-
9 tional program for applications for certification and
10 reallocate available credits without regard to the
11 feedstock requirement which was not satisfied as a
12 result of insufficient applications for certification.

13 “(4) REQUIREMENTS FOR APPLICATIONS FOR
14 CERTIFICATION.—An application for certification
15 shall contain such information as the Secretary may
16 require in order to make a determination to accept
17 or reject the application and establish applicable
18 credit entitlement. Any information contained in the
19 application shall be protected as provided in section
20 552(b)(4) of title 5, United States Code.

21 “(f) DENIAL OF DOUBLE BENEFIT.—No credit shall
22 be allowed under this section for any property for which
23 credit is allowed under sections 48A, 48B, or 48C.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Section 46 of such Code (relating to amount
2 of credit) is amended by striking “and” at the end
3 of paragraph (5), by striking the period at the end
4 of paragraph (6) and inserting “, and”, and by add-
5 ing at the end the following new paragraph:

6 “(7) the qualifying carbon dioxide capture,
7 transport, and storage equipment credit.”.

8 (2) Subparagraph (C) of section 49(a)(1) of
9 such Code is amended by striking “and” at the end
10 of clause (v), by striking the period at the end of
11 clause (vi) and inserting “, and”, and by adding
12 after clause (vi) the following new clause:

13 “(vii) the basis of any qualifying car-
14 bon dioxide capture, transport, and storage
15 equipment under section 48E.”.

16 (3) The table of sections for subpart E of part
17 IV of subchapter A of chapter 1 of such Code is
18 amended by inserting after the item relating to sec-
19 tion 48D the following new item:

“Sec. 48E. Qualifying carbon dioxide capture, transport, and storage equip-
ment credit.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to periods after the date of the
22 enactment of this Act under rules similar to the rules of
23 section 48(m) of the Internal Revenue Code of 1986 (as

1 in effect on the day before the date of the enactment of
 2 the Revenue Reconciliation Act of 1990).

3 **SEC. 4. MODIFICATIONS TO CREDIT FOR CARBON DIOXIDE**
 4 **SEQUESTRATION.**

5 (a) CREDIT ALLOWED FOR USES OTHER THAN TER-
 6 TIARY INJECTANTS.—

7 (1) IN GENERAL.—Paragraph (2) of section
 8 45Q(a) of the Internal Revenue Code of 1986 is
 9 amended to read as follows:

10 “(2) \$10 per metric ton of qualified carbon di-
 11 oxide which is—

12 “(A) captured by the taxpayer at a quali-
 13 fied facility, and

14 “(B) either—

15 “(i) used as a tertiary injectant in a
 16 qualified enhanced oil or natural gas recov-
 17 ery project and disposed of in secure geo-
 18 logical storage, or

19 “(ii) converted to a stable form in
 20 which such carbon dioxide is securely and
 21 permanently sequestered and used for a
 22 beneficial economic purpose.”.

23 (2) CREDIT ALLOWED FOR OTHER SECURE
 24 STORAGE.—Subparagraph (B) of section 45Q(a)(1)
 25 of such Code is amended by inserting “or converted

1 to a stable form in which it is securely and perma-
 2 nently sequestered” after “secure geological stor-
 3 age”.

4 (3) SECURELY AND PERMANENTLY SEQUES-
 5 TERED.—Paragraph (2) of section 45Q(c) is amend-
 6 ed—

7 (A) by striking all that precedes “in con-
 8 sultation with the Administrator” and inserting
 9 the following:

10 “(2) SECURE GEOLOGICAL STORAGE AND PER-
 11 MANENT SEQUESTRATION.—

12 “(A) SECURE GEOLOGICAL STORAGE.—The
 13 Secretary”,

14 (B) by striking “(2)(C)” and inserting
 15 “(2)(B)(i)”, and

16 (C) by adding at the end the following new
 17 subparagraph:

18 “(B) SECURE PERMANENT SEQUESTRA-
 19 TION.—The Secretary, in consultation with the
 20 Administrator of the Environmental Protection
 21 Agency, shall establish regulations for deter-
 22 mining adequate security measures for the per-
 23 manent sequestration of carbon dioxide for uses
 24 described in paragraph (1)(B) or (2)(B)(ii) of

1 subsection (a) such that the carbon dioxide does
 2 not escape into the atmosphere.”.

3 (4) CONFORMING AMENDMENT.—Subparagraph
 4 (B) of section 45Q(1) of such Code is amended by
 5 inserting “or through secure and permanent seques-
 6 tration” after “secure geological storage”.

7 (b) MODIFICATION TO DEFINITION OF QUALIFIED
 8 CARBON DIOXIDE.—Subparagraph (A) of section
 9 45Q(b)(1) of the Internal Revenue Code of 1986 is
 10 amended by striking “otherwise” and inserting “, but for
 11 the capture and sequestration or conversion to a stable
 12 form,”.

13 (c) PERSON ENTITLED TO CREDIT.—

14 (1) IN GENERAL.—Paragraph (5) of section
 15 45Q(d) of the Internal Revenue Code of 1986 is
 16 amended to read as follows:

17 “(5) CREDIT ATTRIBUTABLE TO TAXPAYER.—

18 “(A) IN GENERAL.—Except as provided in
 19 subparagraph (B), any credit under this section
 20 shall be attributable to the person that captures
 21 and physically or contractually ensures the dis-
 22 posal of or the use as a tertiary injectant of the
 23 qualified carbon dioxide.

24 “(B) TRANSFER OF CREDIT.—A taxpayer
 25 may transfer the credit under subsection (a) to

1 the person responsible for disposing, converting,
2 or using the qualified carbon dioxide. Such
3 transfer shall only be effective if the taxpayer
4 submits to the Secretary, at such time and in
5 such manner as the Secretary prescribes, a
6 statement concerning the transfer which con-
7 tains—

8 “(i) the name, address, and taxpayer
9 identification number of the taxpayer
10 transferring the credit,

11 “(ii) the name, address, and taxpayer
12 identification number of the taxpayer re-
13 ceiving the transfer, and

14 “(iii) such other information relating
15 to such transfer as the Secretary may re-
16 quire.”.

17 (2) RULES.—Not later than 180 days after the
18 date of the enactment of this Act, the Secretary of
19 the Treasury shall prescribe rules relating to the
20 transfer of credits under section 45Q of the Internal
21 Revenue Code of 1986 pursuant to subparagraph
22 (B) section 45Q(d)(5) of such Code, as added by
23 paragraph (1).

24 (d) EXTENSION OF CREDIT.—

1 (1) CREDIT ALLOWED FOR 10-YEAR CREDIT PE-
 2 RIOD.—Paragraphs (1)(A) and (2)(A) of section
 3 45Q(a) of the Internal Revenue Code of 1986 are
 4 each amended by inserting “during the 10-year pe-
 5 riod beginning on the date the carbon capture equip-
 6 ment described in subsection (c)(2) is placed in serv-
 7 ice” before the comma at the end.

8 (2) TERMINATION.—Paragraph (2) of section
 9 45Q(c) of such Code is amended by inserting “by
 10 the taxpayer before January 1, 2018” before the
 11 comma at the end.

12 (3) CONFORMING AMENDMENT.—Section 45Q
 13 of such Code is amended by striking subsection (e).

14 (e) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to carbon dioxide captured after
 16 the date of the enactment of this Act.

17 **SEC. 5. CLEAN ENERGY COAL BONDS.**

18 (a) IN GENERAL.—

19 (1) TREATMENT AS TAX CREDIT BONDS.—Sub-
 20 part I of part IV of subchapter A of chapter 1 of
 21 the Internal Revenue Code of 1986 (relating to
 22 qualified tax credit bonds) is amended by adding at
 23 the end the following new section:

1 **“SEC. 54G. CLEAN ENERGY COAL BONDS.**

2 “(a) CLEAN ENERGY COAL BOND.—For purposes of
3 this subchapter—

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

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

12 “(B) 100 percent of the available project
13 proceeds from the sale of such issue are to be
14 used for capital expenditures incurred by quali-
15 fied borrowers for 1 or more qualified projects,

16 “(C) the qualified issuer designates such
17 bond for purposes of this section and the bond
18 is in registered form, and

19 “(D) in lieu of the requirements of section
20 54A(d)(2), the issue meets the requirements of
21 subsection (c).

22 “(2) QUALIFIED PROJECT; SPECIAL USE
23 RULES.—

24 “(A) IN GENERAL.—The term ‘qualified
25 project’ means a qualified clean coal project (as

1 defined in subsection (f)(1)) placed in service by
2 a qualified borrower.

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

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

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

22 “(ii) not later than 60 days after pay-
23 ment of the original expenditure, the quali-
24 fied issuer adopts an official intent to re-

1 imburse the original expenditure with such
2 proceeds, and

3 “(iii) reimbursement is not made later
4 than 18 months after the date the original
5 expenditure is paid or the date the project
6 is placed in service or abandoned, but in
7 no event more than 3 years after the origi-
8 nal expenditure is paid.

9 “(D) TREATMENT OF CHANGES IN USE.—

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

22 “(b) 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 \$5,000,000,000.

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 “(c) SPECIAL RULES RELATING TO EXPENDI-
 9 TURES.—

10 “(1) IN GENERAL.—An issue shall be treated as
 11 meeting the requirements of this subsection if, as of
 12 the date of issuance, the qualified issuer reasonably
 13 expects—

14 “(A) 100 percent or more of the available
 15 project proceeds from the sale of the issue are
 16 to be spent for 1 or more qualified projects
 17 within the 5-year period beginning on the date
 18 of issuance of the clean energy bond,

19 “(B) a binding commitment with a third
 20 party to spend at least 10 percent of such avail-
 21 able project proceeds from the sale of the issue
 22 will be incurred within the 6-month period be-
 23 ginning on the date of issuance of the clean en-
 24 ergy bond or, in the case of a clean energy bond
 25 the available project proceeds of which are to be

1 loaned to 2 or more qualified borrowers, such
2 binding commitment will be incurred within the
3 6-month period beginning on the date of the
4 loan of such proceeds to a qualified borrower,
5 and

6 “(C) such projects will be completed with
7 due diligence and the available project proceeds
8 from the sale of the issue will be spent with due
9 diligence.

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

17 “(3) FAILURE TO SPEND REQUIRED AMOUNT
18 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-
19 tent that less than 100 percent of the available
20 project proceeds of such issue are expended by the
21 close of the 5-year period beginning on the date of
22 issuance (or if an extension has been obtained under
23 paragraph (2), by the close of the extended period),
24 the qualified issuer shall redeem all of the non-
25 qualified bonds within 90 days after the end of such

1 period. For purposes of this paragraph, the amount
2 of the nonqualified bonds required to be redeemed
3 shall be determined in the same manner as under
4 section 142.

5 “(d) REDUCED CREDIT AMOUNT.—The annual credit
6 determined under section 54A(b) with respect to any clean
7 coal energy bond shall be 70 percent of the amount so
8 determined without regard to this subsection.

9 “(e) COOPERATIVE ELECTRIC COMPANY; QUALIFIED
10 ENERGY TAX CREDIT BOND LENDER; GOVERNMENTAL
11 BODY; QUALIFIED BORROWER.—For purposes of this sec-
12 tion—

13 “(1) COOPERATIVE ELECTRIC COMPANY.—The
14 term ‘cooperative electric company’ means a mutual
15 or cooperative electric company described in section
16 501(c)(12) or section 1381(a)(2)(C), or a not-for-
17 profit electric utility which has received a loan or
18 loan guarantee under the Rural Electrification Act.

19 “(2) CLEAN ENERGY BOND LENDER.—The
20 term ‘clean energy bond lender’ means a lender
21 which is a cooperative which is owned by, or has out-
22 standing loans to, 100 or more cooperative electric
23 companies and is in existence on February 1, 2002,
24 and shall include any affiliated entity which is con-
25 trolled by such lender.

1 “(3) PUBLIC POWER ENTITY.—The term ‘public
2 power entity’ means a State utility with a service ob-
3 ligation, as such terms are defined in section 217 of
4 the Federal Power Act (as in effect on the date of
5 enactment of this paragraph).

6 “(4) QUALIFIED ISSUER.—The term ‘qualified
7 issuer’ means—

8 “(A) a clean energy bond lender,

9 “(B) a cooperative electric company, or

10 “(C) a public power entity.

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

13 “(A) a mutual or cooperative electric com-
14 pany described in section 501(c)(12) or
15 1381(a)(2)(C), or

16 “(B) a public power entity.

17 “(f) SPECIAL RULES RELATING TO POOL BONDS.—
18 No portion of a pooled financing bond may be allocable
19 to any loan unless the borrower has entered into a written
20 loan commitment for such portion prior to the issue date
21 of such issue.

22 “(g) OTHER DEFINITIONS AND SPECIAL RULES.—
23 For purposes of this section—

1 “(1) QUALIFIED CLEAN COAL PROJECT.—For
2 purposes of this section, the term ‘qualified clean
3 coal project’ means—

4 “(A) an atmospheric pollution control facil-
5 ity (within the meaning of section 169(d)(6)),

6 “(B) a qualifying clean coal project (within
7 the meaning of section 48E(c)(1)), or

8 “(C) a qualified facility (within the mean-
9 ing of section 45Q(c)).

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

13 (2) BONDS NOT SUBJECT TO MATURITY LIMITA-
14 TION.—Paragraph (5) of section 54A(d) of such
15 Code is amended by adding at the end the following
16 new subparagraph:

17 “(C) SPECIAL RULE FOR CLEAN ENERGY
18 COAL BONDS.—The requirements of this para-
19 graph shall not apply to a clean energy coal
20 bond under section 54G.”.

21 (3) CONFORMING AMENDMENTS.—

22 (A) Paragraph (1) of section 54A(d) of the
23 Internal Revenue Code of 1986 is amended by
24 striking “or” at the end of subparagraph (D),
25 by inserting “or” at the end of subparagraph

1 (E), and by inserting after subparagraph (E)
 2 the following new subparagraph:

3 “(F) a clean energy coal bond,”.

4 (B) The table of sections for subpart I of
 5 part IV of subchapter A of chapter 1 of the In-
 6 ternal Revenue Code of 1986 is amended by
 7 adding at the end the following new item:

“Sec. 54G. Clean energy coal bonds.”.

8 (b) BONDS TREATED AS SPECIFIED TAX CREDIT
 9 BONDS.—

10 (1) IN GENERAL.—Section 6431(f)(3)(A) of the
 11 Internal Revenue Code of 1986 is amended by strik-
 12 ing “or” at the end of clause (iii), by striking “and”
 13 at the end of clause (iv) and inserting “or”, and by
 14 adding at the end the following new clause:

15 “(v) a clean energy coal bond (as de-
 16 fined in section 54G), and”.

17 (2) SPECIAL RULE.—Paragraph (2) of section
 18 6431(f) of such Code is amended—

19 (A) by striking “clause (i) or (ii)” and in-
 20 serting “clause (i), (ii), or (v)”, and

21 (B) by striking the heading and inserting
 22 “SPECIAL RULE FOR CERTAIN BONDS”.

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

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